

Mark Scheme (Results)

Series 2 2014

Pearson LCCI Level 2  
Book-keeping and Accounts (ASE2007)

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**LCCI IQ SERIES 2 EXAMINATION 2014  
CERTIFICATE IN BOOK-KEEPING AND ACCOUNTS  
LEVEL 2  
MARKING SCHEME**

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

TOTAL 100 MARKS

**Key:**

**of = own figure**

**QUESTION 1**

**Syllabus Topic 4: Incomplete records (4.2.1, 4.2.2, 4.2.3, 4.2.4)**

(a)

<b>Assets</b>	<b>£</b>	<b>£</b>
Bank		4,150
Equipment		1,350
Debtors		4,000
Rent		900
General expenses		100
Stock		<u>3,000</u>
		13,500 <b>1</b>
<b>Liabilities</b>		
Creditors	3,150	
Telephone	<u>350</u>	
		<u>(3,500)</u> <b>1</b>
<b>Capital at 1 January 2013</b>		<u>10,000</u> <b>1of</b>

(3 marks)

(b)

<b>Pan</b>		
<b>Trading and Profit &amp; Loss Account for the year ended 31 December 2013</b>		<b>£</b>
Sales (45,800 + 5,600 + 4,605 + 750 + 225 + 5,000 - 4,000)		57,980 <b>3</b>
	<b>1 mark for any 2 correct adjustments</b>	
<b>Less Cost of sales:</b>	<b>£</b>	
Opening stock	3,000	
Add: Purchases (34,050 + 3,550 + 475 - 400 - 3,150)	<u>34,525</u> <b>2</b>	
	<b>1 mark for any 2 correct adjustments</b>	
	37,525	
Less: Closing stock	<u>(4,675)</u>	
		<u>(32,850)</u>
<b>Gross profit</b>		25,130
Add income:		
Discount received		475
Profit on sale of asset (2,000 - 1,350)		<u>650</u> <b>1</b>
		26,255
Less expenses:		
Discount allowed	750	
General expenses (4,750 + 100 + 90)	4,940	
	<b>1 1</b>	
Rent (4,000 + 900 - 1,000)	3,900	
Travel expenses	1,375	
Telephone (3,400 - 350 + 315)	3,365	
Bad debts	225 <b>1</b>	
Provision for doubtful debts	300 <b>1</b>	
Depreciation of equipment (3,000 - 2,750)	<u>250</u> <b>1</b>	
		<u>(15,105)</u>
<b>Net profit</b>		<u>11,150</u> <b>1w+of</b>

(16 marks)

(c)

**Balance Sheet at 31 December 2013**

	£	£	£
<b>Fixed Assets</b>			
Equipment			2,750
<b>Current Assets</b>			
Stock		4,675	
Debtors	4,605		
Less: Provision for doubtful debts	<u>(300)</u>	4,305	1
Prepayment		1,000	1
Bank		<u>1,475</u>	
		11,455	
<b>Creditors: amounts falling due within one year</b>			
Creditors		3,550	
Accruals (90 + 315)		<u>405</u>	1
		<u>(3,955)</u>	
<b>Net Current Assets</b>			<u>7,500</u>
			<u>10,250</u>
<b>Financed by</b>			
Opening capital		10,000	
Net profit		<u>11,150</u>	1of
Less: Drawings (5,500 + 400 + 5,000)			<u>(10,900)</u>
	1 1		<u>10,250</u>

(6 marks)

**(Total 25 marks)**

**Question 2**

**Syllabus Topic 1: Advanced aspects of the syllabus for Level 1 Book-keeping (1.1)**

(a)

**Azura**

**Trial Balance at 31 December 2013**

	Dr £	Cr £	
Premises at cost	180,000		
Equipment at cost	60,000		
Accumulated depreciation of equipment		30,000	1
Sales		558,800	
Purchases	290,850		
Stock at 1 January 2013	56,025		
Debtors	27,000		1
Creditors		61,200	
Sales returns	3,180		1
Purchases returns		2,400	1
Discount allowed	2,385		
Discount received		1,200	
Wages	92,130		
Rent payable	10,000		
Rent receivable		7,200	1
Lighting and heating	1,265		
General expenses	5,400		
Telephone	2,725		
Depreciation	6,000		
Bank overdraft		5,310	1
Capital		74,135	1
Suspense	3,285		1 of
	<u>740,245</u>	<u>740,245</u>	

(8 marks)

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

**Journal**

	Dr £		Cr £	
Hakim	315	1		
Suspense			315	1
Mao	140			
Bao	140	{1 both		
Suspense			280	1
Suspense	240	1		
Discount allowed			120	
Discount received			120	{1 both
Bank	2,930	1		
Suspense			2,930	1

