

**EDI
LCCI IQ ON DEMAND EXAMINATION
BOOK-KEEPING AND ACCOUNTS (IAS)
LEVEL 2
MARKING SCHEME
ASE20050A PRACTICE PAPER**

**DISTINCTION MARK 75%
CREDIT MARK 60%
PASS MARK 50%**

**Key:
of = own figure**

TOTAL 100 MARKS

QUESTION 1

Syllabus Topic 3: Limited liability companies (3.2.3), (3.2.4), (3.2.5), (3.2.6), (3.2.7), (3.2.8), (3.2.9), (3.2.10), (3.2.12), (3.2.13), (3.2.14)

(a) (i)

Statement of Changes in Equity for the year ended 31 December 2009 1

	Share Capital \$	Share Premium \$	Retained Earnings \$	General Reserve \$	Total Equity \$
Balance at 1 January 09	3,500	275	682	320	4,777 1
Changes in equity for 09					
Issue of share capital		0			0
Profit for the year			1,348		1,348 1
Transfer from retained earnings			(50)	50	0 1
Dividends (150+30)	_____	_____	(180)	_____	(180) 1
Balance at 31 December 09	<u>3,500</u> 1	<u>275</u> 1	<u>1,800</u> 1	<u>370</u> 1	<u>5,945</u> 1

(10 marks)

QUESTION 1 CONTINUED

(a) (ii)

DMS Limited
Statement of Financial Position at 31 December 2009 1

Non-current Assets	Cost	Accumulated Depreciation	NBV
	\$000	\$000	\$000
Property	5,000	-	5,000
Machinery	1,400	827	573
Office equipment	<u>600</u>	<u>255</u>	<u>345</u>
	<u>7,000</u> 1	<u>1,082</u> 1	5,918
 Current Assets			
Inventory		540	
Trade receivables	369		
Less Allowance for doubtful debts	<u>(18)</u>	351 1	
Cash		<u>5</u>	
			<u>896</u>
Total assets			<u>6,814</u>
 Equity and Liabilities			
Capital and reserves			
Issued and fully paid:			
500,000 \$1 6% Preferred shares			500 1
3,000,000 \$1 Ordinary shares			3,000 1
Share premium		275 1	
General reserve		370 1	
Accumulated profits		<u>1,800</u> 1of	<u>2,445</u>
Equity			5,945 1of
 Non-current Liabilities			
8% Debentures			100 1
 Current Liabilities			
Trade payables		680	
Other payables (10)		10 1	
Income receivable		15 1	
Bank overdraft		<u>64</u>	
			<u>769</u>
Total equity and liabilities			<u>6,814</u> 1of

(13 marks)

(b) Difference between an ordinary share and a debenture – **one point 2 marks**

Shareholder is an owner, debenture holder is a creditor
 Share is not repaid, debenture is repaid
 Share receives dividend, debenture receives interest
 Dividend is variable, interest is fixed
 Dividend is paid at discretion of directors, interest must be paid
 Shareholder has a vote at AGM, debenture holders/loan note holders do not (2 marks)

(Total 25 marks)

QUESTION 2

Syllabus Topic 4.2: Factors in the production of detailed financial statements from incomplete records (4.2.1), (4.2.2), (4.2.4)

- (a) (i) $9,350 + 82,500 + 5,200 - 7,800 = \$89,250$ **1 + 1of**
- (ii) $5,950 + 62,000 + 400 - 4,000 = \$64,350$ **1 + 1of**
- (iii) $70 + 5,200 - 3,000 - 400 - 500 - 30 = \$1,340$ **1 + 1of**

(6 marks)

(b)

**Suzie Wong
Income Statement for the year ended 31 December 2009**

	\$	\$
Revenue		89,250
Cost of revenue		
Opening inventory	2,000	
Purchases	<u>64,350</u>	
	66,350	
Closing inventory	<u>2,400</u>	
		<u>63,950</u>
Gross profit		25,300 1of
Less:		
Expenses (7,400 + 500 - 1,800 - 2,050)	4,050 1+1of	
Depreciation (<u>8,000 - 1,000</u>)		
5	1,400 1+1of	
Allowance for doubtful debts (9,350 x 2%)	<u>187</u> 1	
		<u>(5,637)</u>
Profit for the year		<u>19,663</u> 1of

(7 marks)

(c)

**Statement of Financial Position at
31 December 2009**

	Cost	Accumulated Depreciation	Net	
	\$	\$	\$	
Fixed Assets				
Motor vehicle	<u>8,000</u>	<u>1,400</u>	6,600	1of
Current Assets				
Inventory		2,400		
Trade receivables (9,350 - 187)		9,163		1
Prepayment		2,050		
Bank		8,500		
Cash		<u>30</u>		
			<u>22,143</u>	
Total assets			<u>28,743</u>	
Represented by:				
Opening capital (7,800 + 3,400 + 70 + 2,000 - 4,000 - 1,800)			7,470	1+1of
Add: profit for the year			<u>19,663</u>	1of
			27,133	
Less: Drawings (3,000 + 1,340)			<u>4,340</u>	1of
			22,793	
Current Liabilities				
Trade payables			<u>5,950</u>	
			<u>28,743</u>	

