Pearson LCCI

Certificate in Financial Accounting (VRQ)

Level 3

Wednesday 5 July 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.

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Resource for Question 1 – Parts (b) and (c).

Rosie provided the following information for the year ended 31 May 2017.

- Closing inventory included damaged goods costing $7 500, which could be sold for $8 000 after repairs costing $900
- Insurance included motor vehicle insurance of $900 for the three-month period ending 30 June 2017.
- Rent of $1 500 was received for the year ending 31 December 2017.
- Cash drawings of $545 were recorded in the general expenses account. Goods taken by Rosie, $865, were recorded correctly in the drawings account. No other entries were made.
- A cheque received from a trade receivable for $735 was recorded in the cash book as $753
- The purchases column of the purchases day book was understated by $100

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

Data for parts (b) (i) and (ii).

Tony, a sole trader, provided the following information.

On 1 January 2016:

- the allowance for doubtful debts was $4 850

On 31 December 2016:

- trade receivables were $75 000
- irrecoverable debts of $3 000 were to be written off
- the allowance for doubtful debts was to be maintained at 5%.

Data for parts (c) (i) and (ii).

Depreciation is charged at 20% per annum using the reducing (diminishing) 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.

An extract from the non-current assets register

Description	Year ended 31 December	Purchase date	Cost $	Depreciation charge $	Carrying amount $	Funding method	Disposal proceeds $	Disposal date
Machine 001	2013	1 January 2013	40 000	8 000	32 000	Bank		
	2014			6 400	25 600			
	2015			5 120	20 480			
	2016							
Machine 002	2013	1 November 2013	10 000	2 000	8 000	Bank		
	2014			1 600	6 400			
	2015			1 280	5 120			
	2016						3 000	1 November 2016
Machine 003	2016	1 November 2016	15 000			Trade in allowance and bank		

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

Data for part (b).

Pam, Qadir and Ron were in partnership.

- On 1 May 2016 their capital and current account balances were:

Partner	Capital account $	Current account $
Pam	80 000	4 000
Qadir	60 000	2 000 Dr
Ron	60 000	1 440

The partnership agreement provided for:

- profit and losses to be shared in the ratio of 4:3:3
- interest on capital at 12% per annum.
- salaries:

Partner	$
Pam	18 000
Qadir	24 000
Ron	15 000

On 1 February 2017, the partnership agreement changed to have:

- profit and losses shared equally among all partners
- interest on capital at 15% per annum
- interest on drawings at 10% per annum on balances at the year end
- salaries:

Partner	$
Pam	24 000
Qadir	30 000
Ron	36 000

- Qadir and Ron introduced additional capital of $20 000 each.

For the year ended 30 April 2017

- The drawings were as follows:

Partner	$
Pam	21 000
Qadir	12 000
Ron	27 000

- The profit for the year accrued evenly before appropriation was $108 000

Data for part (c).

On 30 April 2017:

- Soma was admitted into the partnership. She introduced $80 000 into the business. This was paid by cheque
- goodwill was valued at $60 000. The partners decided not to maintain goodwill in the books
- all partners agreed to share profit and losses equally.

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

David, a sole trader, provided the following information for the year ended 31 March 2017.

	31 March 2017 **$**	**1 April 2016** **$**
Bank	500	4 500
Bank loan	15 000	–
Equity	**To be calculated**	57 300
Inventory	7 500	10 800
Prepayment – general expenses	1 250	500
Trade payables	25 000	17 500
Trade receivables	10 000	14 000
Property, plant and equipment		
Cost	70 000	50 000
Accumulated depreciation	**To be calculated**	5 000

- All purchases and sales are on a credit basis.
- Goods are sold at a gross profit margin of 25%.
- On 1 October 2016 a bank loan of $15 000 was taken out. Interest is payable at 10% per annum for four years. No interest has yet been paid.
- Receipts from credit customers were $75 500
- General expenses paid were $4 000
- David took money for personal use but has not got any record of this.
- The depreciation on property, plant and equipment is charged at 10% per annum on a straight line basis.
- The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

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

Data for parts (a) and (b).

Mean Ltd provided the following information.

	30 April 2017 $	1 May 2016 $
Bank	34 000 Cr	140 000
Cash in hand	10 000	75 000
Bank loan	750 000	1 100 000
Property, plant and equipment at carrying value	2 100 000	2 070 000
Revaluation reserve	150 000	–
Share capital (ordinary shares at $1 each)	2 000 000	1 750 000
Share premium	270 000	240 000

Additional information

For the year ended 30 April 2017

- A machine costing $450 000 with accumulated depreciation of $285 000, was sold for $182 500
- The depreciation charge for the year was $350 000
- A dividend of $42 000 was paid during the year.
- The net cash from operating activities was $85 500

Data for part (d).

Mean Ltd provided the following ratios.

Ratios	**30 April 2017**	**1 May 2016**
Gross profit percentage / margin	17.20%	24.00%
Profit for the year to revenue percentage (net profit percentage/margin)	4.70%	8.00%
Return on capital employed	4.00%	5.60%
Current ratio	5.20:1	4.27:1
Quick (acid test) ratio	2.76:1	2.50:1

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