Pearson

Erratum Notice

ASE20097

Pearson LCCI

Certificate in Financial Accounting (VRQ)

Level 3

Wednesday 4 April 2018

Time: 3 hours

Instruction to the Examinations Officer

Please be advised that the information in the **Resource Booklet** for Question 2 does not appear as intended.

At the start of the examination, please read the following aloud to all candidates and instruct them to make the corrections in their Resource Booklet:

Resource for Question 2 - Part (b), on page 4 of the Resource Booklet, currently reads:

> On 31 March 2018 Jeremy prepared a statement of profit or loss that showed a gross profit of $50 000 and a profit for the year of $9 000

Resource for Question 2 – Part (b) should read:

> On 31 March 2018 Jeremy prepared a statement of profit or loss that showed a gross profit of **$56 400** and a profit for the year of **$9 200**

Please accept our apologies for any confusion caused.

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Certificate in Financial Accounting (VRQ)

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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 (c), (d), and (e).

Marie provided the following information in addition to the extended trial balance extract at 31 January 2018 on page 4 of the question paper.

The following had not been accounted for at 31 January 2018.

- On 2 February 2018 goods $650, sent and invoiced on a sale or return basis on 28 January 2018, were returned.
- On 4 February 2018 goods $400 were sold.
- On 5 February 2018 Marie valued her inventory at $22 300
- Marie sells her goods at a 25% mark-up.
- Telephone expenses included rental of $360 for the three months ending 28 February 2018. Telephone call charges of $165 were owed.
- General expenses included a payment for a new computer costing $1 890 for Marie's personal use.
- An allowance for doubtful debts of 5% of trade receivables was to be maintained.

Resource for Question 2 – Part (b).

On 31 March 2018 Jeremy prepared a statement of profit or loss that showed a gross profit of $56 400 and a profit for the year of $9 200

On 1 April 2018 the following errors were discovered.

1. The total of the sales day book had been understated by $200
2. Carriage outwards $650 had been treated as carriage inwards.
3. An irrecoverable debt recovered, $260, had been treated as an irrecoverable debt.
4. Returns inwards $300 had been treated as returns outwards.
5. Goods taken for personal use, $180 cost price, had been treated as a general expense.
6. The machinery costing $8 400 was purchased on 1 April 2016. The business's depreciation policy is to apply the 20% reducing (diminishing) balance method to machinery but the 20% straight line method of depreciation was applied.

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

Asif, Bharti and Cao were in partnership sharing profits and losses in the ratio 3:2:1.

The partnership agreement provided for:

- interest on capital to be paid at 5% per annum on the opening balance
- Bharti to receive an annual salary of $8 000

On 1 February 2017

	Capital account $	Current account $
Asif	60 000	8 400
Bharti	30 000	1 800 Dr
Cao	30 000	2 100

On 31 January 2018 Bharti decided to leave the partnership.

- Asif and Cao were to remain in partnership sharing profits and losses in the ratio 2:1
- Non-current assets were revalued with a loss on revaluation of $9 000
- Goodwill was valued at $18 000 and was not to be retained in the books of account.
- Bharti's account was settled by a $15 000 cheque and the balance as a loan.

For the year ended 31 January 2018:

- profit for the year was $74 000 before any appropriations
- partners took drawings of $15 000 **each**.

Resource for Question 4.

Kelly provided the following information for the year ended 31 December 2017.

	$
1 January 2017	
Equity	29 530
Fixtures and fittings Cost Accumulated depreciation	 7 500 1 935
Trade receivables	34 200
31 December 2017	
Bank	2 660 Cr
Bank loan (2019)	3 500
Cash sales	3 950
Transfers to the payables ledger	1 420
Credit sales	164 680
Discount allowed	2 440
Discount received	1 890
Drawings	21 850
Inventory	24 200
Other payables	1 280
Other receivables	840
Profit for the year	25 095
Receipts from credit customers	154 900
Sales returns	2 180
Trade payables	27 230

Additional information

The following have not been accounted for.

- During the year ended 31 December 2017 fixtures and fittings, cost \$1 500 on 1 January 2015, were sold for \$1 100
- Depreciation is to be charged on all fixtures and fittings at 10% per annum using the diminishing (reducing) balance method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
- After the year end Kelly received an invoice for \$1 800 for insurance covering the 12 months ending 31 October 2018.

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

The directors of Gradel Ltd have provided the following information.

Extracts from the statements of financial position at 31 December 2017 and 2016.

	2017 $	2016 $
8% bank loan (2020)	85 000	60 000
Bank	17 650	14 200 Cr
Cash in hand	200	300
Inventory	45 680	36 900
Land and buildings at valuation	280 000	220 000
Motor vehicles		
Cost	144 000	180 000
Accumulated depreciation	108 000	87 750
Plant and equipment		
Cost	240 000	240 000
Accumulated depreciation	85 200	68 000
Retained earnings	83 300	111 500
Revaluation reserve	50 000	50 000
Share capital	300 000	280 000
Share premium	35 000	25 000
Trade payables	67 150	48 300
Trade receivables	86 120	67 550

Additional information

- During the year a motor vehicle with accumulated depreciation of $15 750 was sold for $20 000
- There were no other acquisitions or disposals of motor vehicles.
- No dividends were paid during the year.
- The loss for the year ended 31 December 2017 was $28 200