Pearson LCCI

Tuesday 4 December 2018

Time: 3 hours	Paper Reference **ASE20097**

Certificate in Financial Accounting (VRQ)

Level 3

Resource Booklet

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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Pearson

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

Balqis runs a property letting agency, collecting rent on behalf of landlords. She provided the following information.

Balances	1 April 2017 $	31 March 2018 $
Other receivables – agency commission	1 450	-
Other payables – general expenses	-	1 550
Petty cash	250	50
Fixtures and fittings – carrying value	8 000	7 000

Bank summary for the year ended 31 March 2018

Receipts	$
Agency commission	75 450

Payments	$
General expenses	42 000
Drawings	14 000
Petty cash	1 250

- On 31 July 2017 $500 owing on the 1 April 2017 was written off as irrecoverable.
- There were no additions or disposals of fixtures and fittings during the year.

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

Ji provided the following information in addition to the extended trial balance extract at 30 September 2018 on **page 5** of the question paper.

Disposal proceeds of \$3 500 from the sale of non-current assets had been recorded in the sales account.

Commission received of \$2 567 had been recorded correctly in the cash book but recorded as \$5 267 in the commission received account.

Closing inventory **did not** include:

- goods sent on a sale or return basis, with a sale value of \$6 000 and a cost of \$4 500. The customer has not confirmed sale.
- damaged goods costing \$7 500 that can be sold for \$8 000 after repairs costing \$1 000

Office expenses included rent of \$12 000 for the year ending 31 December 2018.

Insurance included \$600 paid for Ji's home insurance for the year ending 31 December 2018.

Drawings of goods, \$135, had been recorded correctly in the drawings account, but no other entries had been made.

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

Rimpy and Hyan were in partnership sharing profits and losses in the ratio 2:1. The partnership agreement also provided for:

- interest on capital at 10% per annum on balances at 1 October
- a salary for Hyan of $14 000 per annum.

At 1 October 2017

Partner	Capital account $	Current account $
Rimpy	100 000	5 250
Hyan	50 000	(3 240)

On 1 July 2018 Tay joined the partnership, introducing $75 000 by cheque. This included a $25 000 loan at 10% per annum payable half yearly.

Rimpy, Hyan and Tay agreed to share profits and losses in the ratio 2:2:1. The new partnership agreement also provided for:

- interest on capital at 10% per annum on balances at 1 July
- a salary for Hyan and Tay of $12 000 per annum each.

Goodwill was valued at $60 000. The partners decided not to retain goodwill in the partnership books.

For the year ended 30 September 2018:

- each partner had drawings of $16 000
- the profit for the year was $72 000 accrued evenly.

Resource for Question 4 – Part (a).

Hema does not keep full accounting records but was able to provide the following information for the year ended 31 March 2018.

At 1 April 2017	$
Allowance for doubtful debts	1 850
Cash at bank	4 500
Cash in hand	1 250
Inventory	14 500
Machinery Cost Accumulated depreciation	 50 000 30 000
Trade payables	22 750
Trade receivables	18 500

Bank summary

Receipts	$	Payments	$
12% bank loan	20 000	Administration expenses	64 740
Trade receivables	268 745	Drawings	5 000
		Machinery	35 000
		Trade payables	191 375

- Total sales were $270 000 including cash sales of $2 400
- Total purchases were $188 000 including cash purchases of $1 630
- There were no other cash receipts or payments.
- Goods were sold at a mark-up of 50%.
- The depreciation charge for the year was $8 500
- Drawings of goods were $2 500
- The 12% bank loan was received on 1 July 2017. It is repayable in two equal instalments with interest on 30 June each year. Interest is calculated on the amount owing at 1 July each year.
- Closing inventory was valued at a selling price of $30 000
- The allowance for doubtful debts was decreased by $350

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

Data for parts (a) and (b).

Peenk Ltd provided the following information.

	30 June	
	2018 **$**	**2017** **$**
Bank	14 840 Cr	52 500
Bank loan	150 000	300 000
Cash	210	1 950
Non-current assets (carrying value)	565 000	550 000
Inventory	20 000	15 000
Share capital (ordinary shares of $1 each)	**To be calculated**	100 000
Share premium	**To be calculated**	20 000
Trade payables	110 000	95 000
Trade receivables	85 000	75 000

- On 1 January 2018 a dividend of $0.25 per share was paid on all shares in issue on that date.
- On 1 February 2018 a bonus issue of one ordinary share for every two ordinary shares held was made. The directors decided to leave the reserves in the most flexible form.
- On 1 April 2018 a rights issue of one ordinary share for every three ordinary shares held on that date was made at $1.20 per share. The rights issue was fully subscribed.
- On 15 June 2018 machinery originally costing $75 000, with a carrying value of $48 000, was sold at a profit of $2 000. There were no other disposals of non-current assets.
- Land, which is **not** depreciated, was acquired during the year ended 30 June 2018, all other non-current assets are depreciated at 20% 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.
- The profit for the year ended 30 June 2018 was $60 920

Data for part (c).

Peenk Ltd is planning to buy a new business and has provided the ratios of two businesses.

Ratios	**Business X**	**Business Y**
Return on capital employed (ROCE)	10%	15%
Asset turnover	3 times	2 times
Inventory turnover	10 times	7.5 times
Quick ratio (acid test)	1:1	0.8:1

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