



Pearson
LCCI Level 2 Certificate in
Bookkeeping and
Accounting (VRQ)
(ASE20093)

SAMPLE ASSESSMENT MATERIALS

Issue 3

First teaching from September 2015

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Pearson LCCI

Certificate in Bookkeeping and Accounting (VRQ) Level 2

Sample assessment material for first teaching
May 2017

Time: 3 hours

Paper Reference

ASE20093

Complete the details below in block capitals.

Candidate name

Centre Code

Candidate Number

Candidate ID Number

You must have:

Resource Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen
- **Fill in the boxes** at the top of this page with your name, candidate number, centre code and your candidate ID number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Answers should be given to an appropriate degree of accuracy.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- You are advised to show your workings.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You will need to use the data on **page 2** of the Resource Booklet to answer parts 1(a), (b) and (d).

1 Sandy is a sole trader.

(a) Prepare journal entries to correct the **four** errors. Narratives are **not** required.

(8)

Journal

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(b) Prepare the suspense account.

(3)

Suspense Account

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(c) State **two** uses of the journal **other** than error correction.

(2)

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(d) Sandy disposes of Vehicle **A** on 31 May 2017 for \$5 500

Prepare the disposal account.

(5)

Disposal Account

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Sandy always uses the reducing balance method of depreciation for motor vehicles.

(e) Identify which accounting concept is being applied.

(1)

- A** Accruals
- B** Consistency
- C** Going concern
- D** Prudence

(f) Sandy maintains an allowance for a doubtful debts account. Identify which accounting concept is being applied.

(1)

- A** Accruals
- B** Materiality
- C** Prudence
- D** Realisation

(Total for Question 1 = 20 marks)

You will need to use the data on **page 3** of the Resource Booklet to answer parts 2 (c), (d), (f) (i) and (f) (ii).

2 Annie is a sole trader.

Annie buys and sells goods to Nik. At the year end, Nik owes Annie \$80

(a) Identify the double entry to record this offset in Annie's ledger.

(1)

DR	CR
<input type="checkbox"/> A Bank	Trade payables control account
<input type="checkbox"/> B Bank	Trade receivables control account
<input type="checkbox"/> C Trade payables control account	Trade receivables control account
<input type="checkbox"/> D Trade receivables control account	Trade payables control account

(b) Identify in which account discount allowed is recorded.

(1)

- A** Credit in trade payables control account
- B** Debit in trade payables control account
- C** Credit in trade receivables control account
- D** Debit in trade receivables control account

(c) Prepare Annie's insurance account for the year ended 31 December 2016.

Balance the account at that date and bring the balance down to 1 January 2017.

(5)

Insurance Account

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From 1 March 2016 Annie received rent.

(d) Prepare the rent receivable account for the year ended 31 December 2016.

Balance the account at that date and bring the balance down to 1 January 2017.

(5)

Rent Receivable Account

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(e) State the section of the income statement (statement of profit or loss) that shows the rent receivable.

(1)

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(f) At 31 December 2016, the following balances were provided by Annie.

Trade receivables control account \$41 200

Allowance for doubtful debts account \$600

Annie will provide an allowance for doubtful debts of 2% of trade receivables at 31 December 2016.

A receivable owing \$1200 has been declared bankrupt. This amount will not be paid and has yet to be accounted for.

(i) Prepare the irrecoverable debts account at 31 December 2016.

(2)

Irrecoverable Debts

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You will need to use the data on **page 4** of the Resource Booklet to answer parts 3 (b) and (c).

3 The directors of Chong Ltd started a manufacturing business on 1 January 2016 and will prepare accounts to 31 December 2016.

(a) State **two** differences between direct and indirect costs.

(2)

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DO NOT WRITE IN THIS AREA

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(b) Prepare the manufacturing account for the year ended 31 December 2016.

(9)

Chong Ltd – manufacturing account for the year ended 31 December 2016

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Area for writing the manufacturing account, consisting of multiple horizontal dotted lines.

(c) Prepare the income statement for the year ended 31 December 2016.

(9)

Chong Ltd – income statement for the year ended 31 December 2016

Area with horizontal dotted lines for writing the income statement.

(Total for Question 3 = 20 marks)

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DO NOT WRITE IN THIS AREA

You will need to use the data on **page 5** of the Resource Booklet to answer parts 4 (a), (d) (i) and (d) (ii).

