

Pearson LCCI

**Wednesday 16 January 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.

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**Resource for Question 1 – Part (b).**

Cyrus, a sole trader, provided the following information in addition to the extended trial balance at 31 December 2018 on **page 3** of the question paper.

The balance on the suspense account was due to:

- payments of \$1 350 to a credit supplier and \$1 000 for purchases by cheque having only been recorded in the bank account
- other payables and other receivables having not yet been posted to the correct expense accounts.

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

**Data for part (b).**

Toby, a sole trader, provided the following information.

He maintains an allowance for doubtful debts at 10% of trade receivables.

<b>Year ended 31 December</b>	<b>Trade receivables \$</b>
2016	50 000
2017	60 000
2018	52 000

**Data for parts (d) and (e).**

Toby provided the following information for the year ended 31 December 2018 in addition to the non-current assets register extract on **page 5** of the question paper.

<b>Non-current assets</b>	<b>Depreciation method</b>	<b>Adjustments</b>
Motor vehicles	20% per annum reducing (diminishing) balance	On 15 November 2018 a motor vehicle was sold for \$11 000. This was purchased on 1 March 2016 for \$20 000
Computer equipment	35% per annum straight line assuming no residual value	On 5 December 2018 a computer, Magna, was purchased for \$800 including a delivery charge of \$50

A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

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

**Data for parts (a) and (b).**

Khine, Lwin and Myat were in partnership sharing profits and losses in the ratio of 2:2:1

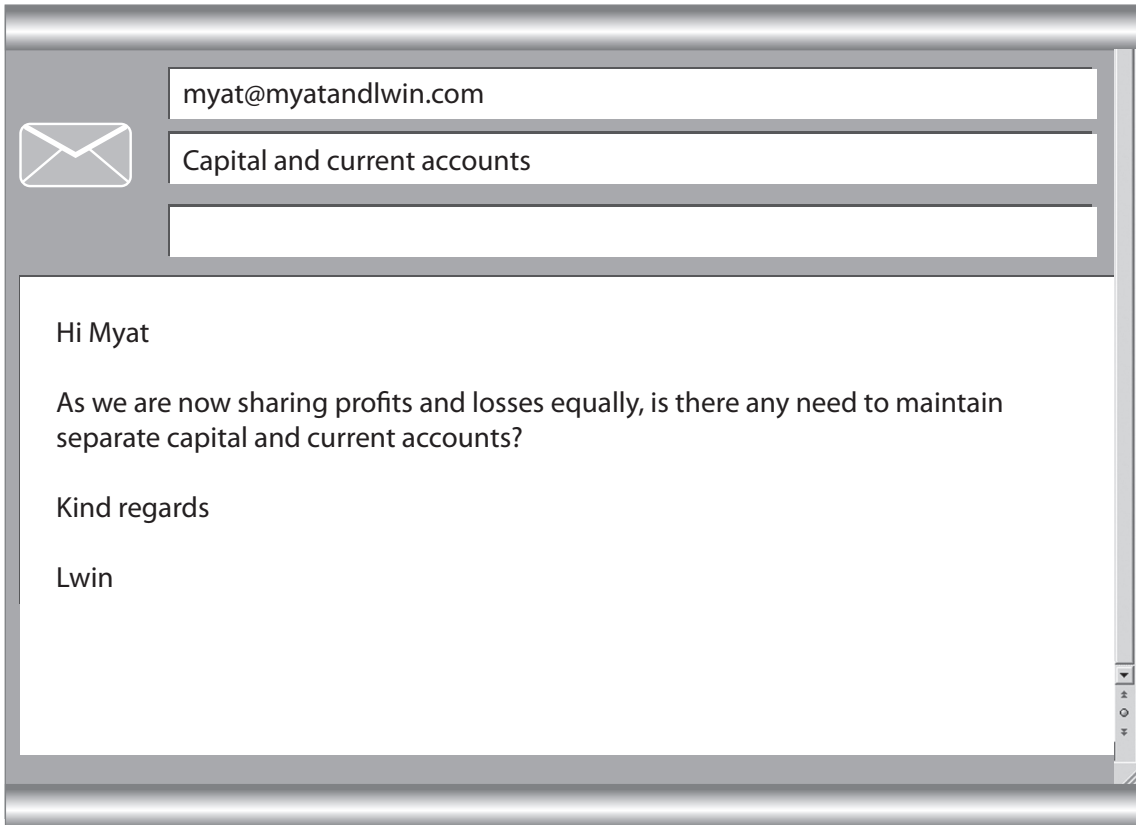
The partners provided the following information at 31 December 2018.

