

Pearson LCCI

Certificate in Financial Accounting (VRQ) Level 3

Wednesday 8 March 2017

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) Explain **one** difference between public sector and private sector businesses. (2)

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(b) State **four** items that are included in a statement of account received from a supplier. (4)

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(c) State **two** purposes of preparing subsidiary ledger accounts. (2)

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(d) Explain **two** limitations of a trial balance.

(4)

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Rouben provided the cash book and a bank statement balance for the month ended 30 November 2016.

	Cash book (Bank) \$	Bank statement \$
Opening balance	1 150	1 250 Cr
Closing balance	585	1 435 Cr

On 30 November 2016, the following differences were discovered.

The cash book for the month of November 2016 included:

- a cheque for \$150, issued on 12 November
- a cheque for \$2 500, received on 30 November.

The bank statement for the month of November 2016 included:

- a cheque for \$100, issued on 29 October
- a credit transfer from a customer, Mr Smith, of \$3 500
- a direct debit for a telephone bill of \$250
- bank charges of \$50



(e) (i) Prepare the bank reconciliation statement at **1 November 2016**.

(3)

Rouben
Bank reconciliation statement at 1 November 2016

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(ii) Prepare the updated cash book at 30 November 2016. Balance the account on that date and bring the balance down on 1 December 2016.

(5)

Cash book (bank column)

(Total for Question 1 = 20 marks)

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2 Rizwan and Sadiq are in partnership sharing profit and losses equally.

The partners provided the extended trial balance at 31 December 2016, on pages 8 and 9.

- On 15 December 2016:
 - a motor vehicle costing \$12 000, with accumulated depreciation of \$9 600, was used as a trade in allowance for \$2 350 to purchase a new motor vehicle costing \$15 000
 - only the following entries were recorded:

	Debit \$	Credit \$
Motor vehicle	15 000	
Sales		2 350
Bank		12 650

- The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.
- Depreciation is to be charged at 20% per annum using the reducing (diminishing) balance method.
- On 31 December 2016 the inventory was valued at \$46 350, including damaged inventory costing \$1 500. The damaged inventory could be sold for \$1 350 after repairs at an additional cost of \$350



- Drawings for the year, which have not been accounted for, were

	Cash \$	Goods \$
Rizwan	1 400	500
Sadiq	900	1 800

- Rent included a payment of \$800 for four months ending 31 March 2017.
- Telephone expenses of \$750 for the quarter ending 31 January 2017 were outstanding.
- Irrecoverable debts of \$450 are to be written off.
- An allowance for doubtful debts is to be introduced at 10% of trade receivables.
- The partnership agreement provides for an annual salary of \$12 000 for each partner and interest on capital at 5% per annum. These have not been accounted for.

Complete the extended trial balance on pages 8 and 9.

(33)



Rizwan and Sadiq – Extended trial balance at 31 December 2016

Ledger accounts	Trial balance		Adjustments		Statement of profit or loss	
	Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$
Administrative expenses	1 450					
Bank		2 000				
Cash in hand	2 500					
Current account – Rizwan		700				
Current account – Sadiq	400					
Equity – Rizwan		50 000				
Equity – Sadiq		50 000				
Inventory – opening	25 000					
Motor vehicle expenses	780					
Motor vehicle accumulated depreciation		35 000				
Motor vehicle at cost	125 000					
Purchases	95 000					
Rent	2 550					
Revenue		145 000				
Telephone expenses	500					
Trade payables		7 480				
Trade receivables	5 000					



- 3 Gemma started trading on 1 January 2016. She did not keep full accounting records but was able to provide the following information for the year ended 31 December 2016.

Bank summary

Details	\$	Details	\$
Capital	50 000	Trade payables	155 000
Trade receivables	160 000	Cash purchases	5 000
Cash banked	40 000	Advertising	6 000
		Wages	12 500
		Rent and rates	9 000
		Administration expenses	5 000
		Fixtures and fittings	50 000
		Motor car (for personal use)	8 200

- Cash banked was from cash sales after:
 - retaining a cash float of \$300
 - taking \$1 500 for personal use.
- Gemma took goods for personal use for which she does not have any record.
- Goods were sold at a 30% gross profit margin.
- Gemma decided to depreciate fixtures and fittings at 10% per annum using the straight line method.
- Gemma was able to provide the following totals for the year ended 31 December 2016:
 - Revenue \$210 000
 - Purchases \$186 000
- Inventory was valued at \$35 000



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(b) Calculate at 31 December 2016 the:

(i) trade receivables

(2)

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(ii) trade payables.

(2)

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(d) Explain **two** reasons for keeping full accounting records.

(4)

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(Total for Question 3 = 25 marks)

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- 4 (a) Explain **two** reasons, other than it being a legal requirement, for a business to prepare a statement of cash flows.

(4)

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Debdel Ltd provided the following information.

	31 October 2016 \$	31 October 2015 \$
Property, plant and equipment at cost	1 140 950	938 450
Property, plant and equipment – accumulated depreciation	250 950	178 450
Inventory	47 500	40 000
Trade receivables	53 000	25 000
Bank	3 500 Cr	14 000
Cash	900	2 200
Ordinary share capital	600 000	500 000
Share premium	100 000	100 000
Retained earnings	124 500	73 800
Bank loan	140 000	150 000
Trade payables	23 400	17 400



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5 (a) Complete the table below.

(5)

Ratios	Formula
Gross profit percentage/margin	
Net profit percentage/margin	
Trade receivables collection period	
Trade payables payment period	
Inventory turnover	



The following information relates to two similar upholstery retail businesses for the year ended 31 December 2016.

Ratios	Business X	Business Y
Gross profit percentage/margin	35%	20%
Net profit percentage/margin	12%	12%
Inventory turnover	5 times	20 times
Trade receivables collection period	60 days	10 days
Trade payables payment period	35 days	40 days
The normal credit terms are 30 days for customers and suppliers.		

(b) Analyse the performance of the **two** businesses for the year ended 31 December 2016.

(i) Trade receivables collection period.

(2)

(ii) Trade payables payment period.

(2)



(iii) Inventory turnover.

(2)

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(c) Evaluate, with a reason, which business is more efficient.

(2)

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(Total for Question 5 = 13 marks)

TOTAL FOR PAPER = 115 MARKS

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