



**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

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Candidate Number

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Candidate ID Number

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**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)

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

Lined area 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

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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				

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(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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# **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 Bookkeeping and Accounting (VRQ) (ASE20093)



# General marking guidance

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

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

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

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

Question number	Answer <b>AO1 (1)</b>	Mark
<b>1(e)</b>	<b>B</b> Consistency	<b>(1)</b>

Question number	Answer <b>AO1 (1)</b>	Mark
<b>1(f)</b>	<b>C</b> Prudence	<b>(1)</b>



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

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

Question number	Answer <b>AO2 (5)</b>	Mark																								
<b>2(c)</b>	<p><b>Award 1 mark for each correct figure.</b>  <b>Award 1 mark for all correct labels/details and dates.</b></p> <p style="text-align: center;"><u>Insurance Account</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 15%;">Jan 1 2016</td> <td style="width: 15%;">Balance b/d</td> <td style="width: 15%;">150 <b>(1)</b></td> <td style="width: 15%;">Dec 31</td> <td style="width: 15%;">Income stat</td> <td style="width: 15%;">690 <b>(1)</b></td> </tr> <tr> <td>April 1</td> <td>Bank</td> <td><u>720 (1)</u></td> <td>Dec 31</td> <td>Balance c/d</td> <td><u>180</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;"><u>870</u></td> <td></td> <td></td> <td style="text-align: center;"><u>870</u></td> </tr> <tr> <td>Jan 1 2017</td> <td>Balance b/d</td> <td>180 <b>(1 both of)</b></td> <td></td> <td></td> <td></td> </tr> </table>	Jan 1 2016	Balance b/d	150 <b>(1)</b>	Dec 31	Income stat	690 <b>(1)</b>	April 1	Bank	<u>720 (1)</u>	Dec 31	Balance c/d	<u>180</u>			<u>870</u>			<u>870</u>	Jan 1 2017	Balance b/d	180 <b>(1 both of)</b>				<b>(5)</b>
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Question number	Answer <b>AO2 (5)</b>	Mark																																															
<b>2(d)</b>	<p><b>Award 1 mark for each correct figure.</b>  <b>Award 1 mark for all correct labels/details and dates.</b></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<b>(1)</b></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;"><b>(1 for three)</b></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;"><b>(1)</b></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;"><b>(1 both of)</b></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$		Dec 31 2016	Income statement	5 100 <b>(1)</b>	Mar 1 2016	Bank	1 500	<b>(1 for three)</b>		Balance c/d	1 200	Jun 1	Bank	1 500				Sept 1	Bank	1 500				Dec 1	Bank	1 800	<b>(1)</b>			6 300			6 300					Jan 1 2017	Balance b/d	1 200	<b>(1 both of)</b>	<b>(5)</b>
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Question number	Answer <b>AO1 (1)</b>	Mark
<b>2(e)</b>	<p><b>Award 1 mark for the correct answer.</b></p> <p>The other income section <b>(1)</b></p>	<b>(1)</b>

Question number	Answer <b>AO2 (2)</b>	Mark												
<b>2(f)(i)</b>	<p><b>Award 1 mark for each correct date, labels, details and dates.</b></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 <b>(1)</b></td> <td>Dec 31 2016</td> <td>Income statement</td> <td style="text-align: right;">1 200 <b>(1)</b></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	Dec 31 2016	Trade receivable ledger control account	1 200 <b>(1)</b>	Dec 31 2016	Income statement	1 200 <b>(1)</b>	<b>(2)</b>
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Question number	Answer <b>AO2 (5)</b>	Mark																																										
<b>2(f)(ii)</b>	<p><b>Award marks for correct figures. Award 1 mark for all correct labels/details and dates.</b></p> <p style="text-align: center;"><u>Allowance for Doubtful Debts Account</u></p> <table border="1" data-bbox="316 477 1278 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 <b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Dec 31</td> <td>Income statement <b>W1</b></td> <td>200 <b>(2of)</b></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 <b>(1)</b></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><b>W1</b> <math>41\,200 - 1200 = 40\,000 \times 2\% = 800</math> <b>(1of)</b></p> <p><math>800 - 600 = 200</math> <b>(1of)</b></p>	Date	Details	\$	Date	Details	\$	Dec 31 2016	Balance c/d	800	Jan 1 2016	Balance b/d	600 <b>(1)</b>				Dec 31	Income statement <b>W1</b>	200 <b>(2of)</b>			800			800				Jan 1 2017	Balance b/d	800 <b>(1)</b>													<b>(5)</b>
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Question number	Answer <b>AO3 (2)</b>	Mark
<b>3(a)</b>	<p><b>Award 1 mark for each difference up to a maximum of 2 marks.</b></p> <p>Direct costs are those that can be traced to the unit of production <b>or</b> indirect costs cannot be traced to the unit <b>(1)</b></p> <p>Direct costs are generally variable <b>or</b> indirect costs are generally fixed <b>(1)</b></p>	<b>(2)</b>