(8 marks)

**Question 2 continued**

(c)

<b>Suspense Account</b>					
		<b>£</b>			<b>£</b>
Balance b/d	<b>1 of</b>	3,285	Hakim	<b>1</b>	315
Discount allowed	<b>1 for }</b>	120	Mao	<b>1 for }</b>	140
Discount received	<b>both</b>	120	Bao	<b>both</b>	140
			Bank	<b>1</b>	2,930
		<u>3,525</u>			<u>3,525</u>

**OF from (a)**

(5 marks)

(d)

1. Recording a ledger balance on the wrong side of the Trial Balance
2. Posting two debit entries or two credit entries instead of one debit and one credit.
3. Posting the correct debit entry but posting a different credit amount.
4. Posting the debit entry but omitting the credit entry entirely.
5. Incorrect additions on individual ledger accounts.
6. Omitting a ledger balance entirely from the Trial Balance.

**Award 1 mark each for any four of the above**

(4 marks)

**(Total 25 marks)**

**Question 3**

**Syllabus Topic 8: Control Accounts (8.4, 8.5, 8.6, 8.7, 8.10, 8.11)**

(a) (i)

<b>Sales Ledger Control Account</b>					
	£		£		
Balance b/d	31,810	1	Cash	219,000	1
Credit sales	231,320	1	Discount allowed	1,900	1
Bank: refund	800	1	Purchases ledger contra	2,500	1
			Returns in	500	1
			Balance c/d	<u>40,030</u>	1
	<u>263,930</u>			<u>263,930</u>	
Balance b/d	40,030	1of			

(9 marks)

(ii)

<b>Purchases Ledger Control Account</b>					
	£		£		
Cash	108,470	1	Balance b/d	16,500	1
Discount received	745	1	Credit purchases	113,145	1
Sales ledger contra	2,500	1			
Returns out	1,500	1			
Balance c/d	<u>16,430</u>	1			
	<u>129,645</u>		Balance b/d	<u>16,430</u>	1of

(8 marks)

(b)

<b>Balance Sheet Extract at 31 December 2013</b>		£
<b>Current Assets</b>		
Debtors		40,030 <b>1of</b>
<b>Creditors: amounts falling due within 1 year</b>		
Creditors		16,430 <b>1of</b>

(3 marks)

(c)

<b>Purchases Ledger balances</b>		£
Supplier A		4,360
Supplier B		6,050
Supplier C		<u>6,020</u>
Total per list of balances		<u>16,430</u> <b>1</b>
<b>Balance per Purchases Ledger Control Account</b>		
		£
Credit balance		<u>16,430</u>
		<u>16,430</u> <b>1of</b>

(2 marks)

- (d)
- They provide a summary balance which can be used in the Trial Balance and in the Balance Sheet.
  - They provide a total figure for debtors and/or creditors without the need to spend time extracting a full list of debtors and creditors.
  - They can be used to check the arithmetic accuracy of the accounting transactions.
  - They can help with constructing final accounts where a business has not kept a full set of double entry accounts, e.g. they provide a total figure for credit sales and/or credit purchases.
  - Helps to prevent fraud.

**Award 1 mark each for any three of the above**

(3 marks)

**(Total 25 marks)**



**Question 4**

**Syllabus Topic 7: Non-trading organisations (7.3.2, 7.3.3, 7.4.2, 7.4.3, 7.4.4, 7.4.7, 7.4.8, 7.4.9, 7.5.1, 7.5.3)**

(a)

**Hessle Social Club  
Restaurant Account for the year ended 31 August 2013**

	£	£
Sales		221,360
Cost of goods sold:		
Opening stock	32,500	
Purchases	<u>104,000</u>	
	136,500	
Closing stock	<u>(26,000)</u>	
		(110,500) <b>1w+f</b>
		110,860
Restaurant staff wages		<u>(36,000)</u> <b>1</b>
<b>Restaurant profit</b>		<u><u>74,860</u></u> <b>1w+of</b>

(4 marks)

(b)

**Income & Expenditure Account for the year ended 31 August 2013**

	£	£
<b>Income</b>		
Restaurant profit		74,860 <b>1of</b>
	<b>1</b> <b>1</b> <b>1</b>	
Subscriptions (192,500 + 3,000 – 2,400)		<u>193,100</u>
		267,960
Less expenditure:		
Rent and rates (13,000 + 1,860)	14,860 <b>1</b>	
Social club secretary's salary	42,500	
Lighting and heating	16,240	
Insurance	35,000	
General expenses	4,000	
Telephone (45,500 – 2,000)	43,500 <b>1</b>	
Depreciation:		
office equipment [(61,500 – 30,000) x 10%]	3,150 <b>2</b>	
fixtures & fittings (170,000 x 25%)	<u>42,500</u> <b>1</b>	
		(201,750)
<b>Surplus of income over expenditure</b>		<u><u>66,210</u></u> <b>1of</b>

