

Pearson LCCI

Certificate in Financial Accounting (VRQ) Level 3

Wednesday 17 January 2018
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.

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.
- 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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Pearson

Answer ALL questions. Write your answers in the spaces provided.

You will need to use the data on **pages 2 and 3** of the Resource Booklet to answer part (a).

1 (a) Prepare the statement of profit or loss for the year ended 31 December 2017.

(15)

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Simon
Statement of profit or loss for the year ended 31 December 2017

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(b) State **one** purpose of financial accounting.

(1)

(c) State **two** advantages of being in business as a sole trader.

(2)

1

2

(d) State **one** reason why customers may be interested in the financial statements of a business.

(1)

(Total for Question 1 = 19 marks)

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

2 (a) State **two** purposes of preparing a trial balance.

(2)

1

2

(b) Calculate the value of the inventory at 31 October 2017.

(3)

(c) Calculate the change in the allowance for doubtful debts at 31 October 2017.

(2)

(d) Complete the adjustment and statement of profit or loss columns of the extended trial balance extract on **page 7** at 31 October 2017.

(11)

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Ragini – Extended trial balance at 31 October 2017 (extract)

Ledger Accounts	Trial balance		Adjustments		Statement of profit or loss	
	Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$
Allowance for doubtful debts		1 950				
Discount allowed	2 875					
Suspense	460					
Trade payables		45 000				
Trade receivables	55 000					
Allowance for doubtful debts adjustment						
Closing inventory – statement of financial position						
Closing inventory – statement of profit or loss						
Irrecoverable debts						



P 5 7 5 0 6 A 0 7 2 4

(e) Explain, referring to an appropriate accounting concept, **one** reason why it was necessary for Ragini to adjust the items in the extended trial balance.

(2)

Concept

Explanation

(Total for Question 2 = 20 marks)

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

3 (a) Explain **one** reason why a partnership maintains both capital accounts and current accounts.

(2)

(b) Calculate the amount of goodwill due to Charlie.

(1)

(c) Calculate Charlie's current account balance.

(2)

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(d) Prepare Charlie's capital account.

(7)

Capital Account – Charlie

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Charlie is considering investing money in another business.

(e) Explain **one** ratio used to measure profitability.

(2)

Ratio

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Explanation

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Andy and Betty decided to convert their partnership into a limited company.

(f) State **two** differences between a private limited company and a public limited company.

(2)

1

2

(g) Explain **one** advantage of forming a private limited company, compared to a partnership, other than limited liability.

(2)

(Total for Question 3 = 18 marks)

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You will need to use the data on **page 6** of the Resource Booklet to answer parts (a), (b), (c) and (d).

- 4** (a) Prepare the plant and equipment cost account for the year ended 31 December 2017. Balance the account on that date and bring the balance down on 1 January 2018.

(4)

Plant and Equipment Cost Account

- (b) Prepare the plant and equipment accumulated depreciation account for the year ended 31 December 2017. Balance the account on that date and bring the balance down on 1 January 2018.

(4)

Plant and Equipment Accumulated Depreciation Account

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(d) Prepare the statement of cash flows for the year ended 31 December 2017.

(7)

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Malbik Ltd
Statement of cash flows for the year ended 31 December 2017

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(Total for Question 4 = 21 marks)

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

5 (a) Calculate the trade receivables at 31 December 2017.

(3)

(b) Calculate the depreciation charge for the year ended 31 December 2017.

(1)

(c) Prepare the statement of financial position at 31 December 2017.

(8)

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(d) Evaluate which business is performing better.

(5)

Ratios	Aung	Soha
Profit for the year to revenue percentage /margin	5%	10%
Current ratio	1.5:1	1.7:1
Trade receivables collection period	30 days	20 days
Trade payables payment period	54 days	60 days

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