4 Arnold, Bindu and Calvin are in a partnership. They share profits in the ratio of the balances on their capital accounts.

(a) Prepare the partners' capital accounts at 31 March 2017.

Balance the account at that date and bring the balance down to 1 April 2017.

(9)

Capital Accounts

Dotted lines for writing the capital accounts.

(b) Identify which one of the following would be entered in the partnership appropriation account.

(1)

- A** Partners' capital
- B** Partners' drawings
- C** Partners' loan interest
- D** Partners' salaries

(c) State **two** profitability ratios.

(2)

1

2

(d) (i) Calculate the current (working capital) ratio.

(2)

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(ii) Calculate the liquid (acid test) ratio.

(2)

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(e) Explain how each of the following could impact on/affect the cash flow.

(i) Accounts receivable collection period on/affect the cash flow

(2)

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(ii) Accounts payable payment period on/affect the cash flow

(2)

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(Total for Question 4 = 20 marks)

You will need to use the data on **page 6** of the Resource Booklet to answer parts 5 (b), (d) (i) and (d) (ii).

5 The share capital of Kane Ltd consists of 50 000 \$1 ordinary shares.

(a) State **two** differences between ordinary shares and preference shares.

(2)

1

2

(b) Prepare a statement of changes in equity at 31 December 2016 by completing the following table.

(8)

Kane Ltd
Statement of changes in equity at 31 December 2016

	Share capital	Share premium	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 Jan 2016	50 000	10 000	15 000	
Share issue				
Profit for the year				
Dividend				
Balance at 31 Dec 2016				

(c) (i) Explain why shareholders should be concerned about a potential increase in the amount of loan capital. (2)

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(ii) The directors of Kane Ltd are considering changing to Kane plc. Explain **one** effect on shareholders of this proposal. (2)

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(d) (i) Prepare an extract of the income statement to show the treatment of the debenture interest for the year ended 31 December 2016. (2)

Kane Ltd Income Statement for the Year 31 December 2016

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(ii) Prepare an extract of the statement of financial position for Kane Ltd at 31 December 2016 to show the treatment of the debentures.

(4)

Statement of Financial Position

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(Total for Question 5 = 20 marks)

TOTAL FOR PAPER = 100 MARKS

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Pearson LCCI

Certificate in Bookkeeping and Accounting (VRQ)

Level 2

Sample assessment material for first teaching
May 2017
Resource Booklet

Paper Reference
ASE20093

Do not return this Resource Booklet with the question paper.

Instructions

- All workings and answers **must** be given in the question paper.
- Please note that any workings and answers written in the Resource Booklet will **not** be marked.

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Turn over ►



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Resource for Question 1

Sandy is a sole trader.

Sandy extracted her trial balance on 30 April 2017.

She found the following errors.

1. A motor vehicle purchased for \$9 500 had been debited to the motor expenses account.
2. A payment of \$60 for printing had been posted to the cash book but the other entry had been omitted.
3. A credit purchase of \$150 from Springfield Ltd had been credited to Summerfield Ltd.
4. A payment of \$210 from Petula had been entered in the cash book correctly but had been debited to her account as \$201

<u>Vehicle</u>	<u>Cost (\$)</u>	<u>Accum Dep (\$)</u>	<u>Carrying value (\$)</u>
Vehicle A	16 000	5760	10 240

Resource for Question 2

Annie prepares annual financial statements to 31 December 2016.

She paid the following insurance.

- \$600 on 1 April 2015 for the year ending 31 March 2016.
- \$720 on 1 April 2016 for the year ending 31 March 2017.

She received rental income as follows:

1 March 2016	\$1 500
1 June 2016	\$1 500
1 September 2016	\$1 500
1 December 2016	\$1 800

Resource for Question 3

Chong Ltd started a manufacturing business on 1 January 2016. The business also purchases finished goods for resale from a supplier.

The business has accounts from 1 January 2016 to 31 December 2016.

The following balances are from the 31 December 2016 accounts.

	\$
Production overheads	13 450
Purchases – raw materials	20 500
Purchases – finished goods	7 600
Revenue	62 500
Direct labour	5 600
Direct overheads	2 400
Royalties	535

The following information is also available.

- Inventory at 31 December 2016
 - raw materials \$400
 - work in progress \$885
 - finished goods from supplier \$950
 - finished goods manufactured \$5 100
- Production overheads prepaid by \$250
- Direct labour accrual \$150
- The net profit percentage was 8%.

