

Pearson LCCI

Wednesday 6 March 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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Resource for Question 1.

Pet plc provided the following information.

	31 December	
	2018	2017
Assets	\$	\$
Premises – carrying value	360 000	360 000
Equipment – carrying value	209 572	218 139
Motor vehicles – carrying value	87 480	91 500
Inventory	48 920	45 620
Trade receivables	54 740	52 900
Allowance for doubtful debts	(2 700)	(2 700)
Other receivables	760	-
Cash and cash equivalents	1 641	3 600
	760 413	769 059
Equity and liabilities		
Share capital (ordinary shares of \$1 each)	400 000	400 000
Share premium	75 000	75 000
Retained earnings	102 880	130 134
6% bank loan (2021)	100 000	100 000
Trade payables	69 735	53 290
Tax payable	12 798	10 635
	760 413	769 059

The following had not yet been accounted for at 31 December 2018.

- A rights issue of one ordinary share for every four shares held at \$1.10 per share. The rights issue was fully subscribed.
- Premises were revalued to \$750 000
- Inventory included damaged items costing \$1 620 which were scrapped at a cost of \$420 paid by cheque.
- An increase in the allowance for doubtful debts to \$3 000
- Interest on the 6% bank loan (2021) due on 31 December 2018.

Resource for Question 2 – Part (b).

Leo sells goods on a cash and credit basis. He did not maintain full accounting records but provided the following information for the year ended 30 June 2018.

	1 July 2017 \$	30 June 2018 \$
Other receivables		
– general expenses	214	-
– commission	-	1 450
Other payables		
– general expenses	-	756
Inventory	14 367	19 567
Non-current assets (carrying value)	81 000	72 900
Trade payables	15 890	21 730
Trade receivables	24 785	32 400

Bank summary

Receipts	\$	Payments	\$
Capital	15 000	Drawings	17 000
Commission	5 130	General expenses	18 945
Sales	14 850	Purchases	29 350
Trade receivables	94 750	Trade payables	51 700

There were no additions or disposals of non-current assets during the year.

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

Data for part (a).

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

Machinery	2018	
	1 January \$000	31 December \$000
Cost	13 600	To be calculated
Accumulated depreciation	3 850	To be calculated
Carrying value	9 750	9 200

On 1 December 2018 a machine costing \$250 000 with accumulated depreciation of \$200 000 was sold for \$17 800

There were no other acquisitions or disposals of non-current assets.

Data for parts (c) and (d).

On 1 January 2018 Cottage plc acquired 80 000 shares at \$50 each in Aplle Ltd.

Equity	Cottage plc \$000	Aplle Ltd \$000
Share capital (ordinary shares of \$1 each)	6 000	1 000
Retained earnings	8 160	5 200
Total equity	14 160	6 200

There were no changes in the share capital of both businesses during the year.

Aplle Ltd's profit for the year ended 31 December 2018 was \$2 700 000

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

Mya Pottery Ltd manufactures and sells handmade mugs.

The director provided the following information based on monthly production and sales of 500 mugs.

	Per unit
Selling price	\$19
Direct material	\$4
Direct labour	2 hours at \$6/hour
Fixed overheads (absorbed on units sold)	\$1.60

The directors are considering renting a machine that will reduce the labour time to 30 minutes but will increase fixed overheads to \$10 per unit (absorbed on units sold).

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

Data for parts (b) and (c).

Kaples plans to set up a new branch from 1 July 2019.

Kaples has provided the following budgeted information.

- 20% of sales will be on a cash basis and 80% of sales will be on a one-month credit basis.
- 50% of purchases will be on a cash basis and 50% will be on one month credit basis. From 1 January 2020 all purchases will be on a two-month credit basis.
- The inventory at the end of July will be \$12 000. This will increase by \$12 000 at the end of August and September 2019, after which it will decrease by \$8 000 from the end of October 2019 onwards.
- Wages and salaries will be paid one month in arrears.
- Heat and power will be paid at the end of every three months.
- General expenses of \$55 000 are paid monthly.

Kaples
Budgeted statement of profit or loss for the period ending 31 December 2019

	July \$'000	August \$'000	September \$'000	October \$'000	November \$'000	December \$'000
Revenue	475	450	510	570	545	520
Cost of sales	236	190	240	320	316	300
Gross profit	239	260	370	250	230	220
Wages and salaries	75	75	85	85	90	80
Heat and power	10	20	25	15	11	12
General expenses	55	55	55	55	55	55
Profit for the year	99	90	205	95	74	73

Data for part (d).

54 Ltd provided the following ratio.

	2018	2017
Return on capital employed	10%	15%



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