

Pearson LCCI

Certificate in Book-keeping and Accounts

Level 2

Monday 7 April 2014

Time: 3 hours

Paper Reference

ASE2007

You will need:

An answer book

Instructions

- Do **not** open this examination paper until you are told to do so by the supervisor.
- Use **black/blue** ink or ball-point pen
 - *pencil can only be used for graphs, charts, diagrams, etc.*
- Ensure your answers are written clearly.
- Begin your answer to each question on a new page.
- Write on both sides of the page.
- All answers must be correctly numbered but need not be in numerical order.
- If you need more space, use the additional sheets provided. Write your name, candidate number and question number on each sheet and attach them to the inside of your answer book. State the number of additional sheets attached on the front of your answer book.
- Study the **Required** sections of each question carefully and extract the data required for your answers from the information supplied.
- Workings must be shown.
- Answer **any four** questions.

Information

- The total mark for this paper is 100.
- There are five questions in this question paper.
 - *each question carries equal marks.*
- The marks for **each** question are shown in brackets
 - *use this as a guide as to how much time to spend on each question.*
- You may use a calculator provided the calculator gives no printout, has no word display facilities, is silent and cordless. The provision of batteries and their condition is your responsibility.

Advice

- Read each question carefully before you start to answer it.
- Check your answers carefully if you have time at the end.

Turn over ►

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Answer ANY FOUR questions.

- 1** Pan is a sole trader. All business payments are made by cheque and most of the receipts, including cash sales, are paid into the business Bank Account. The following is a summary of the Bank Account for the year ended 31 December 2013:

Bank Account			
	£		£
Balance at 1 January 2013	4,150	Payments to creditors	34,050
Receipts from debtors	45,800	General expenses	4,750
Cash sales	5,600	Drawings	5,500
Sale of all equipment held at 1 January 2013	2,000	Rent paid	4,000
		Purchase of equipment	3,000
		Travel expenses	1,375
		Telephone	3,400
		Balance at 31 December 2013	<u>1,475</u>
	<u>57,550</u>		<u>57,550</u>
Balance at 1 January 2014	1,475		

Additional information:

(1)

	1 January 2013	31 December 2013
	£	£
Equipment (net book value)	1,350	2,750
Creditors	3,150	3,550
Debtors	4,000	4,605
General expenses owing	–	90
General expenses prepaid	100	–
Rent prepaid	900	1,000
Telephone expenses owing	350	315
Stock at cost	3,000	4,675

- (2) Discount allowed to customers during the year was £750
- (3) Discount received from suppliers during the year was £475
- (4) A bad debt of £225 has been written off in June 2013
- (5) Pan took goods from the business for his own use at a cost price of £400
- (6) Pan used £5,000 of the cash received from sales for his own use
- (7) A provision for doubtful debts of £300 was created on 31 December 2013.

Required

- (a) Calculate Pan's Capital Account at 1 January 2013. (3)
- (b) Prepare the Trading and Profit & Loss Account for the year ended 31 December 2013. (16)
- (c) Prepare the Balance Sheet at 31 December 2013. (6)

(Total for Question 1 = 25 marks)

- 2 Azura prepared the following Trial Balance from her books of accounts. There are errors in the Trial Balance and a Suspense Account was opened.

Trial Balance at 31 December 2013

	Dr	Cr
	£	£
Premises at cost	180,000	
Equipment at cost	60,000	
Accumulated depreciation of equipment	30,000	
Sales		558,800
Purchases	290,850	
Stock at 1 January 2013	56,025	
Debtors		27,000
Creditors		61,200
Sales returns		3,180
Purchases returns	2,400	
Discount allowed	2,385	
Discount received		1,200
Wages	92,130	
Rent payable	10,000	
Rent receivable	7,200	
Lighting and heating	1,265	
General expenses	5,400	
Telephone	2,725	
Depreciation	6,000	
Bank overdraft	5,310	
Capital	74,135	
Suspense		174,445
	<u>825,825</u>	<u>825,825</u>

Required

- (a) Prepare a revised Trial Balance, including the revised Suspense Account balance.

(8)

The following further errors were then discovered:

- (1) A payment of £315 to Hakim, a creditor, had been correctly entered in the bank column of the Cash Book but omitted from Hakim's account
- (2) A credit note for £140, received from Bao, a creditor, was credited to Mao, another creditor's account. The correct entry had been made in the Returns Outwards Day Book
- (3) Discount received of £120 had been posted to the debit side of the Discount Allowed Account
- (4) Kong, a debtor, paid her account balance of £2,930 by cheque. This was correctly entered in her personal account, but no entry had been made in the Cash Book.