Resource for Question 4

Arnold, Bindu and Calvin are in a partnership. They share profits in the ratio of the balances on their capital accounts. They intend to change how they share the profits from 1 April 2017 when all profits will be shared equally.

Balances on the capital accounts at 31 March 2017

Arnold	\$50 000
Bindu	\$40 000
Calvin	\$30 000

Goodwill was valued at 31 March 2017 at \$60 000 and is not to be retained in the books.

The partnership has current assets of \$66 000 (which includes inventory of \$13 200) and current liabilities of \$44 000

The partners have calculated the accounts receivables collection period as 37 days. They allow their customers 30 days' credit.

The accounts payables payment period is 25 days.

Resource for Question 5

At 1 January 2016, the following balances for Kane Ltd were available.

Share capital \$50 000

Share premium \$10 000

Retained earnings \$15 000

During the year ended 31 December 2016 the following took place.

- There was a share issue of 10 000 ordinary \$1 shares at a premium of \$0.20
- There was also an issue made on 1 January 2016 of \$5 000 8% debentures (2021). Only 6 months' interest has been paid during the year.
- The company made a loss of \$3 000
- A dividend was paid on 31 December 2016 of \$0.10 to **all** existing shareholders.



Mark Scheme

Sample Assessment Materials

Pearson LCCI Level 2 Certificate in
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(ASE20093)

General marking guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked unless the candidate has replaced it with an alternative response.
- Where marks are awarded for own figure answers, these marks can only be awarded if evidence of how the candidate arrived at their values has been provided (their workings).
- If candidate's fail to provide their workings when instructed in the paper, it may not be possible to achieve all marks associated with the question, even if the final answer is correct.
- For calculation questions full marks can be awarded where correct answer is seen with no workings shown, unless question states that candidate must provide workings.

Abbreviation

- of Own Figure rule
Accuracy marks can be awarded where the candidates' answer does not match the mark scheme, though is accurate based on their valid method.

- cao Correct Answer Only rule
Accuracy marks will only be awarded if the candidates' answer is correct, and in line with the mark scheme.

Question number	Answer AO2 (8)	Mark																								
1(a)	<p>Award 1 mark for correct figures with labels as indicated.</p> <p style="text-align: center;"><u>Journal</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Dr.</th> <th style="width: 20%; text-align: center;">Cr.</th> </tr> </thead> <tbody> <tr> <td>Motor vehicle – cost</td> <td style="text-align: right;">9 500 (1)</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td></td> <td style="text-align: right;">9 500 (1)</td> </tr> <tr> <td>Printing</td> <td style="text-align: right;">60 (1)</td> <td></td> </tr> <tr> <td>Suspense</td> <td></td> <td style="text-align: right;">60 (1)</td> </tr> <tr> <td>Summerfield Ltd</td> <td style="text-align: right;">150 (1)</td> <td></td> </tr> <tr> <td>Springfield Ltd</td> <td></td> <td style="text-align: right;">150 (1)</td> </tr> <tr> <td>Suspense Petula</td> <td style="text-align: right;">411 (1)</td> <td style="text-align: right;">411 (1)</td> </tr> </tbody> </table>		Dr.	Cr.	Motor vehicle – cost	9 500 (1)		Motor expenses		9 500 (1)	Printing	60 (1)		Suspense		60 (1)	Summerfield Ltd	150 (1)		Springfield Ltd		150 (1)	Suspense Petula	411 (1)	411 (1)	(8)
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Suspense Petula	411 (1)	411 (1)																								
<p>Additional guidance Correct wording for the label is needed.</p>																										

Question number	Answer AO2 (3)	Mark												
1(b)	<p>Award 1 mark for each correct labels, details and dates.</p> <p style="text-align: center;"><u>Suspense Account</u></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 30%;">Petula</td> <td style="width: 15%; text-align: right;">411 (1)</td> <td style="width: 30%;">Balance b/d</td> <td style="width: 25%; text-align: right;">351 (1) of</td> </tr> <tr> <td></td> <td></td> <td>Printing</td> <td style="text-align: right;"><u>60</u> (1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>411</u></td> <td></td> <td style="text-align: right;"><u>411</u></td> </tr> </tbody> </table>	Petula	411 (1)	Balance b/d	351 (1) of			Printing	<u>60</u> (1)		<u>411</u>		<u>411</u>	(3)
Petula	411 (1)	Balance b/d	351 (1) of											
		Printing	<u>60</u> (1)											
	<u>411</u>		<u>411</u>											