Question number	Answer <b>AO2 (9)</b>	Mark																																													
<b>3(b)</b>	<p><b>Award marks for both correct figures with understandable label as indicated.</b></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 colspan="3"><b>Direct materials</b></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;">20 500</td> <td></td> </tr> <tr> <td>Closing inventory of raw materials</td> <td style="text-align: right;">(400)</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;"><b>(1)</b></td> </tr> <tr> <td><b>Direct labour W1</b></td> <td style="text-align: right;">5 750</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td><b>Direct expenses W2</b></td> <td style="text-align: right;"><u>2 935</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Prime cost</td> <td style="text-align: right;">28 785</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Production overheads <b>W1</b></td> <td style="text-align: right;"><u>13 200</u></td> <td style="text-align: right;"><b>(2)</b></td> </tr> <tr> <td></td> <td style="text-align: right;">41 985</td> <td></td> </tr> <tr> <td>Work in progress</td> <td style="text-align: right;">(885)</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Production cost <b>(1)</b></td> <td style="text-align: right;"><u>41 100</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td colspan="3"> </td> </tr> <tr> <td><b>W1</b> 5600 + 150</td> <td></td> <td></td> </tr> <tr> <td><b>W2</b> 2400 + 535</td> <td></td> <td></td> </tr> <tr> <td><b>W3</b> Production overheads 13 450 – 250 (1) = 13 200 <b>(1)</b></td> <td></td> <td></td> </tr> </table>	<b>Direct materials</b>			Purchases of raw materials	20 500		Closing inventory of raw materials	(400)		Cost of raw materials consumed	20 100	<b>(1)</b>	<b>Direct labour W1</b>	5 750	<b>(1)</b>	<b>Direct expenses W2</b>	<u>2 935</u>	<b>(1)</b>	Prime cost	28 785	<b>(1)</b>	Production overheads <b>W1</b>	<u>13 200</u>	<b>(2)</b>		41 985		Work in progress	(885)	<b>(1)</b>	Production cost <b>(1)</b>	<u>41 100</u>	<b>(1of)</b>	 			<b>W1</b> 5600 + 150			<b>W2</b> 2400 + 535			<b>W3</b> Production overheads 13 450 – 250 (1) = 13 200 <b>(1)</b>			<b>(9)</b>
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Question number	Answer <b>AO2 (9)</b>	Mark																																				
<b>3(c)</b>	<p><b>Award marks for both correct figures with understandable label as indicated.</b></p> <p><u>Chong plc – Income statement for the year ended 31 December 2016</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Revenue</td> <td style="width: 20%;"></td> <td style="width: 10%; text-align: right;">61 440</td> <td style="width: 10%; text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Production cost</td> <td style="text-align: right;">41 100</td> <td></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>7 600</u></td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td style="text-align: right;">48 700</td> <td></td> <td></td> </tr> <tr> <td>Inventories <b>W1</b></td> <td style="text-align: right;"><u>(6 050)</u></td> <td></td> <td style="text-align: right;"><b>(2)</b></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(42 650)</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">18 790</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Expenses</td> <td></td> <td style="text-align: right;"><u>(13 790)</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>5 000</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </table> <p><b>W1</b> Inventories – 5 100 (1) + 950 (1) = 6 050</p>	Revenue		61 440	<b>(1)</b>	Production cost	41 100		<b>(1of)</b>	Purchases	<u>7 600</u>		<b>(1)</b>		48 700			Inventories <b>W1</b>	<u>(6 050)</u>		<b>(2)</b>	Cost of sales		<u>(42 650)</u>	<b>(1of)</b>	Gross profit		18 790	<b>(1of)</b>	Expenses		<u>(13 790)</u>	<b>(1of)</b>	Profit for the year		<u>5 000</u>	<b>(1of)</b>	<b>(9)</b>
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Question number	Answer A02 (9)						Mark	
<b>4(a)</b>	<b>Award 1 mark for each correct figure. Award 1 mark for all correct labels/details and dates.</b>							
	<u>Capital Accounts</u>							
	Details	A	B	C	Details	A	B	C
	\$ 000							
					Balance b/d	50	40	30 <b>(1 for row)</b>
	Goodwill	20 <b>(1)</b>	20 <b>(1)</b>	20 <b>(1)</b>	Goodwill	25 <b>(1)</b>	20 <b>(1)</b>	15 <b>(1)</b>
	Balance c/d	55	40	25				
		75	60	45		75	60	45
					Balance b/d	55	40	25 <b>(1 of for the row)</b>
								<b>(9)</b>