(13 marks)

**Question 4 continued**

(c)

**Balance Sheet at 31 August 2013**

<b>Fixed Assets</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>NBV</b>	
	<b>£</b>	<b>£</b>	<b>£</b>	
Office equipment	61,500	33,150	28,350	<b>1of</b>
Fixtures and fittings	<u>170,000</u>	<u>142,500</u>	<u>27,500</u>	<b>1of</b>
	<u>231,500</u>	<u>175,650</u>	55,850	<b>1of</b>
<b>Current Assets</b>				
Stock		26,000		
Subscriptions in arrears		3,000		<b>1</b>
Telephone prepaid		2,000		<b>1</b>
Bank		79,990		
Cash		<u>250</u>		
		111,240		
<b>Creditors: amounts falling due within 1 year</b>				
Subscriptions in advance	2,400			<b>1</b>
Rent and rates accrued	<u>1,860</u>			<b>1</b>
		<u>(4,260)</u>		
Net Current Assets			<u>106,980</u>	
			<u>162,830</u>	
<b>Financed by</b>				
Accumulated fund			96,620	
Add Surplus of income over expenditure			<u>66,210</u>	<b>1of &amp; W</b>
			<u>162,830</u>	

(8 marks)

**(Total 25 marks)**

**QUESTION 5**

**Syllabus Topic 2: Partnerships (2.1.2, 2.2.4, 2.3.1 , 2.3.2, 2.3.3)**

(a)

**Jawa, Malik and Noor**

**Appropriation Account for the year ended 28 February 2014**

		£		£
Net profit				120,000
Less:				
Interest on capital:	Jawa (190,000 x 5%)	9,500	1	
	Malik (126,000 x 5%)	6,300	1	
	Noor (62,000 x 5%)	3,100	1	
Salary	Jawa	<u>30,000</u>	1	
				<u>(48,900)</u>
				<u>71,100</u>
Profit share:	Jawa (3/6)	35,550	1of	
	Malik (2/6)	23,700	1of	
	Noor (1/6)	<u>11,850</u>	1of	
				<u>71,100</u>

(7 marks)

**Revaluation Account**

(b)

	£		£
Vehicles	10,000	Land	200,000
Equipment	6,000	Stock	12,000
Fixtures	2,992		
Capital:			
Jawa (193,008 x 3/6)	96,504		
Malik (193,008 x 2/6)	64,336		
Noor (193,008 x 1/6)	<u>32,168</u>		
	<u>212,000</u>		<u>212,000</u>

(5 marks)

(c)(i)

**[W1]**

Capital: Noor	80,000	1	
Capital: Malik			80,000 1
Introduction and write-off of goodwill prior to retirement of Malik			

**Alternative answer**

Capital: Noor	120,000		
Capital: Noor			40,000 1 both
Capital: Malik			80,000 1

Current Account: Malik	76,000	1	
Capital Account: Malik			76,000 1
Transfer of Current Account balance prior to retirement of Malik			
Capital Account: Malik	50,000	1	
Loan Account: Malik			50,000 1
Transfer of £50,000 to a Loan Account prior to retirement of Malik			

(6 marks)

**Question 5 Continued**

(c)(ii)

<b>[W2]</b>	Capital Account: Malik	296,336	<b>1+1of</b>	
	Bank			296,336 <b>1+1of</b>
	Repayment of Capital Account balance on retirement of Malik			

**Of for any reasonable attempt**

(4 marks)

**There are no marks for the narratives**

(d)

1. The amount of fixed capital each partner is to contribute
2. Interest on capital
3. Interest on current account balances
4. Interest on drawings
5. Salary
6. Profit share
7. The procedures for admitting new partners and the retirement of existing partners.
8. Treatment of goodwill
9. The hours worked
10. Responsibilities of partners

(3 marks)

**Award 1 mark each for any three of the above**

**[W1]**

			<b>Jawa</b>	<b>Malik</b>	<b>Noor</b>
			<b>£</b>	<b>£</b>	<b>£</b>
Old	Credit		120,000	80,000	40,000
New	Debit		120,000		120,000
			0	80,000	80,000
				Cr	Dr

**[W2]**

	<b>£</b>
Capital Account original balance	126,000
Asset revaluation	64,336
Goodwill	80,000
Current Account	<u>76,000</u>
	346,336
Transfer to Loan Account	<u>(50,000)</u>
	<u>296,336</u>

**(Total 25 marks)**

