

Pearson LCCI

**Certificate in Financial
Accounting (VRQ)
Level 3**

Wednesday 17 January 2018
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 – Part (a).

Simon provided the following information.

Balances at 1 January 2017

	\$
Allowance for doubtful debts	1 575
Inventory	28 950
Other receivables – general expenses	250
Fixtures and fittings	
Cost	25 000
Accumulated depreciation	12 500

For the year ended 31 December 2017

	\$
Discount received	1 050
Credit transactions	
Purchases	181 950
Returns inwards	5 750
Sales	295 675
Bank payments	
Carriage inwards	1 825
Drawings	26 375
General expenses	19 250
Purchases	6 450
Wages and salaries	34 350

On 1 October 2017, an 8% bank loan of \$20 000 was received.

During the year ended 31 December 2017, fixtures and fittings costing \$3 500, with a carrying value of \$2 800, were sold for \$1 540

Depreciation is charged at 10% 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.

All sales were on a credit basis.

Simon took goods costing \$2 375 for personal use.

Balances at 31 December 2017:

	\$
Allowance for doubtful debts	1 350
Inventory	33 750
Other payables – wages and salaries	750

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

Ragini provided the following information in addition to the extended trial balance extract at 31 October 2017 on **page 7** of the question paper.

The following transactions have not yet been accounted for.

- Closing inventory was valued at \$65 450, which **did not** include two damaged products.

Product	Quantity	Cost price per unit \$	Selling price per unit \$	Comments
AMAX	250	7.50	10.00	Each unit can be sold for \$8.50 after repairs costing \$0.50
BTAX	400	15.00	18.00	Each unit can be sold for \$16.00 after repairs costing \$1.50

- Irrecoverable debts of \$3 000 were to be written off.
- An allowance for doubtful debts of 5% of trade receivables was to be maintained.
- Discount allowed of \$230 was recorded as a credit entry in the discount allowed account.

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

Andy, Betty and Charlie were in partnership, sharing profits and losses in the ratio 4:3:3.

At 1 November 2016

Partner	Capital \$	Current \$
Andy	100 000	2 800
Betty	75 000	8 950
Charlie	75 000	4 500 Dr

On 31 October 2017, Charlie retired from the partnership. Andy and Betty continued in partnership, sharing profits and losses in the ratio 3:2.

Goodwill was valued at \$75 000 and will not be maintained in the books.

Charlie's share of loss on revaluation was \$12 400

Monies due to Charlie were settled by a 12% loan of \$50 000 with the balance being paid by cheque.

Profit for the year ended 31 October 2017 was \$58 000

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

Malbik Ltd provided the extracts below from the statements of financial position at 31 December.

	2017 \$	2016 \$
Debentures (2017)	-	150 000
Debentures (2025)	300 000	-
Bank	10 000	13 550 Cr
Inventory	32 850	25 000
Plant and equipment		
Cost	787 000	560 000
Accumulated depreciation	106 000	57 500
Retained earnings	72 625	64 200
Share capital (ordinary shares of \$1 each)	350 000	250 000
Share premium	-	50 000
Trade payables	13 725	14 750
Trade receivables	12 500	15 000

Additional information

- On 30 November 2017, equipment costing \$35 000, with accumulated depreciation of \$2 750, was sold for \$30 000. There were no other disposals during the year.
- A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
- On 20 December 2017, a bonus issue of 100 000 ordinary shares was made.
- Profit for the year ended 31 December 2017 was \$138 425
- A dividend of \$80 000 was paid during the year.

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

On 1 January 2017, Aung provided the following information.

