

**EDI  
LCCI IQ ON DEMAND EXAMINATION  
BOOK-KEEPING AND ACCOUNTS  
LEVEL 2  
MARKING SCHEME  
ASE20050 PRACTICE PAPER**

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**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 <b>1</b>
<b>Changes in equity for 09</b>					
Issue of share capital		0			0
Profit for the year			1,348		1,348 <b>1</b>
Transfer from retained earnings			(50)	50	0 <b>1</b>
Dividends (150+30)	_____	_____	(180)	_____	(180) <b>1</b>
Balance at 31 December 09	<u>3,500</u> <b>1</b>	<u>275</u> <b>1</b>	<u>1,800</u> <b>1</b>	<u>370</u> <b>1</b>	<u>5,945</u> <b>1</b>

(10 marks)

**QUESTION 1 CONTINUED**

(a) (ii)

**DMS Limited**  
**Statement of Financial Position at 31 December 2009 1**

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

(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**

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

(7 marks)

(c)

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

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Fixed Assets</b>				
Motor vehicle	<u>8,000</u>	<u>1,400</u>	6,600	<b>1of</b>
<b>Current Assets</b>				
Inventory		2,400		
Trade receivables (9,350 - 187)		9,163		<b>1</b>
Prepayment		2,050		
Bank		8,500		
Cash		<u>30</u>		
			<u>22,143</u>	
<b>Total assets</b>			<u>28,743</u>	
<b>Represented by:</b>				
Opening capital (7,800 + 3,400 + 70 + 2,000 - 4,000 - 1,800)			7,470	<b>1+1of</b>
Add: profit for the year			<u>19,663</u>	<b>1of</b>
			27,133	
Less: Drawings (3,000 + 1,340)			<u>4,340</u>	<b>1of</b>
			22,793	
<b>Current Liabilities</b>				
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%	<b>2of</b>
(ii)	$\frac{22,143}{5,950}$	3.7:1	<b>2of</b>
(iii)	$\frac{22,143 - 2,400}{5,950}$	3.3:1	<b>2of</b>

(6 marks)

**(Total 25 marks)**

**QUESTION 3**

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

(a)

**The Journal**

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

(12 marks)

(b)

**Suspense Account**

	\$		\$		
Rent received	3,000	<b>1</b>	Balance b/d	3,680	<b>1+1of</b>
Sales	<u>2,000</u>	<b>1</b>	General expenses	<u>1,320</u>	<b>1</b>
	<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	<b>1</b>
<i>Add</i> Rent received	3,000	<b>1</b>		
Sales	<u>2,000</u>	<b>1</b>	<u>5,000</u>	
			99,480	
<i>Less</i> Purchases	1,530	<b>1</b>		
Motor vehicle repairs	780	<b>1</b>		
General expenses	<u>1,320</u>	<b>1</b>	<u>3,630</u>	
Corrected profit for the year			<u>95,850</u>	<b>1+1of</b>

(8 marks)

**(Total 25 marks)**



**QUESTION 5**

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

(a) (i)

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

(8 marks)

(ii)

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

(13 marks)

**QUESTION 5 CONTINUED**

(b)

**Alice**  
**Statement of Financial Position extract at 31 March 2010**

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

(4 marks)

**(Total 25 marks)**