

Pearson LCCI

Certificate in Book-keeping and Accounts

Level 2

Monday 9 June 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, on the front of your answer book, the number of additional sheets attached.
- 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 Java values his stock at the end of each month.

The following information is available for the month of May:

- (1) At 30 April 2014 the value of the stock was £65,200 at cost
- (2) Goods with a cost price of £1,275, and included in the value of stock at 30 April 2014, were written off as having no resale value
- (3) Sales during May 2014 were £63,900. Sales are marked up by 20%
- (4) Stock with a selling price valued at £3,900 on 30 April 2014 had been shop soiled. This could now only be sold at half the cost price
- (5) Purchases during May 2014 were £24,300 at cost
- (6) Returns by customers during May 2014 were £1,080 at selling price
- (7) Returns to suppliers during May 2014 were £2,025 at cost price
- (8) Goods on a sale or return basis, at a selling price of £960, were included in May's sales figure. The customer had not stated an intention to buy or return the goods.

Required

- (a) Calculate the value of stock at 31 May 2014, starting with the value for stock of £65,200 at 30 April 2014. (14)
- (b) Prepare Java's Trading Account for the month ended 31 May 2014. (11)

(Total for Question 1 = 25 marks)

2 The final accounts of two confectioners were as follows:

Trading and Profit & Loss Accounts for the year ended 31 December 2013

	Jaycee Ltd £	Aybee Ltd £
Sales	400,000	600,000
Cost of sales:		
Opening stock	70,000	35,000
Purchases	<u>265,000</u>	<u>435,000</u>
	335,000	470,000
Less closing stock	<u>35,000</u>	<u>50,000</u>
	<u>300,000</u>	<u>420,000</u>
Gross profit	100,000	180,000
Less expenses:		
General expenses	77,000	103,000
Debenture interest	<u>2,000</u>	<u>8,000</u>
Net profit	<u><u>21,000</u></u>	<u><u>69,000</u></u>

Balance Sheets at 31 December 2013

	Jaycee Ltd £	Aybee Ltd £
Fixed assets at NBV	245,000	280,000
Current Assets		
Stock	35,000	50,000
Debtors	55,000	66,000
Bank	<u>–</u>	<u>10,000</u>
	<u>90,000</u>	<u>126,000</u>
Creditors: amounts falling due within 1 year		
Creditors	30,000	24,000
Bank	<u>20,000</u>	<u>–</u>
	(50,000)	(24,000)
Net Current Assets	<u>40,000</u>	<u>102,000</u>
	285,000	382,000
Creditors: amounts falling due after 1 year		
8% Debentures	<u>(25,000)</u>	<u>(100,000)</u>
	<u>260,000</u>	<u>282,000</u>
Capital and Reserves		
Ordinary share capital	200,000	200,000
Profit & Loss Account	<u>60,000</u>	<u>82,000</u>
	<u><u>260,000</u></u>	<u><u>282,000</u></u>

Required

- (a) Calculate the following ratios for Jaycee Ltd and Aybee Ltd to **one** decimal place:
- (i) Gross profit mark up (2)
 - (ii) Net profit margin (before interest) (2)
 - (iii) Stock turnover (times per year) (2)
 - (iv) Current (Working capital) ratio (2)
 - (v) Liquidity (Acid test) ratio (2)
 - (vi) Return on capital employed before interest (4)
 - (vii) Debtors' collection period (in days) (2)
 - (viii) Creditors' settlement period (in days) (2)
 - (ix) Sales to capital employed (as a percentage) (4)
- (b) State **one** benefit to a business of calculating the current ratio. (1)
- (c) State which business was the most profitable in 2013, giving **two** reasons to support your answer. (2)

(Total for Question 2 = 25 marks)

- 3 Selsy Ltd is a manufacturing company. It also purchases some goods for resale. The following information is available:

