

# Pearson LCCI

## Certificate in Financial Accounting (VRQ) Level 3

Wednesday 4 April 2018  
Time: 3 hours

Paper Reference  
**ASE20097**

Complete the details below in block capitals.

Candidate name

Centre Code

Candidate Number

Candidate ID Number

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

You will need to use the data on **page 3** of the Resource Booklet to answer parts (c), (d) and (e).

1 (a) State **one** reason why a business may open a suspense account.

(1)

(b) Explain, with reference to an accounting concept, **one** reason why a business may create an allowance for doubtful debts.

(3)

Concept

Explanation

(c) Calculate the value of inventory at **31 January 2018**.

(3)

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(d) Calculate the change in the allowance for doubtful debts at 31 January 2018.

(3)

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(e) Complete the adjustment columns of the extended trial balance extract on page 4 at 31 January 2018.

(12)

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**Marie - Extended trial balance (extract) at 31 January 2018**

	Trial balance		Adjustments	
	Debit \$	Credit \$	Debit \$	Credit \$
Allowance for doubtful debts		580		
Bank	2 680			
Computer equipment	6 100			
Equity		50 000		
General expenses	10 990			
Purchases	78 520			
Purchase returns		1 430		
Revenue		184 230		
Sales returns	2 390			
Telephone expenses	1 480			
Trade payables		7 265		
Trade receivables	16 810			
Allowance for doubtful debts adjustment				
Closing inventory - statement of financial position				
Closing inventory - statement of profit or loss				
Drawings				
Other payables				
Other receivables				

**(Total for Question 1 = 22 marks)**

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You will need to use the data on **page 4** of the Resource Booklet to answer part (b).

**2** (a) State **two** advantages of being in business as a sole trader. (2)

1 .....

2 .....

(b) (i) Complete the table to show the revised gross profit and profit for the year ended 31 March 2018.

The first adjustment has been completed as an example.

(11)

	Gross profit \$	Profit for the year \$
<b>Draft profits</b>	<b>56 400</b>	<b>9 200</b>
1	+200	+200
2		
3		
4		
5		
6		
Revised profits		

(ii) State the accounting concept that applies in adjustment 5. (1)

.....



(c) (i) State **one** reason why Jeremy should prepare a bank reconciliation statement.

(1)

(ii) State **two** adjustments to the cash book balance that Jeremy must make before preparing a bank reconciliation statement.

(2)

1

2

(d) State **two** reasons why it is important for a business to measure its performance.

(2)

1

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**(Total for Question 2 = 19 marks)**

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

- 3 (a) Prepare journal entries to account for goodwill.  
Narratives are **not** required.

(2)

Date	Account	Debit \$	Credit \$
31 January 2018			

- (b) Prepare at 31 January 2018:

(i)

**Current Account – Bharti**

(7)

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(ii)

**Capital Account – Bharti**

(6)

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Asif and Cao are considering forming a private limited company.

- (c) Discuss whether Asif and Cao should continue as a partnership or form a private limited company.  
You must justify your decision.

(5)

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**(Total for Question 3 = 20 marks)**

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You will need to use the data on **pages 6 and 7** of the Resource Booklet to answer all parts of this question.

**4** (a) Calculate the trade receivables at 31 December 2017. (4)

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(b) Calculate for fixtures and fittings the:

(i) carrying value of the asset sold (1)

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(ii) profit or loss on disposal (1)

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(iii) depreciation charge for the year ended 31 December 2017 (1)

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(iv) carrying value at 31 December 2017. (1)

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(c) Calculate the adjusted profit for the year ended 31 December 2017.

(4)

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

(6)

**Kelly**  
**Statement of financial position at 31 December 2017**

Dotted lines for writing the answer.

**(Total for Question 4 = 18 marks)**

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You will need to use the data on **page 8** of the Resource Booklet to answer parts (b), (c) and (d).

**5** (a) Explain **one** way in which financial statements contribute to meeting the needs of:

(i) employees

(2)

(ii) providers of finance.

(2)

(b) Prepare a statement to reconcile the profit for the year to the net cash from operating activities for the year ended 31 December 2017.

(6)

**Gradel Ltd**  
**Reconciliation of profit for the year to net cash from operating activities**  
**for the year ended 31 December 2017**

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

(6)

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

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(d) Evaluate working capital management over the two years.

(5)

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**(Total for Question 5 = 21 marks)**

**TOTAL FOR PAPER = 100 MARKS**