Question number	Answer AO1 (2)	Mark
1(c)	<p>Award 1 mark for each correct answer up to a maximum of 2 marks.</p> <p>Acquisition/disposal of a non-current asset (1) To open/close a set of books (1) Transfer of period end balances to financial statement (1) Internal transfers of balances (1) Recording irrecoverable debts (1)</p>	(2)

Question number	Answer AO2 (5)	Mark																								
1(d)	<p>Award 1 mark for each correct figure. Award 1 mark for all correct labels/details and dates.</p> <p style="text-align: center;"><u>Disposal Account</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">31 May</td> <td style="width: 30%;"></td> </tr> <tr> <td>31 May 2017</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Motor vehicle</td> <td style="text-align: right;">16 000 (1)</td> <td>MV AC Dep</td> <td style="text-align: right;">5 760 (1)</td> </tr> <tr> <td></td> <td></td> <td>Bank</td> <td style="text-align: right;">5 500 (1)</td> </tr> <tr> <td></td> <td></td> <td>Inc. Stat.</td> <td style="text-align: right;"><u>4 740 (1) of</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>16 000</u></td> <td></td> <td style="text-align: right;"><u>16 000</u></td> </tr> </table>			31 May		31 May 2017				Motor vehicle	16 000 (1)	MV AC Dep	5 760 (1)			Bank	5 500 (1)			Inc. Stat.	<u>4 740 (1) of</u>		<u>16 000</u>		<u>16 000</u>	(5)
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	<u>16 000</u>		<u>16 000</u>																							

Question number	Answer AO1 (1)	Mark
1(e)	B Consistency	(1)

Question number	Answer AO1 (1)	Mark
1(f)	C Prudence	(1)

Question number	Answer AO1 (1)	Mark						
2(a)	<table style="width: 100%; border: none;"> <tr> <td style="width: 10%;"></td> <td style="width: 40%; text-align: center;">DR</td> <td style="width: 40%; text-align: center;">CR</td> </tr> <tr> <td style="text-align: center;">C</td> <td style="text-align: center;">Trade payables control account</td> <td style="text-align: center;">Trade receivables control account</td> </tr> </table>		DR	CR	C	Trade payables control account	Trade receivables control account	(1)
	DR	CR						
C	Trade payables control account	Trade receivables control account						

Question number	Answer AO1 (1)	Mark
2(b)	C Credit in trade receivables control account	(1)

Question number	Answer AO2 (5)	Mark																																										
2(c)	<p>Award 1 mark for each correct figure. Award 1 mark for all correct labels/details and dates.</p> <p style="text-align: center;"><u>Insurance Account</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 15%;">Jan 1</td> <td style="width: 15%;">Balance</td> <td style="width: 15%;">150 (1)</td> <td style="width: 15%;">Dec 31</td> <td style="width: 15%;">Income</td> <td style="width: 15%;">690 (1)</td> </tr> <tr> <td>2016</td> <td>b/d</td> <td></td> <td></td> <td>stat</td> <td></td> </tr> <tr> <td>April 1</td> <td>Bank</td> <td><u>720</u> (1)</td> <td>Dec 31</td> <td>Balance</td> <td><u>180</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>c/d</td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>870</u></td> <td></td> <td></td> <td><u>870</u></td> </tr> <tr> <td>Jan 1</td> <td>Balance</td> <td>180 (1 both of)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2017</td> <td>b/d</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	Jan 1	Balance	150 (1)	Dec 31	Income	690 (1)	2016	b/d			stat		April 1	Bank	<u>720</u> (1)	Dec 31	Balance	<u>180</u>					c/d				<u>870</u>			<u>870</u>	Jan 1	Balance	180 (1 both of)				2017	b/d					(5)
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Question number	Answer AO2 (5)	Mark																																															
2(d)	<p>Award 1 mark for each correct figure. Award 1 mark for all correct labels/details and dates.</p> <p style="text-align: center;"><u>Rent Receivable Account</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Dec 31 2016</td> <td>Income statement</td> <td style="text-align: right;">5 100(1)</td> <td>Mar 1 2016</td> <td>Bank</td> <td style="text-align: right;">1 500</td> <td rowspan="3" style="text-align: center; vertical-align: middle;">(1 for three)</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td style="text-align: right;">1 200</td> <td>Jun 1</td> <td>Bank</td> <td style="text-align: right;">1 500</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Sept 1</td> <td>Bank</td> <td style="text-align: right;">1 500</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Dec 1</td> <td>Bank</td> <td style="text-align: right;">1 800</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">6 300</td> <td></td> <td></td> <td style="text-align: right;">6 300</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Jan 1 2017</td> <td>Balance b/d</td> <td style="text-align: right;">1 200</td> <td style="text-align: center;">(1 both of)</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$		Dec 31 2016	Income statement	5 100(1)	Mar 1 2016	Bank	1 500	(1 for three)		Balance c/d	1 200	Jun 1	Bank	1 500				Sept 1	Bank	1 500				Dec 1	Bank	1 800	(1)			6 300			6 300					Jan 1 2017	Balance b/d	1 200	(1 both of)	(5)
Date	Details	\$	Date	Details	\$																																												
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		6 300			6 300																																												
			Jan 1 2017	Balance b/d	1 200	(1 both of)																																											

