

**Pearson LCCI**

**Thursday 11 July 2019**

Time: 3 hours

Paper Reference **ASE20097**

**Certificate in Financial Accounting (VRQ)**  
**Level 3**

Please check the examination details above before entering your candidate information

Candidate name

Centre Code

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Candidate Number

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Candidate ID Number

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**You must have:**

Resource Booklet (enclosed)

Total Marks

### Instructions

- Use **black** ink or ball-point pen  
– *pencil can only be used for graphs, charts, diagrams, etc.*
- **Fill in the boxes** at the top of this page with your name, candidate number, centre code and your candidate ID number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*
- Answers should be given to an appropriate degree of accuracy.

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- You are advised to show your workings.
- Check your answers if you have time at the end.

Turn over ►

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**Answer ALL questions. Write your answers in the spaces provided.**

You will need to use the data on **page 2** of the Resource Booklet to answer parts (a) and (b).

**1** (a) Calculate the adjustment needed to the value of inventory at 31 May 2019.

(3)

(b) Complete the adjustment columns of the extended trial balance extract on **page 3** at 31 May 2019.

(15)

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<b>Colan</b>			
<b>Extended trial balance extract at 31 May 2019</b>			
	<b>Balance</b>	<b>Adjustments</b>	
	<b>\$</b>	<b>Debit \$</b>	<b>Credit \$</b>
8% bank savings account	24 000		
Bank	1 352		
Closing inventory – statement of financial position	18 960		
Closing inventory – statement of profit or loss	18 960		
Equipment – cost	32 100		
Equipment – accumulated depreciation	9 370		
Equity	75 000		
Opening inventory	19 700		
Other payables	115		
Other receivables	30		
Purchases	38 355		
Rent expenditure	31 240		
Returns inwards	3 815		
Returns outwards	4 070		
Trade payables	5 010		
Trade receivables	17 350		
Bank interest received			
Disposal			
Suspense			

**(Total for Question 1 = 18 marks)**



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You will need to use the data on **page 3** of the Resource Booklet to answer parts (b) and (c).

- 2 (a) Complete the following table to show the stakeholders and their interest in the financial statements of a business. The first one has been completed for you.

(5)

Stakeholder	Interest
Providers of external finance	To assess whether the business can pay back capital and interest provided at an agreed date.
Customers	
	To know comparative business performance.
Local community	
	To assess whether the business can provide a return on their investment.
Government	

- (b) (i) Calculate the allowance for doubtful debts at 30 April 2019.

(1)

- (ii) Prepare the allowance for doubtful debts account for the year ended 30 April 2019. Balance the account on that date and bring the balance down on 1 May 2019.

(3)

**Allowance for Doubtful Debts Account**

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(iii) State the section of the statement of financial position where the allowance for doubtful debts will be shown.

(1)

(c) Prepare journal entries to record the:

(i) irrecoverable debt recovered

(3)

(ii) irrecoverable debt.

(3)

Narratives **are** required.

**Journal**

Date	Account	Debit \$	Credit \$



(d) State **two** ways Kelly can reduce the possibility of irrecoverable debts.

(2)

1

2

(e) Explain, referring to an appropriate accounting concept, how Kelly should account for the cash taken from the business for her own use.

(2)

**(Total for Question 2 = 20 marks)**

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You will need to use the data on **page 4** of the Resource Booklet to answer parts (c), (d), (e) and (f).

**3** (a) State **one** advantage of being a limited liability partner.

(1)

(b) Explain **one** reason why it would be necessary to revalue the assets on the retirement of a partner.

(2)

(c) Prepare the revaluation account.

**Revaluation Account**

(5)

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(d) Prepare the following accounts.

(8)

**Capital Account – Brea**

Date	Details	\$	Date	Details	\$
			1 May	Balance b/d	90 000

**Capital Account – Agnes**

Date	Details	\$	Date	Details	\$
			1 May	Balance b/d	115 000

(e) State the section of the statement of financial position where Agnes's loan will be shown.

(1)

.....



Agnes is considering investing the cash she has received from the partnership in another business. The following information is available for two businesses.

	Garker Ltd	Hay Ltd
Profit for the year as a percentage of revenue	15%	20%
Return on capital employed	7%	5%
Quick (acid test) ratio	0.8:1	2.1:1
Current ratio	1.6:1	2.1:1

(f) Evaluate the performance of the two businesses from Agnes's perspective.

(5)

(Total for Question 3 = 22 marks)

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You will need to use the data on **page 5** of the Resource Booklet to answer parts (a) and (b).

**4** (a) Prepare the statement of financial position at 31 January 2019.

(11)

**Space for workings**

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**Sellan**  
**Statement of financial position at 31 January 2019**

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(b) State **one** way of improving the:

(i) inventory turnover ratio

(1)

(ii) trade receivables collection period.

(1)

Sellan is considering how to fund the repayment of the loan due in January 2020. He has two options:

- option 1 – obtain another loan
- option 2 – admit a partner.

(c) Discuss which option Sellan should choose.

You must justify your decision.

(5)

**(Total for Question 4 = 18 marks)**

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You will need to use the data on **page 6** of the Resource Booklet to answer parts (a), (b) and (c).

- 5 (a) Prepare the statement to reconcile the profit for the year to net cash from operating activities for the year ended 30 June 2019.

(6)

**Zelah Ltd**  
**Reconciliation of profit for the year to net cash from operating activities for the year ended 30 June 2019**

(b) Calculate the:

- (i) accumulated depreciation on the asset disposed

(2)

- (ii) cost of the asset disposed

(3)

- (iii) additions of property, plant and equipment during the year.

(2)

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