Pearson LCCI

Tuesday 3 December 2019

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.

Turn over ▶

Resource for Question 1 – Parts (a) and (b).

Joan provided the following information in addition to the extended trial balance at 30 September 2019 on **page 3** of the question paper.

Inventory valuation	**A** **$**	**B** **$**	**Total** **$**
Cost	5 500	8 000	13 500
Net realisable value	5 290	10 000	15 290

- Rental income, $1 200, that was owing for the three-month period ending 30 September 2019 had not been recorded.
- A payment for carriage inwards of $640 was entered in the carriage outwards account as $460
- A set off of $900 had been recorded in the subsidiary ledgers only.
- The purchase of a motor vehicle costing $10 000 was entered in the purchases account.
- Depreciation is charged at 10% per annum on a straight line basis.
- The allowance for doubtful debts is maintained at 5% of trade receivables.

Resource for Question 2 – Part (a).

On 30 September 2019 Joe owed his credit suppliers \$4 602. In addition he had overpaid Sera, a credit supplier, by \$200

The following transactions had not been recorded.

- A cheque payment to a credit supplier, Lola, to settle her account, \$550, after deducting a 2% cash discount.
- An interest charge of 3% from a credit supplier, Mona on the account balance of \$900
- A cheque payment to Mona to settle her account.
- A refund by cheque from Sera of \$200

The bank balance after the above adjustments was \$307 overdrawn.

Resource for Question 3 – Part (b).

Anna and Beena are in partnership sharing profits and losses in the ratio of 3:2.
The partnership agreement provided for:

- interest on capital at 5% per annum on closing balances
- interest on drawings at 10% per annum on total drawings
- a monthly salary of $500 for Anna.

On 1 September 2018	$
Capital account – Anna – Beena	 250 000 150 000
Current account – Anna – Beena	 4 500 7 200 Dr

On 1 March 2019 Anna introduced additional capital of $50 000 and Beena provided a loan of $50 000 at an interest rate of 8%.

On 1 June 2019 Anna's salary was increased by 10%.

For the year ended 31 August 2019

Total drawings were Anna $16 750 and Beena $12 450

		At 1 September 2018	
Non-current asset	**Depreciation method**	**Cost** **$**	**Accumulated depreciation** **$**
Motor vehicles	20% reducing (diminishing) balance	32 000	6 400
Fixtures and fittings	5% straight line	72 000	7 200

Fixtures and fittings costing $1 100 were purchased during the year.

Total sales were $240 000. Goods are sold at a 40% gross profit margin.

General expenses, $36 760, did not include $600 for the three-month period ending 30 September 2019.

Rent expenditure of $12 000 included $3 000 for the four-month period ending 30 November 2019.

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

Lemast Ltd provided the following information.

	30 September	
	2018 **$**	**2019** **$**
Bank loan	180 000	130 000
Petty cash	230	450
Cash at bank	7 500 Cr	9 950
Equipment – cost	650 000	700 000
Share capital (ordinary shares of $1 each)	200 000	**To be calculated**
Share premium	50 000	**To be calculated**

On 1 November 2018 a rights issue of one ordinary share for every four ordinary shares held was made at $1.25 each.

On 15 February 2019 a further rights issue of one ordinary share for every five ordinary shares held was made at $1.75 each.

Both rights issues were fully subscribed.

On 23 July 2019 equipment costing $150 000 with accumulated depreciation of $54 000 was sold at a profit of $2 000

All receipts and payments were made through the bank.

For the year ended 30 September 2019 the net cash from operating activities was $19 670

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

On 1 July 2018 Mahima opened a restaurant. On that day she purchased premises costing $122 000 with legal fees of $1 250. She additionally spent on tables and chairs $10 000, kitchen improvements $15 000, new signage $750 and disposable table cloths $500

The business was financed through Mahima's own funds of $120 000 with the remainder being funded by a five-year bank loan at an interest rate of 10% per annum payable half yearly in arrears on 31 December and 30 June each year.

Mahima decided to depreciate her tables and chairs at 10% per annum, premises at 2% per annum and to write off the kitchen improvements over three years.

During the year ended 30 June 2019

- Credit purchases were $219 000
- Trade payables payment period was 30 days.
- Draft profit for the year was $54 980 before depreciation.
- Inventory was valued $28 950
- Mahima took cash and goods for her own use $3 500

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