Pearson LCCI

Certificate in Financial Accounting (VRQ)

Level 3

Wednesday 7 March 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.

Turn over ▶

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Resource for Question 1 Parts (b), (c) and (d).

Gee and Bee were in partnership, sharing profit and losses equally.

On 31 December 2017 the partners decided to dissolve the partnership and provided the information from the statement of financial position at 31 December 2017.

	$
Bank	15 700 Cr
Capital account Gee Bee	 20 000 20 000
Current account Gee Bee	 4 300 3 700
Non-current assets Cost Accumulated depreciation	 68 500 10 800
Trade payables	29 300
Trade receivables	35 300

- Non-current assets were sold for $61 400, except one motor van with a carrying value of $13 200, which was taken over by Gee at an agreed value of $12 200
- One of their customers, owing $20 000, was able to pay only 50% due to bankruptcy. Other customers settled their accounts in full.
- Trade payables were settled in full after deducting a discount of $1 300
- Dissolution costs were $1 500
- All receipts and payments were made by cheque.

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

Sahida provided the following information in addition to the extract of the extended trial balance at 30 November 2017 on page 5 of the question paper.

- The closing inventory was valued at the selling price. Sahida sells goods at a mark-up of 25%.
- Sahida took goods costing $500 for her personal use. These were recorded correctly in the drawings account, but no other entry was made.
- The purchase of a motor vehicle, costing $10 000, was entered in the motor vehicle expenses account. Depreciation **is** charged at 10% per annum using the straight line 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.
- A payment of $850 for advertising was recorded correctly in the cash book but recorded as $580 in the advertising account.
- Commission received of $2 500 has been recorded twice in the commission received account.
- The allowance for doubtful debts was to be reduced by $125
- Rent received included $4 500 for the three months ending 28 February 2018.

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

Ariana does not keep full accounting records. She provided the following information for the year ended 31 December 2017.

	1 January 2017 $	31 December 2017 $
Inventory	25 480	32 435
Other payables - heat and light	110	135
Other receivables - rent	450	600
Trade payables	12 450	16 780
Trade receivables	13 495	19 750

Bank summary

Receipts	$	Payments	$
Cash sales banked	15 000	Drawings	7 500
Trade receivables	75 000	Heat and light	1 495
		Motor van	5 350
		General expenses	7 215
		Rent	16 150
		Trade payables	76 455

- Ariana banked the proceeds from cash sales after taking drawings of $3 900
- A motor van with a carrying value of $5 000 was used as a trade in allowance of $4 650 against the purchase of a new motor van.
- The depreciation charge on all non-current assets was $1 500
- All purchases were on a credit basis.

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

The directors of Yee Ltd provided the following extracts from the statements of financial position at 31 December.

	2017 **$**	**2016** **$**
Bank	5 000 Cr	25 000
Bank loan (2021)	240 000	150 000
Cash	150	4 500
Land and buildings Cost/valuation Accumulated depreciation	 450 000 40 000	 200 000 25 000
Machinery Cost Accumulated depreciation	 200 000 64 640	 175 000 48 800
Share capital (ordinary shares of $0.50 each)	250 000	100 000
Share premium	20 000	50 000

- On 31 July 2017 land was revalued upwards by $50 000
- On 31 August 2017 a bonus issue of 100 000 ordinary shares was made.
- On 30 November 2017 a machine originally costing $50 000, with a carrying value of $32 000, was sold at a loss of $5 000
- On 1 December 2017 a rights issue of 200 000 ordinary shares was made at $0.60 per share. The rights issue was fully subscribed.
- On 15 December 2017 a dividend of $0.05 per share was paid.
- Profit for the year ended 31 December 2017 included a dividend received of $4 750
- For the year ended 31 December 2017
  - the net cash from operating activities was $23 900
  - there were no other disposals of the non-current assets.

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

Data for parts (a) and (b).

On 31 December 2017 Sarah produced the following incorrect statement of financial position.

Sarah
Statement of financial position at 31 December 2017

Assets			
Non-current assets	**Cost** **$**	**Accumulated depreciation** **$**	**Carrying value** **$**
Property, plant and equipment	50 000	18 450	68 450
Current assets			
Inventory		15 000	
Trade payables		1 800	
Bank overdraft		1 250	
			18 050
Total assets			86 500
Equity and liabilities			
Equity			
Opening equity		28 000	
Additional equity		5 000	
Loss for the year		(5 150)	
Drawings		12 000	
Total equity			43 850
Current liabilities			
8% bank loan (2028)			36 000
Trade receivables			8 350
Total assets			88 200

The following transactions had **not** been accounted for.

The valuation of closing inventory **did not** include two damaged products.

Product	Quantity	Cost price per unit $	Selling price per unit $	Comments
A	120	8	12	Each unit can be sold for $9 after repairs costing $0.50
B	220	14	16	Each unit can be sold for $15 after repairs costing $1.50

- Irrecoverable debts $1 800
- Goods taken for personal use $3 150
- Six months' interest on the 8% bank loan.

Data for part (c).

Sarah is considering going into partnership with either Luke or Jay who have provided the following ratios.

	Luke	Jay
Gross profit percentage/margin	25%	20%
Profit for the year to revenue percentage/margin	15%	10%
Return on capital employed (ROCE)	22.5%	25%
Inventory turnover	4 times	6 times

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