

Pearson LCCI

Certificate in Financial Accounting (VRQ) Level 3

Wednesday 7 September 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) (i) State **two** differences between a private limited company (Ltd) and a public limited company (plc).

(2)

1

2

(ii) State **two** differences between a limited liability partnership (LLP) and a general partnership.

(2)

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2

(b) Explain **two** disadvantages of being a sole trader compared to being a general partner.

(4)

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2

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(c) State **two** purposes of preparing a trial balance.

(2)

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2

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(d) State **two** purposes of financial statements.

(2)

1

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2

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On 30 June 2016 Nazib had trade receivables of \$38 750, which included an irrecoverable debt of \$2 500.

The business provided for an allowance for doubtful debts of 10% of trade receivables.

(e) (i) Define the accounting concept applied for these transactions.

(4)

Concept

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Definition

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(ii) Prepare an extract of a statement of financial position to show trade receivables.

(3)

Nazib
Statement of financial position extract at 30 June 2016

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(f) Identify, with reasons, which principles of professional ethics would be compromised in the following situation.

(4)

Anna and Raminder are friends who work for an accounting firm. Raminder offered to buy lunch for Anna. In return, Anna would sign an overdue audit report without reading it and send it to the client stating that the delay was due to computer failure.

Principles of professional ethics

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Reasons

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(Total for Question 1 = 23 marks)



- 2 Dona runs a retail business but does not keep a full set of accounts.

She has provided the following information for the year ended 31 March 2016.

Cash book summary

Receipts	\$	Payments	\$
Cash banked	135 440	Building extension	30 000
Fixtures and fittings	400	Electricity	4 150
Motor van	5 000	Fixtures and fittings	8 000
Trade receivables	278 460	General expenses	3 460
		Motor van	20 000
		Trade payables	350 000
		Wages and salaries	19 250

	31 March 2016	31 March 2015
	\$	\$
Land and buildings at cost	130 000	100 000
Motor vans at carrying value	35 000	40 000
Fixtures and fittings at carrying value	16 000	10 000
Inventory	70 000	42 790
Trade receivables	42 700	25 000
Trade payables	14 850	40 640
Bank	To be calculated	24 800
Electricity paid in advance	350	800
Wages and salaries outstanding	700	400



- The inventory on 31 March 2016 was valued at selling price. The business sells its goods at a 40% mark up.
- Dona took \$250 per month as drawings from cash sales before depositing cash into the bank. She also took goods costing \$2 500 for personal use.
- Purchase returns during the year were \$15 720.
- Irrecoverable debts of \$5 700 were to be written off.
- Disposals during the year:
 - Fixtures and fittings – carrying value \$250
 - Motor van – carrying value \$7 500.
- The business does not charge any depreciation on land and buildings.

(a) Calculate for the year ended 31 March 2016:

(10)

	Workings	Answer \$
Credit sales		
Cash sales		
Credit purchases		



(b) Prepare the statement of profit or loss for the year ended 31 March 2016.

(23)

Dona
Statement of profit or loss for the year ended 31 March 2016

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(Total for Question 2 = 33 marks)



- 3 Munir, Nishant and Osman are in partnership, sharing profits and losses in the ratio of 3:2:1. Each partner is entitled to an annual salary of \$14 000, \$12 000 and \$16 000 respectively. The interest on capital is 10% per annum.

They provided the following information for the year ended 31 March 2016.

	Capital account 1 April 2015 \$	Current account 1 April 2015 \$	Cash drawings monthly \$
Munir	45 000	4 500	500
Nishant	30 000	7 150 Dr	650
Osman	25 000	1 300	700

Balances	31 March 2016 \$
Allowance for doubtful debts	4 500
Cash and cash equivalents	9 500
Inventory	47 646
Irrecoverable debts	2 500
Motor vehicles accumulated depreciation	12 500
Motor vehicles at cost	40 000
Premises accumulated depreciation	7 000
Premises at cost	70 000
Trade payables	23 500
Trade receivables	45 000
Profit for the year	88 196



The following transactions have not yet been accounted for:

- On 1 August 2015 Munir introduced his private motor vehicle, value \$30 000, into the business.
 - This is not to be treated as additional capital but as a 15% loan repayable after five years.
 - Depreciation has not yet been provided for on this vehicle.
 - Motor vehicles are depreciated at 10% per annum on a reducing balance method.
 - The business charges a full year's depreciation in the year of acquisition.
- The partners took goods at cost price for personal use:

Munir	\$600
Nishant	\$800
Osman	\$750

(a) (i) Calculate the adjusted profit for the year ended 31 March 2016.

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(Total for Question 3 = 31 marks)



- 4 Food Ltd provided you with the following extracts from their statement of financial position.

	31 March 2016 \$	31 March 2015 \$
Bank loan	250 000	400 000
Cash and cash equivalents	(80 000)	123 000
Fixtures and fittings at carrying value	87 000	92 000
Inventory	84 000	79 350
Land and buildings at carrying value	192 500	200 000
Plant and machinery at carrying value	650 000	540 000
Retained earnings	160 000	99 350
Share capital	500 000	500 000
Share premium	50 000	50 000
Trade payables	98 250	79 650
Trade receivables	124 750	94 650

Additional information

- During the year, the business sold machinery costing \$50 000 with accumulated depreciation of \$22 160 for \$25 000.
- The depreciation charged during the year:

Buildings	\$7 500
Fixtures and fittings	\$30 000
Plant and machinery	\$90 000
- There was no revaluation of non-current assets during the year.



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(Total for Question 4 = 18 marks)



- 5 Mr Chung wants to invest \$100 000 into a business. He has given you the following ratios for Mr Solanki's and Mr Kay's businesses, which sell similar goods.

	Mr Solanki	Mr Kay
Gross profit margin	26%	10%
Net profit margin	9%	4%
Current ratio	7.5:1	1.9:1
Quick ratio (acid test)	4.2:1	1.05:1
Inventory turnover	6 times	35 times
Trade receivables collection period	32 days	-
Trade payables payment period	45 days	30 days

Additional information

- The normal credit terms are 30 days.

- (a) Analyse the reasons for the differences in the following ratios for these businesses.

(8)

Net profit margin

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Quick ratio (acid test)

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Inventory turnover

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Trade payables payment period

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(b) Advise Mr Chung, with a reason, which business he should invest in.

(2)

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(Total for Question 5 = 10 marks)

TOTAL FOR PAPER = 115 MARKS

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