Pearson LCCI

Thursday 5 September 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 – Parts (b), (c) and (d).

Data for part (b).

On 1 July 2018 Zoa and Li merged their businesses to form a partnership sharing profits and losses in the ratio of 2:1.

Zoa transferred a motor vehicle valued at $25 000 and equipment valued at $40 000 and Li transferred inventory valued at $75 000

The businesses were valued at Zoa $80 000, Li $75 000

The partners decided not to maintain goodwill in the books.

Data for parts (c) and (d).

The partnership agreement **also** provided for:

- interest of 5% per annum on opening capital balances
- interest of 10% per annum on total drawings.

For the year ended 30 June 2019 the draft profit was $39 760. This was before accounting for goods taken for the partners' own use: Zoa $2 750 and Li $1 000

Cash drawings were: Zoa $16 430 and Li $26 500

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

Mona provided the following information for the year ended 31 August 2019.

	1 September 2018 $	**31 August 2019 $**
Allowance for doubtful debts	2 950	**To be calculated**
Machinery – cost – accumulated depreciation	 30 000 15 000	**To be calculated**
Trade receivables	29 500	**To be calculated**
Inventory	24 450	**To be calculated**
Other payables – general expenses	 760	–
Other receivables – general expenses	 –	 280
Cash and cash equivalents	1 925	1 325
Gross profit margin		50%
Inventory turnover		2 times

During the year ended 31 August 2019

The sales day book totalled $62 850 and the cash book showed that trade receivables had paid $61 950. In addition cash sales of $12 680 were banked after paying wages of $2 920

An irrecoverable debt of $2 800 is to be written off. The allowance for doubtful debts is to be maintained at the same rate.

Mona purchased an additional machine costing $20 000, using her own funds. This replaced a machine purchased on 1 September 2015, which was sold at its carrying value of $3 500

Machinery is depreciated at 10% per annum using the straight line method. A full year's depreciation is charged in the year of purchase and none in the year of disposal.

Resource for Question 3.

Ya Mei plc provided the following information.

At 1 September 2018	$	During the year ended 31 August 2019
Share capital (ordinary shares of $1 each)	400 000	A rights issue of one ordinary share for every four shares held was made at a premium of $0.25 per share. The issue was fully subscribed.
Share premium	20 000	
General reserve	–	A transfer to general reserve of $35 000 took place.
Revaluation reserve	50 000	Land was revalued.
Retained earnings	94 055	Profit for the year was $168 063

Schedule of non-current assets

	Land and buildings $	Machinery $
Cost/valuation		
At 1 September 2018	600 000	700 000
Additions	–	125 745
Revaluation	150 000	–
Disposals	–	(100 000)
At 31 August 2019	750 000	725 745
Accumulated depreciation		
At 1 September 2018	–	346 875
Charge for the year	–	105 655
Disposals	–	(43 750)
At 31 August 2019	–	408 780
Carrying value		
31 August 2019	750 000	316 965
31 August 2018	600 000	353 125

At 31 August 2019	**$**
10% bank loan (2027)	350 000
Allowance for doubtful debts	7 950
Bank overdraft	1 937
Cash and cash equivalents	1 490
Dividend paid	50 000
General reserve	35 000
Inventory	243 000
Other payables	17 500
Tax payable	48 000
Trade payables	78 450
Trade receivables	149 500

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

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

	$
Initial cost	495 000
Residual value	20 000
Installation	5 000
Annual insurance	2 000
Monthly maintenance	250
Annual depreciation	120 000
Estimated useful life	4 years

Profits	
Year	**$**
1	32 000
2	48 000
3	80 000
4	80 000

Discount factor at 15%	
Year	
1	0.870
2	0.756
3	0.658
4	0.572

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

Sania provided the following information for her new business commencing on 1 January 2020.

She will introduce inventory, $2 000 and cash, $15 000

A delivery van costing $14 000 will be purchased on credit with an annual interest charge of $600

Depreciation will be charged on the delivery van at 20% per annum using the straight line method.

Sania
Trade receivables budget for the three-month period ending 31 March 2020

	January $	February $	March $
Opening balance	–	7 500	9 000
Credit sales	7 500	9 000	10 500
	7 500	16 500	19 500
Receipts	–	7 350	8 820
Discount allowed	–	150	180
Closing balance	7 500	9 000	10 500

Sania
Trade payables budget for the three-month period ending 31 March 2020

	January $	February $	March $
Opening balance	–	8 000	5 750
Credit purchases	8 000	5 750	9 750
	8 000	13 750	15 500
Payments	–	8 000	5 750
Closing balance	8 000	5 750	9 750

Goods will be sold at a mark-up of 50%.

80% of the sales will be on a credit basis with customers paying one month after sale, taking a 2% cash discount.

All purchases will be on a month’s credit.

Monthly wages will be $600

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