

# Pearson LCCE

## Wednesday 16 January 2019

Time: 3 hours

Paper Reference **ASE20104**

### Certificate in 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 **pages 2 and 3** of the Resource Booklet to answer Question 1.

- 1** Prepare the statement of profit or loss for the year ended 31 December 2018.

**Space for workings**

**(18)**

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**Statement of profit or loss for the year ended 31 December 2018**

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

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You will need to use the data on **page 4** of the Resource Booklet to answer parts (a)(iii) and (a)(iv).

**2** (a) (i) Complete the following sentence. (2)

Sejal records the purchase of all ..... assets over  
\$250 as capital expenditure in order to comply with the  
..... concept.

(ii) Explain **one** reason why Sejal needs to adjust for the purchase of fixtures and fittings using her **own** monies. (2)

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(iii) Complete the adjustments columns of the extended trial balance extract at 31 December 2018.

(10)

Sejal Extended trial balance extract at 31 December 2018			
		Adjustments	
	\$	Debit \$	Credit \$
Equity	43 250		
Discount allowed	1 350		
Discount received	2 475		
Fixture and fittings	2 410		
Purchases	185 780		
Purchases returns	7 450		
Revenue	231 765		
Sales returns	5 945		
Trade payables ledger control	78 950		
Trade receivables ledger control	98 257		
Suspense			

Sejal's **draft** profit for the year ended 31 December 2018 was \$16 450

(iv) Calculate the **correct** profit for the year ended 31 December 2018.

(4)

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(b) State **two** advantages and **two** disadvantages for Sejal of converting to a limited company.

(4)

Advantages

1 .....

2 .....

Disadvantages

1 .....

2 .....

**(Total for Question 2 = 22 marks)**

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P 6 3 3 2 4 A 0 7 1 6

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

- 3 (a) (i) Complete the statement of changes in equity for the year ended 31 December 2018.

(9)

**Malahar Ltd**

**Statement of changes in equity for the year ended 31 December 2018**

	Share capital \$	Share premium \$	Revaluation reserve \$	Retained earnings \$	Total \$
1 January 2018	250 000	62 500	180 000	165 290	657 790
Final dividend					
Bonus issue					
Rights issue					
Interim dividend					
Revaluation reserve					
Profit for the year					
31 December 2018			230 000		

- (ii) State which stakeholder would be interested in this statement.

(1)

- (iii) State **one** reason why this stakeholder would be interested in this statement.

(1)

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(b) Prepare the statement to reconcile the profit for the year to net cash from operating activities for the year ended 31 December 2018.

(5)

**Malahar Ltd**

**Reconciliation of profit for the year to net cash from operating activities  
for the year ended 31 December 2018**

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(c) Explain the effect on Malahar Ltd's cash and cash equivalents of both the bonus issue and the rights issue.

(2)

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(d) State **two** ratios that can be used to measure the change in cash and cash equivalents.

(2)

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**(Total for Question 3 = 20 marks)**

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

- 4 (a) Calculate, for motor vehicles, the cost, depreciation charge and accumulated depreciation. You may show your answer in the table below.

(4)

	\$
Cost at 31 March 2019	
Depreciation charge for period ending 31 March 2019	
Accumulated depreciation at 31 March 2019	

The budgeted statement of profit or loss for the period ending 31 March 2019 showed a profit of \$375

This was before adjusting for all expenses related to the purchase of the new motor vehicle.

- (b) (i) Calculate the budgeted profit or loss for the period ending 31 March 2019 after these adjustments.

(4)

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- (ii) Calculate the corrected balance to be shown for cash and cash equivalents in the budgeted statement of financial position at 31 March 2019.

(2)

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(c) Prepare the budgeted statement of financial position at 31 March 2019.

(7)

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**Budgeted statement of financial position at 31 March 2019**

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(d) Evaluate the performance of the business using all the data provided.

(5)

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**(Total for Question 4 = 22 marks)**

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You will need to use the data on **page 7** of the Resource Booklet to answer parts (a), (b) and (d).

- 5 (a) Calculate, for Option 1, the net cash inflow, assuming that annual production and sales are 5 000 units. You may show your answer in the table below.

(5)

	Year				
	1	2	3	4	5
	\$	\$	\$	\$	\$
<b>Net cash inflow</b>					

- (b) Calculate for each option the net present value. You may show your answer in the table below.

(6)

		Option 1		Option 2	
Year	Discount factor @11%	Net cash flows	Present values	Net cash flows	Present values
0	1.000				
1	0.901				
2	0.812				
3	0.731				
4	0.659				
5	0.593				
<b>Net present value</b>					

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(c) State **two** other methods of capital investment appraisal.

(2)

1 .....

2 .....

(d) Discuss which option the directors should choose.

You must justify your decision.

(5)

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**(Total for Question 5 = 18 marks)**

**TOTAL FOR PAPER = 100 MARKS**

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