Question number	Answer AO1 (1)	Mark
2(e)	<p>Award 1 mark for the correct answer.</p> <p>The other income section (1)</p>	(1)

Question number	Answer AO2 (2)	Mark												
2(f) (i)	<p>Award 1 mark for each correct date, labels, details and dates.</p> <p style="text-align: center;"><u>Irrecoverable Debts</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>Dec 31 2016</td> <td>Trade receivable ledger control account</td> <td style="text-align: right;">1 200 (1)</td> <td>Dec 31 2016</td> <td>Income statement</td> <td style="text-align: right;">1 200 (1)</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	Dec 31 2016	Trade receivable ledger control account	1 200 (1)	Dec 31 2016	Income statement	1 200 (1)	(2)
Date	Details	\$	Date	Details	\$									
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Question number	Answer AO2 (5)	Mark																																										
2(f) (ii)	<p>Award marks for correct figures. Award 1 mark for all correct labels/details and dates.</p> <p style="text-align: center;"><u>Allowance for Doubtful Debts Account</u></p> <table border="1" data-bbox="316 477 1281 913"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>Dec 31 2016</td> <td>Balance c/d</td> <td>800</td> <td>Jan 1 2016</td> <td>Balance b/d</td> <td>600 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Dec 31</td> <td>Income statement W1</td> <td>200 (2of)</td> </tr> <tr> <td></td> <td></td> <td>800</td> <td></td> <td></td> <td>800</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Jan 1 2017</td> <td>Balance b/d</td> <td>800 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>W1 41 200 – 1200 = 40 000 × 2% = 800 (1of)</p> <p>800 – 600 = 200 (1of)</p>	Date	Details	\$	Date	Details	\$	Dec 31 2016	Balance c/d	800	Jan 1 2016	Balance b/d	600 (1)				Dec 31	Income statement W1	200 (2of)			800			800				Jan 1 2017	Balance b/d	800 (1)													(5)
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Question number	Answer AO3 (2)	Mark
3(a)	<p>Award 1 mark for each difference up to a maximum of 2 marks.</p> <p>Direct costs are those that can be traced to the unit of production or indirect costs cannot be traced to the unit (1)</p> <p>Direct costs are generally variable or indirect costs are generally fixed (1)</p>	(2)