	\$
Bank	1 375
Capital account	
Khine	100 000
Lwin	100 000
Myat	50 000
Current account	
Khine	15 000 Dr
Lwin	7 900
Myat	14 350
Inventory	48 000
Non-current assets – carrying value	195 750
Trade payables	45 000
Trade receivables	57 125

On 1 January 2019 Khine left the partnership. The remaining partners agreed to share profits and losses equally.

- Myat introduced an additional \$50 000 capital.
- The non-current assets were revalued to \$222 000
- Goodwill was valued at \$80 000. The partners decided not to maintain goodwill in the partnership books.
- The amount due to Khine was settled by a transfer of \$80 000 to a 12% loan account repayable in eight equal instalments. Each instalment would be paid at the end of each year. The balance was paid by cheque.

**Data for part (c).**



**Resource for Question 4 – Parts (a) and (b).**

Chen sells goods on cash and credit terms at a 40% mark-up. He does not keep full accounting records but provided the following information for the year ended 30 September 2018.

	<b>1 October 2017 \$</b>	<b>30 September 2018 \$</b>
10% bank loan	-	10 000
Inventory at cost	49 600	37 500
Machinery – carrying value	44 640	66 636
Other receivables – general expenses	300	-
Other payables – wages	-	1 380

- The net proceeds of cash sales, \$37 200, were banked after paying for:
  - purchases \$3 750
  - wages \$2 900
- Credit sales were \$194 150
- Credit purchases were \$160 900
- Closing inventory included damaged goods costing \$5 000, which could be repaired at a cost of \$1 500 and then sold for \$5 750
- Chen did not keep any record for goods taken for personal use.
- The 10% bank loan was received on 1 April 2018.
- Machinery with a carrying value of \$7 290 was sold for \$7 135. A new machine was purchased costing \$37 500
- General expenses paid were \$34 180
- A credit customer owing \$7 500 was unable to pay the full amount due to his business closing down. Chen agreed to accept 20% as full payment.

**Resource for Question 5 – Parts (c) and (d).**

**Data for part (c).**

Sinnjana Ltd provided the following information.

	31 December	
	2018 \$	2017 \$
10% debentures	150 000	-
Bank	50 000 Cr	14 500
Bank loan	100 000	275 000
Cash	2 350	3 750
Equipment – carrying value	655 000	600 000
General reserve	85 000	50 000
Land – valuation	300 000	150 000
Retained earnings	190 000	108 000
Revaluation reserve	150 000	100 000
Share capital (ordinary shares of \$1 each)	300 000	200 000
Share premium	-	100 000
Short-term investments	-	15 000

During the year ended 31 December 2018.

2018	Transaction
1 July	An interim dividend of \$0.05 per ordinary share was paid on each ordinary share held on this date.
1 November	A bonus issue of one ordinary share for every two ordinary shares held was made. The directors decided to leave the reserves in the most flexible format.
1 December	A final dividend of \$0.05 per ordinary share was paid on each ordinary share held on that date.
31 December	Equipment costing \$50 000 with a carrying value of \$30 000 was sold at a loss of \$5 400
31 December	Depreciation charge on equipment during the year was \$115 000. The land is not depreciated.
31 December	Received a dividend of \$5 000
31 December	Net cash from operating activities was \$224 500

**Data for part (d).**

<b>Business</b>	<b>Profitability</b>		<b>Liquidity</b>	
	Profit for the year as a percentage of revenue	Return on capital employed (ROCE)	Current ratio	Quick ratio (acid test)
<b>A</b>	20%	15%	2:1	0.9:1
<b>B</b>	25%	13%	1.5:1	1.1:1