Required

- (b) Prepare Journal entries to correct the errors in (1) to (4) above.
Narratives are **not** required. (8)
- (c) Prepare the Suspense Account. (5)
- (d) State **four** types of error that will prevent the Trial Balance from balancing. (4)

(Total for Question 2 = 25 marks)

3 Peggy, a sole trader, has provided the following information:

	£
Debtors at 31 December 2012	31,810
Creditors at 31 December 2012	16,500
Debtors at 31 December 2013	?
Creditors at 31 December 2013	?

Year ended 31 December 2013

	£
Receipts from debtors	219,000
Cash sales	41,900
Credit sales	231,320
Payments to creditors	108,470
Credit purchases	113,145
Discount allowed	1,900
Discount received	745
Cash purchases	21,600
Sales ledger contra/Purchases ledger contra	2,500
Goods taken by the owner	1,100
Returns inwards	500
Returns outwards	1,500
Refund to debtor for overpayment	800

Required

Prepare the following for the year ended 31 December 2013:

- (a) (i) Sales Ledger Control Account (9)
- (ii) Purchases Ledger Control Account (8)
- (b) Prepare a Balance Sheet extract at 31 December 2013 showing the current assets and creditors amounts falling due within 1 year. (3)

The Purchases Ledger balances at 31 December 2013 were:

	£
Supplier A	4,360
Supplier B	6,050
Supplier C	6,020

- (c) Reconcile the balance on the Purchases Ledger Control Account with the total balance of the Purchases Ledger. (2)
- (d) State **three** purposes of Control Accounts. (3)

(Total for Question 3 = 25 marks)

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- 4 The following Trial Balance was extracted from the books of Hessle Social Club on 31 August 2013:

	Dr £	Cr £
Restaurant purchases	104,000	
Restaurant staff wages	36,000	
Restaurant sales		221,360
Rent and rates	13,000	
Social club secretary's salary	42,500	
Lighting and heating	16,240	
Office equipment (at cost)	61,500	
Fixtures and fittings (at cost)	170,000	
Provisions for depreciation:		
office equipment		30,000
fixtures and fittings		100,000
Insurance	35,000	
Telephone	45,500	
General expenses	4,000	
Bank	79,990	
Cash	250	
Subscriptions		192,500
Restaurant stock (1 September 2012)	32,500	
Accumulated fund		96,620
	640,480	640,480

Additional information at 31 August 2013:

- (1) Depreciation is to be provided as follows:

office equipment: 10% per annum reducing balance method
 fixtures and fittings: 25% per annum straight line method

- (2) Restaurant stock £26,000
 Subscriptions in arrears £3,000
 Subscriptions in advance £2,400
 Telephone expenses prepaid £2,000
 Rent and rates accrued £1,860

- (3) There were no subscriptions in advance or in arrears at 1 September 2012.

Required

Prepare the following for Hessle Social Club:

- (a) Restaurant Account for the year ended 31 August 2013 (4)
- (b) Income and Expenditure Account for the year ended 31 August 2013 (13)
- (c) Balance Sheet at 31 August 2013 (8)

(Total for Question 4 = 25 marks)

- 5 Jawa, Malik and Noor have been in partnership sharing profits and losses in the ratio 3:2:1 respectively.

Information at 28 February 2014:

- (1) The net profit of the partnership, before appropriation, was £120,000
(2) The balances on each of the partners' Capital Accounts were:

Jawa	£190,000
Malik	£126,000
Noor	£62,000

- (3) Each partner is allowed 5% per annum interest on capital
(4) Jawa is allowed an annual salary of £30,000

Required

- (a) Prepare the partners' Appropriation Account for the year ended 28 February 2014.

(7)

Additional information at 1 March 2014:

- (1) Malik retired from the partnership. Jawa and Noor decided to continue in partnership sharing profits and losses equally
(2) The credit balance on Malik's Current Account was £76,000
(3) The value of some assets would be revalued as follows:

Asset	Increase by £	Reduce by £
Land	200,000	–
Vehicles	–	10,000
Equipment	–	6,000
Fixtures	–	2,992
Stock	12,000	–

- (4) Goodwill was valued at £240,000, but will not be retained in the new partnership books
(5) Malik agreed to loan £50,000 to the partnership for five years but withdrew the remaining balance owed to him by cheque.

Required

- (b) Prepare the Revaluation Account. (5)
- (c) (i) Prepare Journal entries to record Malik's retirement from the partnership.
Narratives are **not** required. (6)
- (ii) Prepare a Journal entry to record the final settlement to Malik.
Narratives are **not** required. (4)
- (d) State **three** items that might be included in a partnership agreement. (3)

(Total for Question 5 = 25 marks)

TOTAL FOR PAPER = 100 MARKS

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