

Pearson LCCI

Thursday 11 July 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.

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Resource for Question 1 – Part (a).

Alvin Ltd provided the following information for the year ended 31 May 2019.

	\$
6% debentures (2028)	120 000
Administrative expenses	467 325
Allowance for doubtful debts	5 260
Carriage	86 250
Distribution costs	161 114
Inventory at 1 June 2018	321 550
Property, plant and equipment – cost	975 000
Purchases	875 827
Returns inwards	37 862
Revenue	1 933 244
Trade receivables	245 550

Property, plant and equipment included land that cost \$175 000. Land is not depreciated.

All other property, plant and equipment is depreciated at 10% per annum using the straight line method and apportioned in the ratio 3:2 between administrative expenses and distribution costs.

Closing inventory was valued at cost, \$346 500. This included damaged inventory, cost \$25 000, which will cost \$4 000 to repair and can be sold for \$15 000

An irrecoverable debt of \$1 550 is to be written off.

The allowance for doubtful debts is to be maintained at 2% of trade receivables.

An invoice for electricity, \$2 400, for the three-month period ending 30 June 2019 had not been accounted for.

A payment for advertising, \$6 000, for the 12 month period ending 31 January 2020 had been made.

The charge for carriage included \$51 750 carriage on sales.

The 6% debentures were issued on 1 November 2018.

The tax charge for the year was \$34 825

Resource for Question 2 – Parts (b) and (c).

On 1 May 2018 C plc purchased 80% of the share capital of G Ltd for \$112 500

The following information was available at 30 April 2019.

	C plc \$	G Ltd \$
Current assets	71 450	28 960
Current liabilities	31 730	14 635
Property, plant and equipment	296 000	115 000
Retained earnings	148 220	54 325
Share capital (ordinary shares of \$1 each)	300 000	75 000

Profit for the year ending 30 April 2019 of G Ltd was \$9 500

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

James provided the following information for the year ended 30 April 2019.

	1 May 2018 \$	30 April 2019 \$
Non-current assets – carrying value	111 400	To be calculated
Inventory	16 400	To be calculated
Trade receivables	21 985	To be calculated
Trade payables	15 170	11 550
Other payables	850	690
Cash and cash equivalents	7 990	1 066
Revenue		247 000
Cost of sales		168 000

- Inventory turnover was 8.4 times.
- Credit customers accounted for 75% of sales. They paid \$181 640 after discount allowed of \$1 015
- Irrecoverable debts written off were \$380
- Non-current assets with a carrying value of \$7 170 were sold for \$6 500 cash, taken by the owner for his own use.
- Non-current assets are depreciated at 20% 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 4 – Part (b).

Gao provided the following information relating to the purchase of a new machine.

	\$
Cost	125 000
Residual value at the end of year 3	5 000
Annual revenue and costs	
Revenue	120 000 to increase by 10% each year.
Variable cost	60 000 to increase by 3% in year 3
Fixed cost (excluding depreciation)	10 000
Depreciation charge	40 000

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

Pontus, a manufacturer, provided the following budgeted information for the three-month period ending 31 December 2019.

Goods are manufactured one month in advance of sale.

All materials are to be purchased in cash.

- Each unit will take 5 kg of material that will cost \$0.80 per kg in October 2019 and November 2019. The price will rise by 10% from 1 December 2019.
- Each unit will take 0.50 hours of production labour. Production staff are paid \$9 per hour.

Credit customers: 75% will pay one month after sale, 25% will pay two months after sale. On 1 October 2019 credit customers are expected to owe \$11 000 for sales in August 2019 and \$47 600 for sales in September 2019.

From 1 October 2019 cash sales are forecast at 1 200 units per month. Credit sales are forecast at 700 units per month. From 1 November 2019 credit sales will increase by 20 units **each** month.

Budgeted selling price is \$70 per unit with cash customers receiving a 10% trade discount.

Monthly sales and administration staff salaries are \$40 000. From 1 December 2019 salaries will increase by 4%.

Sales staff are paid a commission of 2% on credit sales, paid in the month following sale.

General expenses of \$28 500 are paid monthly.

On 1 November 2019 machinery costing \$126 000 will be purchased. This will be financed by a trade in allowance of \$11 000, a cash deposit of \$25 000, and from 1 December 2019 monthly payments of \$15 000

At 1 October 2019 the bank balance is forecast to be \$6 500 overdrawn. Overdraft interest of 2% per month is paid on the first day of the next month.

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