Pearson LCCI

Wednesday 12 June 2019

Time: 3 hours	Paper Reference **ASE20097**

Certificate in Financial Accounting (VRQ)

Level 3

Resource Booklet
Do not return this 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

P 6 3 9 9 2 A

Pearson

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

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

- Closing inventory was valued at $18 295. This included two damaged items.

Item	Quantity	Cost/unit $	Selling price/unit $	Comments
Delta	75	8	10	Could be sold at $9 per unit after repairs costing $0.50 per unit.
Echo	140	13	16	Could be sold at $12 per unit after repairs costing $2 per unit.

- Credit sales of $17 200 for the month of April 2019 had not been recorded.
- Discount allowed, $2 560, had been debited to trade receivables. No other entries had been made.
- Irrecoverable debts, $1 390, were to be written off.
- The allowance for doubtful debts was to be maintained at 5% of trade receivables.
- The cost of delivering goods to a customer, $80, had been entered in the carriage inwards account.
- Bank loan interest for April 2019 was owing.

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

Juliet provided the following information for the year ended 31 May 2019.

Non-current assets register (extract)

Description	Year ended 31 May	Acquisition date	Cost $	Depreciation charge $	Carrying amount $	Funding method	Disposal proceeds $	Disposal date
Vehicle A	2016	1 February 2016	20 000	4 000	16 000	Bank		
	2017			3 200	12 800			
	2018			2 560	10 240			
	2019							
Vehicle B	2016	1 May 2016	26 000	5 200	20 800	Bank loan		
	2017			4 160	16 640			
	2018			3 328	13 312			
	2019						7 500	1 January 2019
Vehicle C	2019	1 January 2019	18 400			Trade in allowance and bank		

Depreciation is charged at 20% per annum using the reducing (diminishing) balance method.

The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

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

Papa and Romeo were in partnership, preparing accounts to 31 March each year. The partners decided to change the accounting year end date to 31 December each year.

The partnership agreement provided for:

- profits and losses to be shared equally
- interest of 12% per annum on total drawings
- interest of 8% per annum on opening capital account balances
- an annual salary of $43 200 for Romeo.

At 1 April 2018

	Papa **$**	**Romeo** **$**
Capital account	85 000	140 000
Current account	21 275	28 940

Profit for the period ended 31 December 2018 was $164 200. Monthly drawings were Papa $2 000 and Romeo $3 000

At 31 December 2018

	$
Bank	11 320 Cr
Cash	740
Inventory	16 942
Land and buildings – carrying value	145 000
Plant and equipment – carrying value	36 800
Trade and other payables	7 385
Trade and other receivables	9 190

At 31 December 2018 non-current assets were revalued.

	$
Land and buildings	183 000
Plant and equipment	32 000

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

Data for parts (a) and (b).

Mike is an accounts assistant for a firm of accountants.

Lima, a client, does not keep full accounting records.

The following information was available for the year ended 31 January 2019.

	1 February 2018 $	**31 January 2019 $**
Inventory	12 200	**To be calculated**
Trade payables	18 000	15 000
Other payables – wages	410	385
Other receivables – rent expenditure	600	750

	$
Revenue	146 000
Rent paid	8 850
Payments to trade payables	90 400
Wages paid	18 310

Ratios	
Gross profit percentage (margin)	36%
Profit for the year as a percentage of revenue	15%

Data for part (e).

Mike has provided the following ratios for Yanke.

	Year ended 31 May	
Ratio	**2019**	**2018**
Profit for the year as a percentage of revenue	18%	16%
Current	1.7:1	2.1:1
Quick (acid test)	1.1:1	1.2:1

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

Netic Ltd provided the following information.

Balances at 1 May 2018	**$**
Bank loan	80 000
Bank	6 240
Cash	1 200
Land and buildings – cost/valuation – accumulated depreciation	 520 000 67 600
Machinery – cost – accumulated depreciation	 182 400 109 400
Revaluation reserve	40 000
Share capital (ordinary shares of $0.50 each)	260 000
Share premium	80 000

During the year ended 30 April 2019

Date	**Transaction**
1 September 2018	A bonus issue of one ordinary share for every five ordinary shares held was made. The directors decided to leave the reserves in the most flexible form.
30 September 2018	Machinery costing $19 300, with accumulated depreciation of $7 165, was sold at a loss of $2 335
1 January 2019	A dividend of $43 680 was paid.
1 March 2019	A rights issue of two ordinary shares for every five ordinary shares held was made at $0.80 per share. The rights issue was fully subscribed.
30 April 2019	Land was revalued. Land is not depreciated.

- There were no other disposals of non-current assets.
- The net cash **used in** operating activities was ($55 530)

Balances at 30 April 2019	**$**
Bank loan	35 000
Bank	3 990 Cr
Cash	100
Land and buildings – cost/valuation – accumulated depreciation	 640 000 86 000
Machinery – cost – accumulated depreciation	 199 700 108 200
Revaluation reserve	120 000

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