

Pearson LCCI

Wednesday 5 September 2018

Time: 3 hours

Paper Reference **ASE20097**

**Certificate in Financial
Accounting (VRQ)**

Level 3

Resource Booklet

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 – Parts (a) and (b).

Pierre maintains an allowance for doubtful debts at 3% of trade receivables.

On 1 July 2017 the allowance for doubtful debts account balance was \$1 450

On 30 June 2018:

- trade receivables were \$47 540
- irrecoverable debts of \$840 were to be written off
- a debt of \$240 previously written off was received by cheque
- inventory was valued at \$18 200
- the balance at bank was \$1 664 Cr
- the balance of petty cash was \$120

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

Marco provided the following information in addition to the extended trial balance extract at 31 July 2018 on **page 7** of the question paper.

The following had not yet been accounted for.

- On 1 May 2018 a motor vehicle that had been purchased on 1 July 2016 for \$22 000 was sold. A trade-in allowance of \$12 500 was given against a new vehicle costing \$24 175. The balance was paid by Marco using his own monies.
- On 31 July 2018 inventory was valued at a cost price of \$16 500. This did not include damaged inventory costing \$1 060, which could be sold for \$1 100 after repairs costing \$240
- Depreciation is charged on all motor vehicles at 25% per annum using the reducing (diminishing) balance method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
- Goods costing \$1 600 were taken by Marco for personal use.

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

Najib purchases all his goods on credit and marks them up by 25% for sale.

He provided the following information for the year ended 31 August 2018.

	1 September 2017 \$	31 August 2018 \$
Inventory	10 500	9 579
Trade payables	14 365 Cr 165 Dr	18 104 Cr
Payments to trade payables		157 685
Interest charged by suppliers		350
Purchase returns		3 960
General expenses		13 200

Rent received, \$6 200, included \$1 350 for the three months ending 30 September 2018.

Insurance paid, \$2 935, included \$576 for the year ending 31 December 2018.

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

Jenny, Katie and Leo were in partnership sharing profits and losses in the ratio 2:1:1.

The partners provided the following information.

On 1 April 2017

	\$
Capital account	
Jenny	60 000
Katie	40 000
Leo	30 000
Current account	
Jenny	10 025
Katie	1 060 Dr
Leo	11 200
Property, plant and equipment – carrying value	545 600
Motor vehicles – carrying value	49 350

On 31 December 2017 Jenny left the partnership.

- The partners agreed to settle Jenny's account by paying \$68 300 by cheque with the balance as a loan to the partnership at 12% per annum.
- Non-current assets were revalued to
 - Property, plant and equipment \$559 200
 - Motor vehicles \$32 000
- Goodwill, \$74 000, was not to be maintained in the books.
- The new partnership agreement provided for profits and losses to be shared equally and Katie to receive a salary of \$1 800 per month.

The profit for the year ended 31 March 2018 was \$80 400 earned evenly throughout the year.

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

The directors of Nipang Ltd extracted the following information at 30 June 2018 and 30 June 2017.

	2018 \$	2017 \$
6% bank loan (2025)	20 000	15 000
Cash at bank	2 837	8 319 Cr
Cash in hand	To be calculated	220
Inventory	26 990	29 658
Property, plant and equipment – carrying value	525 000	386 270
Retained earnings	374 982	310 264
Revaluation reserve	96 000	30 000
Share capital (ordinary shares of \$0.50 each)	50 000	42 500
Share premium	15 000	12 500
Trade payables	22 196	18 925
Trade receivables	23 201	21 360

During the year ended 30 June 2018:

- equipment with a carrying value of \$11 310 was sold for cash at a loss of \$1 720. There were no other disposals during the year
- an ordinary share dividend of \$0.05 per share was paid on all shares in issue on 1 July 2017.

