Pearson LCCI

Certificate in Financial Accounting (VRQ)

Level 3

Thursday 16 November 2017

Resource Booklet

Paper Reference
ASE20097

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.

Turn over ▶

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Resource for Question 1 – Part (b).

Tamy runs a business and provided the following information in addition to the extended trial balance on **page 3** of the question paper for the year ended 30 September 2017.

She identified the following errors:

- the bank balance of $2 150 was incorrectly treated as an overdraft
- credit sales of $570 were recorded as $750 in the sales day book
- during the year Tamy used her own money to purchase inventory costing $950. This had been recorded correctly in the purchases account, but no other entries had been made.

At 30 September 2017:

- allowance for doubtful debts was to be decreased by $150
- insurance of $400 was prepaid
- wages and salaries of $375 were owing
- general expenses included a payment of $1 250 for Tamy's holidays
- a debt of $350, previously written off, was recovered. This has not yet been accounted for.

Resource for Question 2 – Parts (a), (b) and (c).

Gavin and Hanna were in partnership.

On 30 September 2016 the following balances were extracted from the partnership statement of financial position.

	Capital account $	**Current account $**
Gavin	50 000	3 000
Hanna	50 000	2 500 Dr

The partnership agreement provided for:

- profits and losses to be shared in the ratio of 2:1
- interest on capital to be paid at 8% per annum
- Hanna to receive a salary of $12 000 per annum.

On 1 October 2016:

- Indi joined the partnership and introduced $50 000 by cheque. They agreed that profits and losses were to be shared equally. There were no other changes to the agreement
- the non-current assets were revalued. The profit on revaluation was $45 000
- goodwill was valued at $30 000. The partners decided not to retain goodwill in the books of account.

For the year ended 30 September 2017 profit for the year was $72 000

Resource for Question 3 – Parts (a), (b) and (c).

John provided the following information after preparing the draft statement of profit or loss for the year ended 30 June 2017, which showed a profit for the year of $25 375

The following have not yet been accounted for:

- inventory, valued at $50 000, included damaged goods, $6 250, that can only be sold at 42% of their cost
- an allowance for doubtful debts was to be created at 5% of trade receivables
- interest on the bank loan that was taken out on 1 April 2017. This will be paid on 15 July 2017.

	$
6% Bank loan (payable 2020)	20 000
Bank	7 500 Cr
Cash	1 625
Equity at 1 July 2016	75 000
Land and buildings:	
Cost	100 000
Accumulated depreciation	25 000
Motor vehicles:	
Cost	35 000
Accumulated depreciation	29 000
Trade payables	47 250
Trade receivables	42 500

Resource for Question 4 – Parts (a), (b) and (c).

Data for parts (a) and (b).

Ming does not keep complete accounting records. She provided the following information for the year ended 30 June 2017.

	30 June 2017 $	1 July 2016 $
Inventory	5 645	4 850
Trade payables	19 950	12 750
Trade receivables	38 495	29 575

- Bank summary

Receipts	$
8% Bank loan	30 000
Receipts banked	65 000

Payments	$
Bank loan repayments	12 000
Carriage inwards	775
Carriage outwards	1 950
Drawings	9 450
General expenses	4 500
Plant and machinery	25 000
Rent and rates	4 750
Trade payables	27 850

- Ming banked all the receipts, except the following:
  - Purchases $1 200
  - General expenses $825
  - Cleaner's wages $975
  - Rent and rates $2 450
- Receipts banked included the sale of a machine at its carrying value of $5 000 and receipts from credit customers of $58 000
- Irrecoverable debts of $525 were written off during the year.
- The depreciation charge for the year was $10 000
- The 8% bank loan was taken out on 1 October 2016.

Data for part (c).

Ming is concerned about the financial stability of two of her suppliers. She has obtained the following information for last year.

	Exe Ltd	Wye Ltd
Gross profit margin	20%	25%
Profit for the year to revenue percentage	8%	15%
Current ratio	2.25:1	1.4:1
Quick (acid test) ratio	1.6:1	0.4:1

Resource for Question 5 – Parts (a) and (d).

Morley Ltd provided the following information, in addition to the non-current assets register for machinery on **page 14** of the question paper, for the year ended 30 June 2017.

- During the year the Monox machine was sold for $18 275 as a trade in allowance for a new machine Zonox costing $35 000. The balance was paid by cheque.
- The depreciation on machinery is charged at 10% per annum, using the diminishing (reducing) balance method.
- The depreciation policy is to charge a full year's depreciation in the year of purchase and none in the year of disposal.

	30 June 2017 **$**	**30 June 2016** **$**
Bank	22 500 Cr	4 500
Inventory	26 750	33 435
Trade receivables	89 640	75 350
Trade payables	102 500	95 750
Retained earnings	64 820	39 475

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