Pearson LCCI

Wednesday 3 April 2019

Time: 3 hours | Paper Reference **ASE20104**

Certificate in 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

Pearson

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

Jaswinder and Paul were in partnership sharing profit and losses in the ratio 2:1. The partners did not maintain separate current accounts.

The balances shown were extracted from the statement of financial position at 31 March 2019.

	$
Bank	11 300 Cr
Capital – Jaswinder – Paul	 58 000 24 500
Inventory	24 000
Non-current assets	75 000
Trade payables	21 700
Trade receivables	16 500

On 31 March 2019 they sold the business to Joung Ltd.

Inventory was taken over by Jaswinder at a valuation of $22 500

Joung Ltd took over all other assets and liabilities at $128 000

The purchase consideration was settled by:

- $96 000 ordinary shares of $1 each to be shared 2:1
- the balance being paid by cheque.

Resource for Question 2 – Part (a).

Hoopps Ltd provided the following information.

At 1 April 2018

	$
Allowance for doubtful debts	2 400
8% bank loan	600 000
Inventory	238 000
Delivery vans – cost	160 000
– accumulated depreciation	43 360
Fixtures and fittings – cost	20 000
– accumulated depreciation	4 000

For the year ended 31 March 2019

- Revenue of $3 948 500 did not include a sales invoice of $11 500 that had been omitted from the accounts.
- Inventory valued at $267 500 included unsaleable damaged inventory of $2 500
- A delivery van costing $20 000 with an accumulated depreciation of $3 800 was sold for $15 000
- Purchases of $2 295 470 included a purchase of fixtures and fittings $5 000
- An allowance for doubtful debts was to be maintained at 3%. Trade receivables were $88 000 before any adjustments.
- Light and heat, $18 000, did not include an invoice of $2 250 for the three-month period ending 30 April 2019.
- General expenses, $481 970, included insurance of $15 000 for the six-month period ending 30 June 2019.
- General expenses, light and heat and depreciation of fixtures and fittings are apportioned 70% to administrative expenses and 30% to distribution costs.
- The tax charge for the year was estimated at $228 000
- Depreciation is charged on fixtures and fittings at 5% per annum using the straight-line method and on delivery vans at 10% 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.

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

Mei does not keep full accounting records, but she provided the following information for the year ended 31 March 2019.

At 1 April 2018	**$**
Equipment – carrying value	45 000
Inventory	14 000
Bank	1 380
Trade payables	14 750

Bank summary

Receipts	**$**	**Payments**	**$**
Cash banked	158 475	Drawings	16 750
		General expenses	23 150
		Equipment	25 000
		Trade payables	97 270

All cash sales were banked and all payments were processed through the bank account.

Purchases during the year were $105 119

The depreciation charge for the year was $7 500

The profit for the year was $32 740 before adjusting the closing inventory and general expenses as follows.

- At 31 March 2019 inventory was valued at $24 034. This included damaged inventory of $4 034. The damage was caused by a fire, and the insurance company has agreed to pay $3 000 in final settlement.
- General expenses of $1 401 were owing. General expenses included a payment in advance of $750

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

Data for part (a).

Holllaa Ltd provided the following information for the purchase of a new machine.

Purchase price	$200 000
Annual production (units)	10 000
Unit selling price Year 1 Year 2 Year 3	 $16 $17 $18
Annual operating costs excluding depreciation	$75 000
Annual depreciation	$7 500
Additional repairs	$10 000 incurred in the second year

Data for part (b).

Holllaa Ltd is expanding its business and provided the following information.

	Factory A	**Factory B**
Purchase price	$1 220 000	$1 750 000
Annual capacity (units)	20 000	30 000
Net present value	$199 500	$229 300
Payback period	4 years 9 months	5 years 3 months

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

Tsui Ltd provided the following budgeted information for the seven months ending 1 January 2020.

	Sales units ‘000
July	94
August	100
September	80
October	90
November	95
December	120
January	115

Budgeted selling price $50 per unit

- 20% of sales are on a cash basis.
- 40% of sales are on a one-month credit basis with customers receiving a 5% cash discount.
- 40% of sales are on a two-month credit basis.

Budgeted purchase price $30 per unit

- Purchases are made one month in advance of sale.
- Purchases are on a two-month credit basis.

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