(6 marks)

Syllabus topic 10 Calculation and interpretation of ratios (10.4.1), (10.6.3), (10.7.2)

(i)	$\frac{25,300}{89,250} \times 100$	28.4%	2of
(ii)	$\frac{22,143}{5,950}$	3.7:1	2of
(iii)	$\frac{22,143 - 2,400}{5,950}$	3.3:1	2of

(6 marks)

(Total 25 marks)

QUESTION 3

Syllabus Topic 9: Suspense Accounts (9.8), (9.9)

(a) **The Journal**

	\$		\$	
(1) Purchases account	1,530			1
Annie Bird			1,530	1
(2) Suspense	3,000			1
Rent received			3,000	1
(3) Motor vehicle repairs	780			1
Motor vehicle			780	1
(4) Suspense	2,000			1
Sales			2,000	1
(5) General expenses	1,320			1
Suspense			1,320	1
(6) Allan Smythe	900			1
Ann Smith & Co Ltd			900	1

(12 marks)

(b) **Suspense Account**

	\$		\$		
Rent received	3,000	1	Balance b/d	3,680	1+1of
Sales	2,000	1	General expenses	1,320	1
	<u>5,000</u>			<u>5,000</u>	

(5 marks)

Calculation of corrected profit for the year ended 30 June 2010

	\$		\$	
(c) Original profit for the year			94,480	1
<i>Add</i> Rent received	3,000	1		
Sales	2,000	1	<u>5,000</u>	
			99,480	
<i>Less</i> Purchases	1,530	1		
Motor vehicle repairs	780	1		
General expenses	1,320	1	<u>3,630</u>	
Corrected profit for the year			<u>95,850</u>	1+1of

(8 marks)

(Total 25 marks)

QUESTION 4

Syllabus topic 2.6: Dissolution of a partnership (2.6.1), (2.6.4), (2.6.5)

	Dissolution Account			
	\$			
Machinery	72,000		Capital: James (vehicle)	18,000 1
		{1 both		
Motor vehicles	56,000		Cash (vehicles)	30,000 1
Inventory	860	1	Cash (inventory)	760 1
Debtors	2,500	1	Jenkins	40,000 1
Cash - costs	4,970	1	Bank: Debtors	2,300 1
			Loss on dissolution:	
			Emily	30,180 1of
			Loss on dissolution:	
			James	15,090 1of
	<u>136,330</u>			<u>136,330</u>

(11 marks)

Syllabus topic 2.6: Dissolution of a partnership (2.6.2), (2.6.8)

	Capital Accounts					
	Emily		James			
	\$	\$			Emily	James
					\$	\$
Loss on dissolution	30,180	15,090	1of each	Balance b/d	102,638	30,376 1
Shares in Jenkins Ltd	20,000	20,000	1 each	Bank		22,714 1of
Vehicle		18,000	1			
Bank	<u>52,458</u>		1of			
	<u>102,638</u>	<u>53,090</u>			<u>102,638</u>	<u>53,090</u>

(9 marks)

(c) The rule states that the loss due to insolvency of a partner is to be charged to the other solvent partners who have a credit balance in their accounts in the ratio of capitals just before dissolution.

1

1

1

(5 marks)

(Total 25 marks)

QUESTION 5

Syllabus Topic 8: Control Accounts (8.4),(8.5),(8.6)

(a) (i)

		Purchases Ledger Control Account				
2010		\$		2010	\$	
Mar 01	Balance b/d	291		Mar 01	Balance b/d	16,428
Mar 31	Bank	112,251	1	Mar 31	Purchases	123,585
	Returns outwards	3,204	1		Balance c/d	399
	Discount received	3,630	1			
	Contra Sales ledger	1,035	1			
	Balance c/d	<u>20,001</u>	1			
		<u>140,412</u>				<u>140,412</u>
Apr 01	Balance b/d	399	1	Apr 01	Balance b/d	20,001

(8 marks)

(ii)

		Sales Ledger Control Account				
2010		\$		2010	\$	
Mar 01	Balance b/d	27,066	1	Mar 01	Balance b/d	495
Mar 31	Sales	162,384	1	Mar 31	Bank	147,534
	Legal expenses	270	1		Returns inwards	6,615
	Bank (dishonoured cheque)	1,128	1		Discount allowed	5,232
	Balance c/d	642			Bad debts	576
					Contra Purchases Ledger	1,035
					Balance c/d	<u>30,003</u>
		<u>191,490</u>				<u>191,490</u>
Apr 01	Balance b/d	30,003	1of	Apr 01	Balance b/d	642

(13 marks)

QUESTION 5 CONTINUED

(b)

Alice
Statement of Financial Position extract at 31 March 2010

	\$		\$
Current Assets			
Trade receivables (399 + 30,003)	30,402	1of*	
Less allowance for doubtful debts	<u>750</u>	1	29,652 1of**
Current Liabilities			
Trade payables (20,001 + 642)			20,643 1of*

(4 marks)

(Total 25 marks)