	\$
Cash at bank	7 900
Inventory	45 400
Property, plant and equipment Cost	350 000
Accumulated depreciation	110 000
Trade payables	76 750
Trade receivables	52 450

During the year ended 31 December 2017:

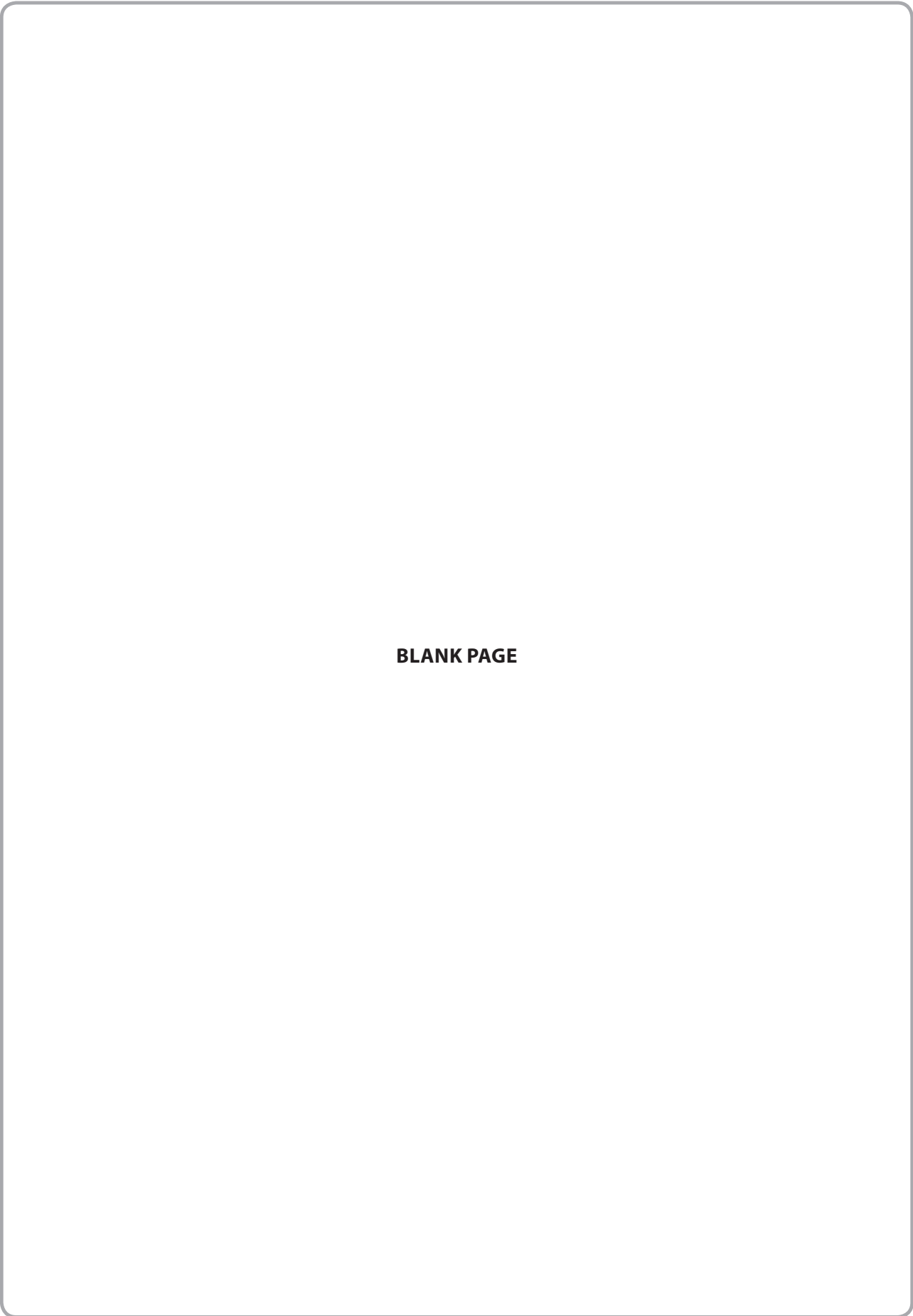
- total sales were \$690 000
- equipment costing \$35 000 was purchased
- Aung took some cash and goods for personal use but has no record of this
- depreciation is charged at 20% per annum using the reducing balance method on all non-current assets. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
- Ratios

Profit for the year to revenue percentage /margin	5%
Current ratio	1.5:1
Trade receivables collection period	30 days
Trade payables payment period	54 days

Assume **360 days** in a financial year.

At 31 December 2017

	\$
Cash at bank	11 450
Trade payables	67 500



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