

Pearson LCCI

Certificate in Financial Accounting (VRQ) Level 3

Wednesday 9 November 2016

Time: 3 hours

Paper Reference

ASE20097

Complete the details below in block capitals.

Candidate name

Centre Code

Candidate Number

Candidate ID Number

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen
 - *pencil can only be used for graphs, charts, diagrams, etc.*
- **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 115.
- 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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PEARSON

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

1 (a) State how each of the following accounting concepts may be applied when preparing financial statements. (4)

Going concern

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Accruals

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Prudence

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Consistency

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(b) State **two** business objectives of a private sector business. (2)

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(c) Ahmad started a private limited company in 2010. He is now considering converting the company into a public limited company.

(i) State **two** advantages of converting a private limited company into a public limited company.

(2)

1

2

(ii) State **two** disadvantages of converting a private limited company into a public limited company.

(2)

1

2

(d) Explain the liability of each partner in a partnership.

(2)

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(e) Describe **four** qualitative characteristics of financial reporting under the International Accounting Standards Board (IASB) Framework.

(8)

1

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(Total for Question 1 = 20 marks)

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2 Lee Hang has provided you with the trial balance on Page 7. However, this does not balance, and on investigation a number of errors and omissions were discovered.

- The purchases day book has been overcast by \$100
- A purchase of goods for \$1 363 on credit from Eastern & Co was entered in error as \$1 336
- An \$800 cheque for rent, correctly recorded in the cash book, was entered in the rent account as \$880
- The depreciation for the year has not yet been recorded. Depreciation is charged at the rate of 25% on a diminishing (reducing) balance method.
- Goods bought for \$425 for resale, taken by Lee Hang for personal use, had been entered correctly in drawings but no other entries had been made.
- A telephone invoice payment by cheque of \$194 had been entered in the cash book and the telephone account as \$149
- Irrecoverable debts of \$487 are to be written off. An allowance for doubtful debts needs to be maintained at 12%
- An electricity invoice paid by cheque for \$326 had been recorded in the general expenses account.
- Closing inventory was valued at \$6 780. However, this included goods purchased for \$875 that had been damaged, and could only be sold for \$200 after repairs costing \$50

Complete the adjustment columns of the extended trial balance.

(17)



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Lee Hang – Extended trial balance at 30 June 2016

	Trial balance		Adjustments	
	Debit \$	Credit \$	Debit \$	Credit \$
Allowance for doubtful debts		1 000		
Bank		1 587		
Capital		112 000		
Drawings	36 000			
Electricity	2 168			
General expenses	8 542			
Inventory at 1 July 2015	6 250			
Motor vehicle – accumulated depreciation		14 000		
Motor vehicle at cost	28 000			
Purchases	51 135			
Rent	9 680			
Returns in	1 098			
Returns out		753		
Revenue		82 651		
Suspense		505		
Telephone	1 248			
Trade payables control		4 372		
Trade receivables control	9 187			
Wages	63 560			
Total	216 868	216 868		

(Total for Question 2 = 17 marks)


3 Rubini started business, to make pots, with a capital of \$20 000 on 1 July 2015. She does not keep complete accounting records but the following information is available for the year ended 30 June 2016.

- On 1 July 2015 she borrowed an additional \$20 000 from a friend.
 - She will pay this back in equal instalments over 5 years commencing from 30 June 2016.
 - Interest is charged at the rate of 5.75% per annum.
- On 1 July 2015 equipment costing \$35 000 was purchased. The equipment is to be depreciated over a 15-year life, using the straight line method. At the end of the 15 years, the equipment will have a value of \$2 000
- The mark up for each pot is 100% on the total for clay and other materials, which is \$2.80
- Rubini sold 240 pots every week.
- Power per week was \$40
- Insurance per month was \$18
- Rent of premises per month was \$90
- Drawings per month were \$2 100
- On 30 June 2016 Rubini had:
 - 280 unsold pots
 - an invoice for materials of \$75 to pay
 - a customer who had not paid for 200 pots
 - \$3 555 in the bank and \$634 cash.
- There are 52 weeks in one year.

(a) Prepare the statement of profit or loss for the year ended 30 June 2016.

(10)



Rubini
Statement of profit or loss for the year ended 30 June 2016

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Area with horizontal dotted lines for writing.



(b) Prepare the statement of financial position at 30 June 2016.

(12)

Rubini
Statement of financial position at 30 June 2016

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(Total for Question 3 = 22 marks)



4 Hartong Construction plc provided the following information.

Statements of financial position

	30 June 2016	30 June 2015
Assets	\$	\$
Non-current assets	1 809 000	2 051 000
Current assets		
Inventories	499 000	510 000
Trade and other receivables	457 000	421 000
Cash and cash equivalents	69 000	–
	1 025 000	931 000
Total assets	2 834 000	2 982 000
Equity and liabilities		
Equity		
Share capital	1 200 000	1 100 000
Share premium	120 000	110 000
Retained earnings	975 000	1 382 000
Total equity	2 295 000	2 592 000
Non-current liabilities		
Bank loan	220 000	–
Current liabilities		
Cash and cash equivalents	–	62 000
Trade and other payables	319 000	328 000
	319 000	390 000
Total equity and liabilities	2 834 000	2 982 000



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5 (a) Explain the importance to stakeholders of measuring business performance.

(3)

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Akmal provided the following information for the year ended 30 September 2016.

- Allowance for doubtful debts \$11 000
- Capital \$225 000
- Cash \$4 000
- Expenses (not including loan interest) \$456 000
- Opening inventory \$101 000
- Closing inventory \$117 000
- 8% long-term loan \$250 000
- Motor vehicles \$47 000
- Bank overdraft \$18 000
- Property, plant and equipment \$279 000
- Purchases \$1 009 000
- Revenue \$1 521 000
- Taxation payable \$47 000
- Trade receivables \$172 000
- Trade payables \$68 000
- All sales and purchases were made on credit.



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(b) Calculate the following ratios for Akmal for the year ended 30 September 2016.

(i) Gross profit percentage (2)

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(ii) Net profit percentage (2)

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(iii) Current ratio (2)

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(iv) Quick ratio (acid test) (2)

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(v) Return on capital employed

(2)

(vi) Trade receivables collection period

(2)

(vii) Trade payables payment period

(2)

(viii) Inventory turnover

(2)

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Akmal has provided you with the following industry averages.

Ratio	Industry average
Gross profit percentage	40%
Net profit percentage	5%
Current ratio	2:1
Quick ratio (acid test)	1:1
Return on capital employed	10%
Trade receivables collection period	32 days
Trade payables payment period	30 days
Inventory turnover	13 times

(c) Evaluate the performance of Akmal's business during the year ended 30 September 2016 under the following categories:

- profitability
- liquidity
- efficiency.

(9)

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(Total for Question 5 = 28 marks)

TOTAL FOR PAPER = 115 MARKS