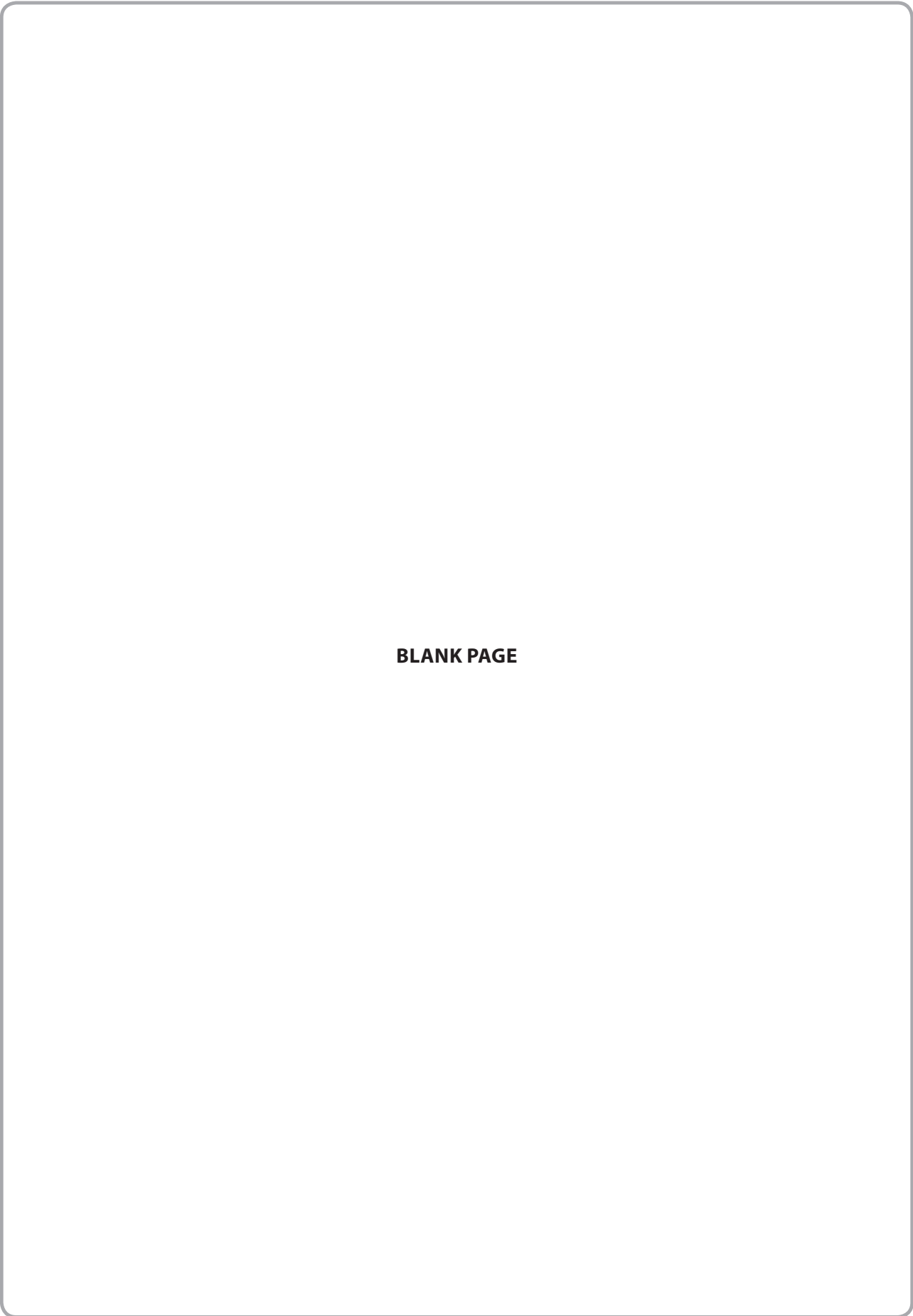
The profit for the year ended 30 June 2018 was \$68 968 after charging depreciation of \$36 330

Data for part (c).

The directors of P Ltd provided the following information.

Ratio	30 June 2018	30 June 2017
Inventory turnover	11 times	13 times
Return on capital employed (ROCE)	7.8%	9.5%
Trade payables payment period	38 days	40 days
Trade receivables collection period	39 days	32 days

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