

Pearson LCCI

Certificate in Financial Accounting (VRQ) Level 3

Wednesday 7 December 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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Answer ALL questions. Write your answers in the spaces provided.

1 (a) State **five** objectives of private sector businesses.

(5)

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(b) Describe the following concepts:

(i) accruals concept

(2)

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(ii) prudence concept.

(2)

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(c) State **four** possible causes for a discrepancy between a non-current assets register and a physical check of non-current assets.

(4)

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The repair costs of machinery damaged during recent floods have been included in the cost of non-current assets in order to improve the profit figure for the year.

(d) Explain the relevant principles of **professional ethics** that have been compromised in this situation.

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(Total for Question 1 = 17 marks)



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2 Samma Day trades in stationery.

On 30 September 2016 the inventory was valued at \$48 750. This did not include:

Description	Quantity (boxes)	Cost price per box \$	Selling price per box \$	Comments
Plastic folders	20	6.00	7.50	Packaging damaged but can be sold for \$7.00 per box.
Ring binder folders	50	10.00	15.50	These can be repaired at a cost of \$2.00 per box and then can be sold at \$11.00 per box.
Lever arch folders	100	20.00	25.00	These can be repaired at a cost of \$3.00 per box and then can be sold at \$22.00 per box.

(a) Calculate the **total** value of the inventory at 30 September 2016.

(4)

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Samma provided the following information at 30 September 2016.

	\$
Allowance for doubtful debts	4 950
Depreciation charge for the year	12 500
Insurance	18 000
Inventory at 1 October 2015	34 560
Property, plant and equipment at cost	400 000
Property, plant and equipment accumulated depreciation	80 000
Purchases	175 000
Rent and rates	14 000
Revenue	250 000
Sundry expenses	250
Trade payables	46 560
Trade receivables	67 500
Wages and salaries	60 000

The following transactions had not been accounted for:

- The total of the petty cash vouchers for the week ended 30 September 2016 was \$35. The imprest amount was maintained at \$50
- The bank statement on 30 September 2016 showed:

Bank charges	\$ 45
Direct debit for rates	\$ 700
- A remittance advice showed that a payment of \$2 375 had been received in full settlement of a total debt outstanding of \$2 500
- An invoice for \$1 500, after trade discount of \$100, had been received from a supplier.
- Rent of \$1 200 was outstanding for the quarter ending 30 November 2016.
- Insurance included \$6 000 for the six months ended 31 December 2016.
- There were irrecoverable debts of \$3 250
- The allowance for doubtful debts was to be maintained at 10% of the trade receivables.
- Wages of \$100 had been recorded in the sundry expenses.



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(Total for Question 2 = 21 marks)



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- 3 Amisha and Balwinder are in partnership sharing profit and losses in the ratio of 4:1. Each partner is entitled to a salary of \$12 000 per annum and 10% interest on capital.

They provided the following list of balances at 1 January 2016:

	Capital \$	Current \$	Total \$
Equity – Amisha	250 000	(14 200)	235 800
Equity – Balwinder	75 000	(7 800)	67 200
Land and buildings			140 000
Motor vehicles			60 000
Machinery			80 000
Inventory			17 500
Trade receivables			8 750
Bank			3 750
Trade payables			7 000

On 31 March 2016

- The partners changed the accounting period to 31 March each year.
- Balwinder invested additional capital of \$150 000
- The balances of the following assets and liabilities before additional capital was introduced were:

	\$
Trade receivables	10 000
Bank	17 500
Trade payables	8 000

- The following assets were revalued to:

	\$
Land and buildings	200 000
Machinery	65 000
Inventory	15 000
Motor vehicles	30 000

(The value for motor vehicles is after Amisha took one of the motor vehicles valued at \$15 000. This was processed through her capital account.)

- The profit for the period ended 31 March 2016 was \$14 000 before appropriation.



(a) Prepare the partnership appropriation account for the period ended 31 March 2016.

(5)

Amisha and Balwinder
Appropriation account for the period ended 31 March 2016

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(b) Prepare the partners' capital accounts for the period ended 31 March 2016.
Dates are not required.

(9)

Capital accounts

Details	Amisha	Balwinder	Details	Amisha	Balwinder
	\$	\$		\$	\$

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- 4 The directors of Hoo King Ltd provided the following information.

	31 March 2016	1 April 2015
	\$	\$
Cash in hand	5 000	3 000
Cash at bank	(7 000)	12 000
Inventory	78 000	84 000
Trade receivables	87 500	69 500
Trade payables	78 000	81 500

An extract from non-current assets schedule

At cost/valuation	Land and buildings \$	Machinery \$	Motor vehicles \$
Balance at 1 April 2015	200 000	120 000	80 000
Revaluation	50 000		
Additions		40 000	
Disposals		(30 000)	(20 000)
Balance at 31 March 2016	250 000	130 000	60 000

Accumulated depreciation	Land and buildings \$	Machinery \$	Motor vehicles \$
Balance at 1 April 2015	50 000	60 000	40 000

Non-current asset	Depreciation policy	Additional information
Land and buildings	2% per annum on a straight line basis	The original cost of land was \$100 000. The revaluation relates only to land.
Machinery	10% per annum on a diminishing (reducing) balance basis	During the year a machine, originally purchased on 1 January 2013, was traded in with an allowance of \$14 000
Motor vehicles	20% per annum on a diminishing (reducing) balance basis	During the year a motor vehicle, originally purchased on 31 March 2014, was disposed of for \$15 000

The accounting policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

The profit for the year ended 31 March 2016 was \$115 000



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(b) Complete the following extract of a statement of cash flows for the year ended 31 March 2016 for Hoo King Ltd. (2)

Cash and cash equivalents at the beginning of the year	\$
Cash and cash equivalents at the end of the year	\$

You may use this space for workings.

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(c) State **two** purposes of calculating cash flows from:
(i) operating activities (2)

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(ii) investing activities (2)

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(iii) financing activities. (2)

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(Total for Question 4 = 28 marks)

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- 5 David Wu is a trader in new and used laptops. He provided the following extracts from his financial statements.

	30 June 2016	30 June 2015
	\$	\$
Revenue	550 000	400 000
Cost of sales	300 000	220 000
Expenses	115 000	105 000
Non-current assets (carrying value)	450 000	400 000
Inventory	60 000	40 000
Trade receivables	75 000	70 000
Cash and cash equivalents	(10 000)	5 000
Trade payables	50 000	65 000

Additional information

- 70% of the sales were on credit.
- All purchases were on credit.
- On 1 July 2014 the inventory was valued at \$45 000
- The normal credit terms are 60 days for both purchases and sales.

David has calculated the following ratios for the last two years.

Ratio	30 June 2016	30 June 2015
Gross profit margin	45.45%	45.00%
Net profit margin	24.55%	18.75%
Current ratio	2.25:1	1.77:1
Quick ratio (acid test)	1.25:1	1.15:1



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(a) Calculate the following ratios for both years:

(i) trade receivables collection period

(4)

30 June 2016	30 June 2015

(ii) trade payables payment period

(6)

30 June 2016	30 June 2015

(iii) inventory turnover.

(4)

30 June 2016	30 June 2015



(b) Evaluate the performance of the business over the two years by using the information provided and your calculations in (a).

(8)

Area with horizontal dotted lines for writing the answer.

(Total for Question 5 = 22 marks)

TOTAL FOR PAPER = 115 MARKS

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