Wednesday 16 January 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 ▶

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Pearson

Resource for Question 1.

Pearlpup plc provided the following information for the year ended 31 December 2018.

Non-current asset	1 January 2018		Adjustments
	Cost $	Accumulated depreciation $	
Plant and equipment	750 000	253 000	New equipment was purchased costing $76 000. The depreciation charge is apportioned between administrative expenses and distribution costs in the ratio of 4:1
Delivery vans	154 400	64 760	A delivery van purchased on 1 January 2015 for $10 000 was sold for $3 000
The business charges depreciation using the reducing (diminishing) balance method at 10% per annum for plant and equipment and 20% per annum for delivery vans. A full year's deprecation is charged in the year of acquisition and none in the year of disposal.			

	1 January 2018	31 December 2018
Allowance for doubtful debts	$15 000	The allowance for doubtful debts was to be maintained at 7% of trade receivables after providing for a specific debt of $5 750

	$
12% bank loan (2025)	200 000
Administrative expenses	99 545
Carriage inwards	18 750
Inventory at 1 January 2018	176 000
Purchases	465 000
Revenue	948 750
Selling expenses	170 486
Tax charge	25 000
Trade payables	175 000
Trade receivables	198 750

At 31 December 2018:

- inventory was valued at cost $204 000

    - goods invoiced to a customer, $16 000, on a sale or return basis were not included in closing inventory. The goods had a cost price of $10 000. The directors were unsure whether the goods would be returned

- administrative expenses of $1 700 were owing and selling expenses paid in advance were $1 200

The 12% bank loan (2025) was received on 1 September 2018.

Resource for Question 2 – Parts (a)(iii) and (a)(iv).

Sejal provided the following information in addition to the extended trial balance extract at 31 December 2018 on **page 5** of the question paper.

1. A purchase of fixtures and fittings, $390, paid using Sejal's personal monies was posted to the purchases account. No other entries were made.

2. A purchase of goods, $1 782, had been posted to the purchases account correctly but posted to the trade payables ledger control account as $1 872

3. A payment of $450 was received from a credit customer in full settlement of his account balance of $465. The discount was credited to the discount received account.

4. A return of goods, $135, was recorded in the purchase returns day book but was posted correctly to the customer's account.

Resource for Question 3 – Parts (a)(i) and (b).

Malahar Ltd provided the following information in addition to the statement of changes in equity for the year ended 31 December 2018 on **page 8** of the question paper.

	31 December	
	2018 **$**	**2017** **$**
Inventory	99 450	109 370

Property, plant and equipment
    Cost
    Accumulated depreciation
	1 695 000
	312 000
		1 250 000
		245 000

Share capital (ordinary shares of $1 each)	**To be calculated**	250 000
Trade payables	143 960	154 830
Trade receivables	168 950	149 750

During the year ended 31 December 2018.

1 April	A final dividend of $0.10 per ordinary share was paid.
1 May	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.
1 September	A rights issue of one ordinary share for every three ordinary shares held was made at $1.25 each. The rights issue was fully subscribed.
1 December	An interim dividend of $0.10 per ordinary share was paid on each ordinary share held on this date.
31 December	Profit for the year was $118 125

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

Nishant provided the following information

- 20% of sales are on a cash basis and 80% of sales are on one month's credit.

- All purchases are on one month's credit.

- Annual rent of $9 600 is paid in two instalments on 1 January and 1 July.

Nishant Cash budget for the period 1 January 2019 to 30 April 2019.

	January 2019 $	February 2019 $	March 2019 $	April 2019 $
Cash sales	20 000	24 000	28 000	30 000
Trade receivables (credit sales)	62 000	80 000	96 000	112 000
Total receipts	82 000	104 000	124 000	142 000
Trade payables (credit purchases)	64 000	72 000	104 000	136 000
Rent	4 800	-	-	-
Motor vehicle	-	-	14 000	-
Drawings	4 400	4 500	5 600	5 000
Operating expenses	12 000	12 000	12 000	12 000
Total payments	85 200	88 500	135 600	153 000
Net inflow/(outflow)	(3 200)	15 500	(11 600)	(11 000)
Opening balance	1 200	(2 000)	13 500	1 900
Closing balance	(2 000)	13 500	1 900	(9 100)

On 1 January 2019 Nishant's business had equity of $50 000 and motor vehicles costing $35 000, with accumulated depreciation of $21 000

On 1 March 2019 a new motor vehicle costing $21 500, including 12 months insurance, $1 500, will be purchased. The balance will be paid on 1 September 2019. Operating expenses did **not** include fuel for the new motor vehicle of $300 per month.

All motor vehicles are depreciated at 12% per annum using the straight line method on a monthly basis.

On 31 March 2019 the estimated inventory valuation is $30 000

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

The directors of M Ltd are considering either purchasing new machinery (Option 1) or upgrading existing machinery (Option 2). The existing machinery had cost $200 000 and was fully depreciated.

They provided the following information.

	Option 1	**Option 2**
Cost	$450 000	$250 000
Residual value (end of year 5)	$45 000	Nil
Annual fixed overheads excluding depreciation	$120 000	$125 000
Production capacity	7 500 units	5 000 units

Year	**1**	**2**	**3**	**4**	**5**
Unit	**$**	**$**	**$**	**$**	**$**
Selling price	120.00	120.00	135.00	140.00	145.00
Direct material	60.00	60.00	65.00	65.00	65.00
Direct labour	10.00	11.00	12.10	13.31	14.64
Variable overheads	2.00	2.50	3.00	3.50	4.00

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