

**Pearson LCCI**

# **Certificate in Book-keeping and Accounts**

**Level 2**

Thursday 20 November 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** Lindsey Ltd maintains Control Accounts as part of the double entry system. The following balances were extracted from the books on 1 July 2014:

	<b>Dr</b>	<b>Cr</b>
	<b>£</b>	<b>£</b>
Purchases Ledger	800	46,830
Sales Ledger	66,570	500

In July 2014, the following transactions took place:

	<b>£</b>
Sales on credit	73,950
Discount received	700
Cash sales	6,751
Credit purchases	45,400
Discount allowed	2,000
Bad debts written off	900
Returns inwards from credit customers	3,300
Returns outwards to credit suppliers	1,620
Payments to credit suppliers	54,700
Receipts from credit customers	76,225
Refund to credit customer for overpayment	800
Debtor's cheque dishonoured	950
Cash purchases	4,100
Debit balance on Sales Ledger transferred to Purchases Ledger	2,600
Bad debts recovered from B Lee after being written off in a previous year	430

**Balances at 31 July 2014:**

	<b>Dr</b>	<b>Cr</b>
	<b>£</b>	<b>£</b>
Purchases Ledger	260	?
Sales Ledger	?	310

**Required**

(a) Prepare the following for July 2014:

(i) Sales Ledger Control Account (12)

(ii) Purchase Ledger Control Account. (7)

(b) Prepare the Journal entries to record the bad debts recovered of £430.  
Narratives are **not** required. (6)

**(Total for Question 1 = 25 marks)**

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- 2 On 1 May 2014, Pavlou and Markou formed a partnership sharing profits and losses in the ratio 2 : 1 respectively.

The following assets and liabilities were introduced into the partnership:

	<b>Pavlou</b>	<b>Markou</b>
	<b>£</b>	<b>£</b>
Premises	260,000	–
Fixtures and fittings	36,000	24,000
Equipment	22,500	55,500
Motor vehicles	24,000	16,000
Goodwill	45,000	27,000
Stock	31,800	43,200
Creditors	32,360	9,810
Debtors	27,000	21,000
Bank	13,230 <b>Dr</b>	16,890 <b>Dr</b>

Pavlou and Markou agreed that goodwill was not to remain in the partnership books.

**Required**

- (a) Prepare the Journals, **including narratives**, to:
- (i) open the books of the new partnership (6)
  - (ii) write off the goodwill. (4)
- (b) Prepare Pavlou and Markou's Balance Sheet at 1 May 2014. (11)
- (c) Explain the rules for appropriating profits/losses where no partnership agreement exists. (4)

**(Total for Question 2 = 25 marks)**

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**3** Lu's Trial Balance at 30 June 2014 showed a difference, which was posted to a Suspense Account. Draft final accounts for the year ended 30 June 2014 showed a net profit of £74,480.

The following errors were then discovered:

- (1) Purchases of £1,730 from Deng had been received on 30 June 2014 but the invoice had not been entered in the books
- (2) A cheque for £3,500 for rent, received from Shen Ltd, had been entered correctly in the Cash Book but the corresponding double entry had been omitted
- (3) Repairs of £780 for motor vehicles had been debited to the Motor Vehicles Account
- (4) The Sales Journal had been under-cast by £6,000
- (5) A payment of £570 for insurance had been entered on the credit side of the Insurance Account as £750 but entered correctly in the Cash Book
- (6) Sales of £900 to Zheng had been debited to Zhu.

**Required**

- (a) Prepare the Journal entries to correct the errors (1) to (6) above. Narratives are **not** required. (12)
- (b) Prepare the Suspense Account showing the original difference. (5)
- (c) Show the effect of each of the errors (1) to (6) above on the net profit in the draft final accounts. Calculate the corrected net profit for the year ended 30 June 2014. (8)

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**(Total for Question 3 = 25 marks)**

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- 4 The following is a summary of Yu's Bank Account for the year ended 31 December 2013:

	<b>£</b>		<b>£</b>
Balance b/d	810	Payments to trade creditors	58,974
Receipts from trade debtors	75,872	Rent	3,300
Balance c/d	1,204	Rates	1,780
		Drawings	13,082
		Sundry expenses	750
	<u>77,886</u>		<u>77,886</u>
		Balance b/d	<u>1,204</u>

All the business takings have been paid into the Bank Account with the exception of £19,260. From this amount, Yu had paid wages of £10,944, drawings of £2,328 and purchased goods £5,988.

**Additional information:**

(1) Balances at:	1 January 2013	31 December 2013
	£	£
Stock	27,724	30,288
Trade creditors	11,248	14,778
Trade debtors	18,062	17,248
Rates prepaid	420	450
Rent accrued	300	–
Fixtures at net book value	5,000	4,500

- (2) No fixtures were bought or sold during 2013  
 (3) A provision for doubtful debts of £400 was to be created on 31 December 2013.

**Required**

- (a) Prepare a Statement of Affairs at 1 January 2013 to calculate the opening capital. (4)
- (b) Prepare the Trading and Profit & Loss Account for the year ended 31 December 2013. (12)
- (c) Prepare the Balance Sheet at 31 December 2013. (7)
- (d) State **two** uses of a Statement of Affairs. (2)

**(Total for Question 4 = 25 marks)**

- 5 A summary of the receipts and payments for the Easton Sports Club for the year ended 31 December 2013 was as follows:

	£
Balance at 1 January 2013	8,420 <b>Dr</b>
Sales of refreshments	18,200
Subscriptions received:	
for 2012	4,140
for 2013	112,640
for 2014	600
Donations received	2,000
Purchases of refreshments	10,400
Wages and salaries	72,200
Insurance	7,300
Lighting and heating	2,860
General expenses	16,200
Purchase of new equipment	36,200
Balance at 31 December 2013	?

**Additional information:**

(1) at:	1 January 2013	31 December 2013
	£	£
Subscriptions in arrears for 2012	4,420	–
Subscriptions in advance for 2013	500	–
Subscriptions in arrears for 2013	–	3,620
Subscriptions in advance for 2014	–	600
Premises	224,000	224,000
Equipment (Net book value)	47,200	?
Stock of refreshments	560	1,080
Creditors for refreshments	1,240	800

- (2) Equipment is depreciated at 20% per annum using the reducing balance method. Depreciation is provided on equipment held at the year end
- (3) Donations are treated as a capital receipt
- (4) Subscriptions are written off when they have been due for more than 1 year
- (5) The payment for wages and salaries includes £8,000 relating to the sales of refreshments.



**Required**

(a) Prepare, for the year ended 31 December 2013, the:

(i) Receipts and Payments Account (3)

(ii) Subscriptions Account (6)

(iii) Refreshment Trading Account (5)

(iv) Income and Expenditure Account. (7)

(b) (i) Define the meaning of the term **accumulated fund**. (2)

(ii) State **two** causes for an increase in the accumulated fund. (2)

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**(Total for Question 5 = 25 marks)**

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**TOTAL FOR PAPER = 100 MARKS**

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