Pearson LCCI

Monday 18 November 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 – Part (b).

Surcoll Ltd provided the following information for the year ended 31 August 2019.

At 1 September 2018	**$**
Allowance for doubtful debts	6 970
Inventory	38 250
Delivery vans – cost – accumulated depreciation	 170 000 46 070
Buildings – cost – accumulated depreciation	 250 000 37 500

At 31 August 2019	**$**
Administrative expenses	94 350
Bank loan interest	15 000
Distribution costs	112 500
Inventory	25 000
Purchases	326 560
Revenue	920 500
Tax charge	65 000
Trade payables	112 470
Trade receivables	146 575

No adjustment has been made for:

- administrative expenses of $8 950 paid in advance
- distribution costs of $11 450 outstanding
- an irrecoverable debt of $12 375
- the allowance for doubtful debts, which is maintained at 3% of trade receivables
- the disposal of a delivery van for $26 000, purchased on 1 January 2017 for $34 000
- the purchase of additional buildings for $300 000
- the annual depreciation charge.

Non-current asset	**Depreciation method**
Buildings	5% per annum straight line apportioned 30% to administration and the remainder to distribution.
Delivery vans	10% per annum reducing (diminishing) balance.
A full year's depreciation is charged in the year of purchase and none in the year of disposal.	

Resource for Question 2 – Part (a).

Harvin provided the following information in addition to the extended trial balance extract at 31 July 2019 on **page 4** of the question paper.

- Discount allowed of $45 had been debited to the discount received account.
- The purchase of stationery, $125, by Harvin had not been recorded as he paid for this with his own credit card.
- Closing inventory included damaged items costing $780, which could be sold for 50% of the normal selling price, $1 014
- A payment for an extension to the premises was recorded as wages $1 000 and purchases $3 000
- The balance on the disposal account, $480 debit, represents the carrying value of a non-current asset that was disposed of. The proceeds, $450, had been recorded incorrectly in the sales day book. This amount was still outstanding on 31 July 2019.

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

Wolham plc provided the following information.

	30 September	
	2018 **$**	**2019** **$**
Bank	8 950 Cr	4 000
Cash in hand	450	120
Inventory	69 750	55 590
Short-term investments	–	6 500
Trade payables	48 950	57 420
Trade receivables	38 400	44 800

	Land and buildings **$**	**Machinery** **$**
Cost/valuation		
At 1 October 2018	720 000	680 000
Additions/revaluation	250 000	200 000
At 30 September 2019	970 000	880 000
Accumulated depreciation		
At 1 October 2018	75 000	275 400
Charge for the year	33 500	88 390
At 30 September 2019	108 500	363 790

Extract from statement of changes in equity for the year ended 30 September 2019

	Share capital $	Share premium $	Revaluation reserve $	Retained earnings $
1 October 2018	600 000	120 000	178 000	289 000
Bonus issue	100 000	(100 000)		
Rights issue	100 000	35 000		
Dividend				(160 000)
Revaluation reserve			80 000	
Profit for the year				276 000
30 September 2019	800 000	55 000	258 000	405 000

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

Exe Ltd is considering purchasing a new machine and has provided the following data for two machines.

	Machine A	**Machine B**
Cost	$250 000	$240 000
Residual value after 4 years	Nil	$20 000
Accounting rate of return	15%	**To be calculated**
Net present value	$21 490	**To be calculated**

The company provided the following budgeted statement of profit or loss based on annual production and sales of 14 000 units using Machine B.

	$	**$**
Revenue		315 000
Direct material	120 000	
Direct labour	80 000	
Variable overheads	10 000	
Fixed overheads	83 000	
		(293 000)
Profit for the year		22 000

Additional annual repair charges of $10 000 will be incurred in years 3 and 4.

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

Astrid sells goods on a two-month credit basis.

From 1 November 2019

- 20% of sales will be on a cash basis with the remainder on credit.
- 50% of credit customers will pay one month after sale with a 5% cash discount.
- 50% of credit customers will pay two months after sale.

	Month	Total sales $
Actual	September	60 000
	October	100 000
Budgeted	November	160 000
	December	240 000
	January	180 000