

Pearson LCCI

Certificate in Financial Accounting (VRQ) Level 3

Tuesday 5 December 2017
Time: 3 hours

Paper Reference
ASE20097

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
– 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.
- Calculators may be used.

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.

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.

You will need to use the data on **page 2** of the Resource Booklet to answer parts (a) and (e).

- 1** (a) (i) Prepare journal entries to correct the **two** errors.
Narratives are **not** required.

(4)

| Date | Account | Debit \$ | Credit \$ |
|--------------|---------|----------|-----------|
| 30 June 2017 | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

- (ii) Explain the **overall** effect on the profit for the year ended 30 June 2017 after the correction of these errors.

(2)

- (b) State the financial statement used to assess the **liquidity** of a business.

(1)

- (c) State **two** stakeholders who may be interested in the financial statements of a business.

(2)

1

2

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(d) State **two** types of error that would not be detected by a trial balance.

(2)

1

2

(e) Prepare the rental income account for the year ended 30 June 2017.
Balance the account on that date and bring the balance down on 1 July 2017.

(6)

Rental Income Account

(f) State where, in the statement of financial position at 30 June 2017, the following will be shown.

(2)

Rental income received in advance

Rental income owed

(g) State **two** qualitative characteristics of financial reporting under the International Accounting Standards Board (IASB) framework.

(2)

1

2

(Total for Question 1 = 21 marks)



You will need to use the data on **page 3** of the Resource Booklet to answer parts (a)(i), (b) and (c).

2 (a) (i) Calculate the value of inventory at 31 August 2017.

(2)

(ii) Explain how inventory is valued by referring to the **accounting standard**.

(2)

(b) Calculate the depreciation charge for **each** of the following for the year ended 31 August 2017.

(i) Land and buildings

(1)

(ii) Motor vehicles

(2)

(c) Complete the adjustment columns of the extended trial balance at 31 August 2017.

(13)

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Tahira – Extended trial balance at 31 August 2017

| Ledger Accounts | Trial balance | | Adjustments | |
|--|---------------|--------------|-------------|--------------|
| | Debit \$ | Credit \$ | Debit \$ | Credit \$ |
| Allowance for doubtful debts | | 2 500 | | |
| Bank | 150 | | | |
| Disposal | 2 000 | | | |
| Equity | | 235 000 | | |
| Land and buildings – cost | 250 000 | | | |
| Land and buildings – accumulated depreciation | | 10 000 | | |
| Motor vehicles – cost | 60 000 | | | |
| Motor vehicles – accumulated depreciation | | 24 400 | | |
| Office expenses | 15 175 | | | |
| Opening inventory | 36 000 | | | |
| Purchases | 149 000 | | | |
| Revenue | | 269 555 | | |
| Trade payables | | 36 615 | | |
| Trade receivables | 42 895 | | | |
| Wages and salaries | 22 850 | | | |
| Allowance for doubtful debts adjustment | | | | |
| Closing inventory – statement of financial position | | | | |
| Closing inventory – statement of profit or loss | | | | |
| Depreciation charge | | | | |
| Irrecoverable debts | | | | |
| Total | 578 070 | 578 070 | | |

(Total for Question 2 = 20 marks)



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You will need to use the data on **page 4** of the Resource Booklet to answer parts (a), (b) and (c).

- 3** (a) Prepare the partners' appropriation account for the **three-month** period ended 31 December 2016.

(6)

Dan and Firdous
Appropriation account for the period ended 31 December 2016

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(b) Calculate for Dan:

(i) share of profit on revaluation (1)

(ii) share of goodwill (1)

(iii) current account balance. (1)

(c) Prepare the capital account of Dan at 31 December 2016. (7)

Capital Account – Dan

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On 1 January 2017, Emma joined the partnership. Emma and Firdous are considering converting the partnership into a private limited company.

(d) Discuss whether they should continue as a partnership or convert to a private limited company.

You must justify your decision.

(5)

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(Total for Question 3 = 21 marks)



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You will need to use the data on **page 5** of the Resource Booklet to answer parts (a), (b) and (e).

4 (a) Calculate for the year ended 30 June 2017:

(i) total sales

(4)

| | |
|---------------------|----|
| | \$ |
| Credit sales | |
| Cash sales | |
| Total sales | |

(ii) total purchases

(4)

| | |
|-------------------------|----|
| | \$ |
| Credit purchases | |
| Cash purchases | |
| Total purchases | |

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- (b) Prepare an extract of the statement of profit or loss for the year ended 30 June 2017, showing the **trading section** only.

(5)

Space for workings

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Wang
Statement of profit or loss for the year ended 30 June 2017

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- (c) State the formula for inventory turnover.

(1)

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Wang is thinking of adding 20% to the inventory valuation calculated in (b) for his insurance claim.

(d) State which principle of professional ethics he would compromise.

(1)

Wang is interested in the performance of two rival businesses.

(e) Evaluate which business is performing better.

(5)

(Total for Question 4 = 20 marks)

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You will need to use the data on **pages 6 and 7** of the Resource Booklet to answer parts (b) and (c).

5 (a) State **one** purpose of a statement of cash flows. (1)

(b) Prepare the statement to reconcile profit for the year to net cash from operating activities for the year ended 30 September 2017. (7)

Descop Ltd
Reconciliation of profit for the year to net cash from operating activities for the year ended 30 September 2017



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(c) Prepare the statement of cash flows for the year ended 30 September 2017.

(10)

Descop Ltd
Statement of cash flows for the year ended 30 September 2017

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(Total for Question 5 = 18 marks)

TOTAL FOR PAPER = 100 MARKS



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