Question number	Answer AO1 (1)	Mark
<b>4(b)</b>	<b>D</b> Partners' salaries	<b>(1)</b>

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

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

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

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

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



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

Question number	Answer <b>AO2 (8)</b>	Mark																																			
<b>5(b)</b>	<p><b>Award 1 mark for correct figure with understandable label as indicated.</b></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 <b>(1)</b></td> <td>2 000 <b>(1)</b></td> <td></td> <td>12 000</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td>(3 000) <b>(1)</b></td> <td>(3 000)</td> </tr> <tr> <td>Dividend</td> <td></td> <td></td> <td>(6 000) <b>(1)</b></td> <td>(6 000)</td> </tr> <tr> <td>Balance at 31 Dec 2016</td> <td>60 000 <b>(1)</b></td> <td>12 000 <b>(1)</b></td> <td>6 000 <b>(1)of</b></td> <td>78 000 <b>(1)of</b></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 <b>(1)</b>	2 000 <b>(1)</b>		12 000	Profit for the year			(3 000) <b>(1)</b>	(3 000)	Dividend			(6 000) <b>(1)</b>	(6 000)	Balance at 31 Dec 2016	60 000 <b>(1)</b>	12 000 <b>(1)</b>	6 000 <b>(1)of</b>	78 000 <b>(1)of</b>	<b>(8)</b>
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Question number	Answer <b>AO3 (2)</b>	Mark
<b>5(c)(i)</b>	<p><b>Award 1 mark for identification of concern and 1 mark for linked justification/reasoning. Up to a maximum of 2 marks.</b></p> <p>Payment of interest will have an adverse effect on the profit for the year <b>(1)</b>, which could affect the amount of money available for dividends <b>(1)</b></p>	<b>(2)</b>

Question number	Answer <b>A03 (2)</b>	Mark
<b>5(c)(ii)</b>	<p><b>Award 1 mark for identification of effect and 1 mark for linked justification/reasoning. Up to a maximum of 2 marks.</b></p> <p>Shares of Kane plc may be traded to the public <b>(1)</b>, therefore wider shareowners <b>(1)</b></p>	<b>(2)</b>

Question number	Answer <b>A02 (2)</b>	Mark
<b>5(d)(i)</b>	<p><b>Award 1 mark for correct figure with understandable label as indicated.</b></p> <p><u>Kane Ltd income statement for the year ended 31 Dec 2016</u></p> <p><u>Finance costs (1)</u>  Debt interest            400 <b>(1)</b></p>	<b>(2)</b>


Question number	Answer <b>A02 (4)</b>	Mark
<b>5(d)(ii)</b>	<p><b>Award 1 mark for correct figure with understandable label as indicated.</b></p> <p><b><u>Statement of financial position</u></b></p> <p><u>Non-current liabilities (1)</u></p> <p style="text-align: right;">8% debentures (2021)    \$5 000 <b>(1)</b></p> <p><u>Current liabilities (1)</u></p> <p style="text-align: right;">Other payables \$200 <b>(1)</b></p>	<b>(4)</b>



May 2017

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