Question number	Answer AO2 (9)	Mark																																																												
3(b)	<p>Award marks for both correct figures with understandable label as indicated.</p> <p style="text-align: center;"><u>Chong Ltd – Manufacturing Account for the year ended</u> <u>31 December 2016</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Direct materials</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;">20 500</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory of raw materials</td> <td style="text-align: right;"><u>(400)</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of raw materials consumed</td> <td style="text-align: right;">20 100</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Direct labour W1</td> <td style="text-align: right;">5 750</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Direct expenses W2</td> <td style="text-align: right;"><u>2 935</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Prime cost</td> <td style="text-align: right;">28 785</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Production overheads W1</td> <td style="text-align: right;"><u>13 200</u></td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">41 985</td> <td></td> <td></td> </tr> <tr> <td>Work in progress</td> <td style="text-align: right;"><u>(885)</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Production cost (1)</td> <td style="text-align: right;"><u>41 100</u></td> <td style="text-align: right;">(1 of)</td> <td></td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>W1</td> <td colspan="3">5600 + 150</td> </tr> <tr> <td>W2</td> <td colspan="3">2400 + 535</td> </tr> <tr> <td>W3</td> <td colspan="3">Production overheads 13 450 – 250 (1) = 13 200 (1)</td> </tr> </table>	Direct materials				Purchases of raw materials	20 500			Closing inventory of raw materials	<u>(400)</u>			Cost of raw materials consumed	20 100	(1)		Direct labour W1	5 750	(1)		Direct expenses W2	<u>2 935</u>	(1)		Prime cost	28 785	(1)		Production overheads W1	<u>13 200</u>	(2)			41 985			Work in progress	<u>(885)</u>	(1)		Production cost (1)	<u>41 100</u>	(1 of)						W1	5600 + 150			W2	2400 + 535			W3	Production overheads 13 450 – 250 (1) = 13 200 (1)			(9)
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3(c)	<p data-bbox="316 309 1018 376">Award marks for both correct figures with understandable label as indicated.</p> <p data-bbox="316 443 1281 510"><u>Chong plc – Income statement for the year ended 31 December 2016</u></p> <table data-bbox="331 555 1225 869"> <tr> <td data-bbox="331 555 699 589">Revenue</td> <td data-bbox="707 555 818 589"></td> <td data-bbox="1002 555 1114 589">62 500</td> <td data-bbox="1169 555 1225 589">(1)</td> </tr> <tr> <td data-bbox="331 589 563 622">Production cost</td> <td data-bbox="707 589 930 622">41 100 (1of)</td> <td data-bbox="1002 589 1114 622"></td> <td data-bbox="1169 589 1225 622"></td> </tr> <tr> <td data-bbox="331 622 483 656">Purchases</td> <td data-bbox="707 622 898 656"><u>7 600</u> (1)</td> <td data-bbox="1002 622 1114 656"></td> <td data-bbox="1169 622 1225 656"></td> </tr> <tr> <td data-bbox="331 656 563 689"></td> <td data-bbox="707 656 818 689">48 700</td> <td data-bbox="1002 656 1114 689"></td> <td data-bbox="1169 656 1225 689"></td> </tr> <tr> <td data-bbox="331 689 563 723">Inventories W1</td> <td data-bbox="707 689 898 723"><u>(6 050)</u> (2)</td> <td data-bbox="1002 689 1114 723"></td> <td data-bbox="1169 689 1225 723"></td> </tr> <tr> <td data-bbox="331 723 523 757">Cost of sales</td> <td data-bbox="707 723 818 757"></td> <td data-bbox="978 723 1114 757"><u>(42 650)</u></td> <td data-bbox="1137 723 1225 757">(1of)</td> </tr> <tr> <td data-bbox="331 757 507 790">Gross profit</td> <td data-bbox="707 757 818 790"></td> <td data-bbox="1002 757 1114 790">18 790</td> <td data-bbox="1137 757 1225 790">(1of)</td> </tr> <tr> <td data-bbox="331 790 475 824">Expenses</td> <td data-bbox="707 790 818 824"></td> <td data-bbox="978 790 1114 824"><u>(13 790)</u></td> <td data-bbox="1137 790 1225 824">(1of)</td> </tr> <tr> <td data-bbox="331 824 595 857">Profit for the year</td> <td data-bbox="707 824 818 857"></td> <td data-bbox="1018 824 1114 857"><u>5 000</u></td> <td data-bbox="1137 824 1225 857">(1of)</td> </tr> </table> <p data-bbox="316 902 1018 936">W1 Inventories – 5 100 (1) + 950 (1) = 6 050</p>	Revenue		62 500	(1)	Production cost	41 100 (1of)			Purchases	<u>7 600</u> (1)				48 700			Inventories W1	<u>(6 050)</u> (2)			Cost of sales		<u>(42 650)</u>	(1of)	Gross profit		18 790	(1of)	Expenses		<u>(13 790)</u>	(1of)	Profit for the year		<u>5 000</u>	(1of)	(9)
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Question number	Answer AO1 (1)	Mark
4(b)	D Partners' salaries	(1)

Question number	Answer AO1 (2)	Mark
4(c)	Award 1 mark for each correct answer up to a maximum of 2 marks. Gross profit as a percentage of revenue (margin) (1) Net profit as a percentage of revenue (1) Return on capital employed (ROCE) (1)	(2)

