Pearson LCCI

Tuesday 3 December 2019

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

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

Bokak Ltd provided the following information for the year ended 30 November 2019.

At 1 December 2018

	$
Land and buildings – cost – accumulated depreciation	 525 000 160 000
Motor vehicles – cost – accumulated depreciation	 150 000 47 500
Share capital (ordinary shares at $1 each)	200 000
Share premium	60 000
General reserve	25 000
Retained earnings	87 315

At 30 November 2019

	$
8% bank loan (2021)	75 000
Allowance for doubtful debts	15 000
Bank	4 500
Cash	215
Depreciation charge	35 500
Dividend paid	15 000
Inventory	66 000
Other payables	2 700
Other receivables	4 350
Trade payables	47 350
Trade receivables	68 750

Additional information

- The 8% bank loan was received on 1 March 2019. Bank interest is paid on 28 February each year.
- On 1 June 2019 the directors made a bonus issue of **one** share for every **four** shares held. They decided to leave the reserves in the most flexible form.
- On 30 November 2019 land was revalued upwards by $150 000 and $25 000 was transferred to the general reserve.
- Profit from **operations** for the year ended 30 November 2019 was $78 450. This included closing inventory valued at a selling price of $66 000. Bokak Ltd sells goods at a 20% markup.
- The charge for taxation was estimated at $18 000

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

Neha provided the following budgeted information for her new shop.

Budgeted sales

2020	January	February	March	April
Units	7 000	8 000	10 000	11 000

- The budgeted selling price is $10 per unit
  - 10% of sales will be on a cash basis
  - 50% of sales will be on a month's credit basis
  - 40% of sales will be on a two months' credit basis.
- She will purchase 50% of the units one month before sale and 50% in the month of sale.
- The budgeted purchase price is $5 per unit.
- Suppliers will be paid one month after purchase.
- Rent will be $12 000 per year payable half yearly in advance on 1 January and 1 July.
- On 1 January 2020 a new motor vehicle costing $24 000 will be purchased.
- She plans to charge depreciation at 10% per annum on cost. The depreciation will be charged monthly.
- On 31 March 2020 the bank balance will be $7 500 Cr.

Resource for Question 3 – Part (b).

Megan, a retailer, provided the following information in addition to the extended trial balance at 30 November 2019 on **page 6** of the question paper.

- General expenses, $1 650, were recorded as $1 560
- Discount received, $1 450, was recorded as discount allowed.
- Irrecoverable debts, $1 385, were to be written off.
- Rental income included $1 500 for the three month period ending 29 February 2020.
- Insurance included $250 for the month of December 2019.

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

Data for parts (a), (b) and (c).

The directors of Wye Ltd are planning to replace old machinery which will be traded in for $4 000

The new machinery will cost $120 000 and installation will cost $5 000. This machinery will be sold for $7 000 at the end of four years.

They provided the following information for each of the first three years.

	$	$
Revenue		100 000
Direct costs	55 000	
Depreciation	29 500	
		84 500
Profit for the year		15 500

In year four the revenue will **decrease** by 2% and direct costs will **increase** by 3%.

Data for parts (e), (f) and (g).

Zed Ltd produces 10 000 shirts per year and provided the following information for **one** unit of production.

Unit cost	**$**
Materials	10.20
Labour	7.80
Direct expenses	2.50
Royalties	1.50
Factory fixed overheads	3.50
Total costs	25.50

During the year ended 30 November 2019 they produced and sold 9 000 shirts, of which 8 000 were sold at $35 per unit and 1 000 were sold at $30 per unit.

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

Data for parts (a) and (b).

The directors of Sohalna Ltd provided the following information in addition to the schedule of non-current assets on **page 12** of the question paper.

During the year ended 30 November 2019:

- land, included in land and buildings, costing $150 000, was revalued upwards by $100 000
- a machine purchased on 1 November 2017, costing $40 000, was sold for $23 475
- a new machine was purchased costing $100 000
- a building, costing $400 000, was purchased
- there were no other acquisitions or disposals of non-current assets.

Depreciation policy

Non-current assets	**Depreciation method**
Land and buildings	5% per annum straight-line. Land is not depreciated.
Machinery	10% per annum reducing (diminishing) balance.
A full year's depreciation is charged in the year of acquisition and none in the year of disposal.	

	30 November	
	2018 $	**2019 $**
Cash and cash equivalents	25 790	45 297
Inventory	87 350	77 450
Trade receivables	149 725	168 900
Trade payables	122 000	145 750
Profit for the year	36 300	42 750

Data for part (d).

	Nima Ltd	Rosie Ltd
Trade receivables collection period	35 days	30 days
Trade payables payment period	40 days	30 days
Inventory turnover	10 times	12 times
Asset turnover	2 times	3.5 times