	1 February 2013	31 January 2014
	£	£
Stocks:		
Raw materials	40,000	42,000
Work in progress	7,000	5,100
Finished goods	8,030	8,294

An extract of Selsy Ltd's Trial Balance showed the following balances for the year ended 31 January 2014:

	£
Purchases of raw materials	348,100
Carriage inwards on raw materials	1,400
Machine operator's wages	155,200
Factory supervisor's salary	27,100
Depreciation of factory equipment	21,800
Rent and rates	12,500
Electricity	8,150
Sales of finished goods	762,000
Purchases of finished goods	51,700
Carriage inwards on finished goods purchased	200
Administrative wages	51,100
Depreciation of administrative equipment	16,600

Additional information at 31 January 2014:

- (1) Finished goods from the factory are transferred to stock at production cost plus 10%
- (2) Prepaid rent and rates £500
- (3) Accrued electricity £350
- (4) The rent and rates and electricity are apportioned 60% to the factory and 40% to administration
- (5) All stocks of finished goods were manufactured goods.

Required

Prepare for the year ended 31 January 2014 the:

- | | |
|---------------------------------------------|------|
| (a) Provision for Unrealised Profit Account | (4) |
| (b) Manufacturing Account | (12) |
| (c) Trading and Profit & Loss Account. | (9) |

(Total for Question 3 = 25 marks)

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- 4 The following information relates to Gamma Ltd for the year ended 31 December 2013:

	£
Net profit for the year (before debenture interest)	320,000
Retained profit 1 January 2013	424,000
Interim ordinary dividend paid	20,000
Interim preference dividend paid	10,000
5% Debenture loan (to be repaid 30 November 2014)	168,000
Issued and fully paid share capital:	
400,000 5% £1 Preference Shares	400,000
1,000,000 £1 Ordinary Shares	1,000,000
General reserve 1 January 2013	80,000
Creditors	70,000
Bank overdraft	6,000

The debenture interest for the year has not been paid.

The Directors propose the following:

- (1) A final ordinary dividend of £0.05 per share
- (2) The final dividend on the preference shares
- (3) Transfer of £60,000 to the general reserve.

Required

- (a) Prepare the Profit & Loss Appropriation Account for the year ended 31 December 2013. (11)
- (b) Prepare the following sections of the Balance Sheet at 31 December 2013:
- (i) Creditors: amounts falling due within 1 year (6)
 - (ii) Capital and reserves (4)
- (c) Describe **two** differences between ordinary shareholders and preference shareholders. (4)

(Total for Question 4 = 25 marks)

5 Zhu had the following balances in her books on 1 August 2012:

	£
Rates	453 Cr
Insurance	180 Cr
Rent receivable	840 Dr

Rates are paid quarterly on 1 July, 1 October, 1 January and 1 April.

During the year, the following amounts were paid and received by cheque:

2012		£
Aug 1	Rates	1,359
Sep 1	Insurance	370
Oct 1	Rates	1,569
Dec 1	Insurance	406
Dec 1	Rent receivable	2,570

2013		£
Jan 1	Rates	1,569
Mar 1	Insurance	378
Apr 1	Rates	1,569
Jun 1	Rent receivable	1,730
Jun 1	Insurance	410
Jul 1	Rates	1,569

Additional information at 31 July 2013:

- (1) Insurance £180 accrued
- (2) Rent receivable £890 prepaid.

Required

(a) Prepare the following accounts, showing the transfers to the Profit & Loss Account for the year ended 31 July 2013. Bring down the balances.

- (i) Rates Account (6)
- (ii) Insurance Account (6)
- (iii) Rent Receivable Account (5)

- (b) Prepare the Profit & Loss Account extract for the year ended 31 July 2013. (4)
- (c) Prepare the Balance Sheet extract at 31 July 2013, showing the amounts to be entered under Current Assets and Creditors: amounts falling due within 1 year. (4)

(Total for Question 5 = 25 marks)

TOTAL FOR PAPER = 100 MARKS

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