Question number	Answer AO2 (2)	Mark
4(d) (i)	Award marks as indicated. Final mark must be in correct format. Current ratio = $\frac{66\,000}{44\,000}$ (1) = 1.5:1 (1)	(2)

Question number	Answer AO2 (2)	Mark
4(d) (ii)	Award marks as indicated. Final mark must be in correct format. Liquid ratio = $\frac{52\,800}{44\,000}$ (1) = 1.2:1 (1)	(2)

Question number	Answer AO4 (2)	Mark
4(e) (i)	Award 1 mark for identification of impact and 1 mark for linked justification/reasoning. Customers are paying 7 days later than the allowed period, which may increase irrecoverable debts (1). This will have a negative effect on cash flow (1) Accept any other appropriate responses.	(2)

Question number	Answer AO4 (2)	Mark
4(e) (ii)	<p>Award 1 mark for identification of impact and 1 mark for linked justification/reasoning.</p> <p>The partners are paying their suppliers 12 days quicker than their customers are paying, which could negatively affect cash flow (1). This timely payment may have a positive effect on the relationship with the supplier (1).</p> <p>Accept any other appropriate responses.</p>	(2)

Question number	Answer AO1 (2)	Mark
5(a)	<p>Award 1 mark for each difference up to a maximum of 2 marks.</p> <p>Preference share has a fixed dividend or for ordinary share the dividend varies (1)</p> <p>Ordinary shares have voting rights or preference shares do not have voting rights (1)</p>	(2)

Question number	Answer AO2 (8)	Mark																																			
5(b)	<p>Award 1 mark for correct figure with understandable label as indicated.</p> <p style="text-align: center;"><u>Kane Ltd</u> <u>Statement of changes in equity at 31 December 2016</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Share capital</th> <th>Share premium</th> <th>Retained earnings</th> <th>Total</th> </tr> <tr> <th></th> <th>\$</th> <th>\$</th> <th>\$</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>Balance at 1 Jan 2016</td> <td>50 000</td> <td>10 000</td> <td>15 000</td> <td>75 000</td> </tr> <tr> <td>Share issue</td> <td>10 000 (1)</td> <td>2 000 (1)</td> <td></td> <td>12 000</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td>(3 000) (1)</td> <td>(3 000)</td> </tr> <tr> <td>Dividend</td> <td></td> <td></td> <td>(6 000) (1)</td> <td>(6 000)</td> </tr> <tr> <td>Balance at 31 Dec 2016</td> <td>60 000 (1)</td> <td>12 000 (1)</td> <td>6 000 (1)of</td> <td>78 000 (1)of</td> </tr> </tbody> </table>		Share capital	Share premium	Retained earnings	Total		\$	\$	\$	\$	Balance at 1 Jan 2016	50 000	10 000	15 000	75 000	Share issue	10 000 (1)	2 000 (1)		12 000	Profit for the year			(3 000) (1)	(3 000)	Dividend			(6 000) (1)	(6 000)	Balance at 31 Dec 2016	60 000 (1)	12 000 (1)	6 000 (1)of	78 000 (1)of	(8)
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Question number	Answer AO3 (2)	Mark
5(c) (i)	<p>Award 1 mark for identification of concern and 1 mark for linked justification/reasoning. Up to a maximum of 2 marks.</p> <p>Payment of interest will have an adverse effect on the profit for the year (1), which could affect the amount of money available for dividends (1)</p>	(2)

Question number	AnswerAO3 (2)	Mark
5(c)(ii)	<p>Award 1 mark for identification of effect and 1 mark for linked justification/reasoning. Up to a maximum of 2 marks.</p> <p>Shares of Kane plc may be traded to the public (1), therefore wider shareowners (1)</p>	(2)


Question number	Answer AO2 (2)	Mark
5(d)(i)	<p>Award 1 mark for correct figure with understandable label as indicated.</p> <p style="text-align: center;"><u>Kane Ltd income statement for the year ended 31 Dec 2016</u></p> <p><u>Finance costs</u> (1) Debt interest 400 (1)</p>	(2)

Question number	Answer AO2 (4)	Mark
5(d)(ii)	<p>Award 1 mark for correct figure with understandable label as indicated.</p> <p style="text-align: center;"><u>Statement of financial position</u></p> <p><u>Non-current liabilities</u> (1) 8% debentures (2021) \$5 000 (1)</p> <p><u>Current liabilities</u> (1) Other payables \$200 (1)</p>	(4)

May 2017

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