Pearson LCCI

Certificate in Financial Accounting (VRQ)

Level 3

Wednesday 6 September 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 (a).

Devi provided the following information for the year ended 31 December 2016.

	$
8% Bank loan	10 000
Allowance for doubtful debts	2 500
Carriage inwards	2 000
General expenses	153 900
Inventory at 1 January 2016	25 000
Purchases	199 000
Revenue	450 000
Trade receivables	40 000
Machinery at 1 January 2016	
Cost	70 000
Accumulated depreciation	35 000
Office equipment at 1 January 2016	
Cost	6 000
Accumulated depreciation	2 400

- On 30 November 2016, a machine costing \$10 000 with accumulated depreciation of \$5 100 was sold for \$4 900
- Depreciation policy is:

Machinery	30% per annum using the reducing (diminishing) balance method
Office equipment	20% per annum using the straight line method.

  A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
- Irrecoverable debts of \$1 500 were to be written off.
- Allowance for doubtful debts was to be maintained at 5% of trade receivables.
- General expenses account was undercast by \$400
- Devi took goods costing \$1 000 for personal use.
- The 8% bank loan was taken out in 2014.
- On 31 December 2016, inventory was valued at \$35 000. This included damaged inventory costing \$5 000, which can be sold for \$4 500 after incurring repairs costing \$500

Resource for Question 2 – Part (b).

Tina provided the following information in addition to the extended trial balance on **page 6** of the question paper for the year ended 30 June 2017.

- The closing inventory was **revalued** at $11 545
- The administration expenses included insurance of $900 for the six months ending 30 September 2017.
- Cleaner's wages, $150, were owing for the month of June 2017.
- Commission received of $345 was recorded twice.
- A cheque for $65 paid for travel expenses was correctly recorded in the cash book but was entered as $56 in the travel expenses account.
- A cheque for $13 546 paid for a personal motor vehicle was recorded only in the cash book.
- The purchases account was overstated by $100
- Sales returns, $525, from a credit customer were not recorded. However, these were counted in the closing inventory valuation.

Resource for Question 3 – Parts (c), (d) and (e).

Amy, Bernie and Collin are in partnership sharing profits and losses in the ratio of 3:2:1.

The partners provided the following information.

On 1 April 2017

Partner	**Capital account $**	**Current account $**
Amy	75 000	5 000
Bernie	50 000	3 250
Collin	25 000	1 000 Dr

- Bernie decided to leave the partnership. It was agreed to settle the amount due to Bernie by paying a cheque for $30 000 with the balance to be treated as a loan to the partnership.
- Collin also introduced additional capital of $25 000
- Goodwill was valued at $60 000. Partners decided not to maintain goodwill in the partnership books.
- The partners **revalued** the following assets:

  -the value of the premises increased by $50 000

  -the value of machinery decreased by $5 000

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

Shironji provided the following information.

On 1 April 2016 the balances were:

	$
Bank	580
Inventory	5 500
Other payables – electricity	200
Property, plant and equipment – cost	25 000
Property, plant and equipment – accumulated depreciation	2 500
Trade payables	2 170
Trade receivables	5 450

Bank summary for the year ended 31 March 2017

Receipts	**$**
Capital	10 000
Trade receivables	64 800

Payments	**$**
Expenses	5 780
Trade payables	53 000
Drawings	8 000

- On 1 October 2016, Shironji introduced a motor vehicle costing $5 000 as additional capital.
- Expenses included electricity and insurance. Insurance of $450 was paid for three months ending 30 June 2017.
- All purchases and sales were on a credit basis.
- All receipts and payments were through the bank account.
- During the year ended 31 March 2017, total revenue was $66 850
- Goods were sold at a mark-up of 25%.

- At 31 March 2017 inventory was valued at $4 750
- Depreciation on non-current assets is charged at 10% per annum using the reducing (diminishing) balance method.
- A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

Resource for Question 5 – Parts (c), (d) and (e).

Data for parts (c) and (d).

Damallo Ltd provided the following information.

	31 March 2017 $	31 March 2016 $
Bank	5 000 Cr	10 000
Bank loan	-	50 000
Cash	-	7 500
Inventory	150 000	100 000
Property, plant and equipment – cost	530 000	450 000
Property, plant and equipment – accumulated depreciation	110 000	88 000
Retained earnings	67 700	48 100
Trade payables	74 800	56 400
Trade receivables	97 500	75 000

During the year ended 31 March 2017

- On 1 January 2017, a machine costing $30 000 and with a carrying value of $14 500 was sold for $8 250
- There were no other disposals during the year.
- The profit for the year was $74 600
- A dividend on ordinary shares of $55 000 was paid during the year.

Data for part (e).

Damallo Ltd has obtained the following performance indicators for a rival business Lemchoc Ltd.

	31 March 2017	31 March 2016
Trade receivables collection period	40 days	37 days
Trade payables payment period	49 days	54 days
Inventory turnover	7 times	5 times

- Normal credit terms are 30 days.