

# Pearson LCCI

**Wednesday 9 September 2020**

Time: 3 hours

Paper Reference **ASE20104**

## **Certificate in Accounting (VRQ)**

### **Level 3**

Please check the examination details above before entering your learner information

Learner name

Centre/Learning Provider ID

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Learner National/Passport ID (if required)

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#### **You must have:**

Resource Booklet (enclosed)

Total Marks

### Instructions

- Use **black** ink or ball-point pen  
– pencil can only be used for graphs, charts, diagrams, etc.
- **Fill in the boxes** at the top of this page with your name, Pearson learner ID, centre/learning provider ID and your learner national/passport ID (if required).
- Answer **all** questions.
- Answer the questions in the spaces provided  
– there may be more space than you need.
- Answers should be given to an appropriate degree of accuracy.

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– use this as a guide as to how much time to spend on each question.
- Calculators may be used.

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- You are advised to show your workings.
- Check your answers if you have time at the end.

Turn over ►

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Pearson

**Answer ALL questions. Write your answers in the spaces provided.**

You will need to use the data on **pages 2 and 3** of the Resource Booklet.

- 1** Prepare the statement of financial position at 31 May 2020.

**(18)**

**Hull88 plc**  
**Statement of financial position at 31 May 2020**

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**(Total for Question 1 = 18 marks)**



You will need to use the data on **page 4** of the Resource Booklet to answer part (a).

- 2 (a) Complete the adjustment, statement of profit or loss and statement of financial position columns of the extended trial balance at 31 July 2020 on **pages 4 and 5**.

(14)

Patrick and Rose Extended trial balance at 31 July 2020	Trial balance	
	Debit \$	Credit \$
Bank		4 250
Capital – Patrick		160 000
Capital – Rose		100 000
Closing inventory – statement of financial position	32 200	
Closing inventory – statement of profit or loss		32 200
General expenses	108 290	
Non-current assets – carrying value	260 000	
Opening inventory	29 750	
Purchases	168 250	
Revenue		313 400
Trade payables		27 940
Trade receivables	39 300	
Goodwill		
<b>TOTAL</b>	<b>637 790</b>	<b>637 790</b>

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Adjustments		Statement of profit or loss		Statement of financial position	
Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$



(b) Identify, indicating with a tick (✓), how **each** item will be recorded in the accounts of a partnership. The first item has been shown as an example.

(6)

	Debit	Credit	Capital Account	Current Account	Loan Account
<i>Capital introduced</i>		✓	✓		
Interest on capital					
Interest on drawings					
Partner's loan					
Partners' salaries					
Profit on realisation					
Share of loss					

(Total for Question 2 = 20 marks)

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You will need to use the data on **page 5** of the Resource Booklet to answer parts (a) and (b).

**3** (a) Calculate, for the year ended 30 June 2020, the:

(i) proceeds from equipment sold

(2)

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(ii) cost of equipment purchased

(1)

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(iii) number of bonus shares issued

(2)

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(iv) total dividend paid.

(2)

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(b) Prepare the statement of cash flows for the year ended 30 June 2020.

(9)

**Asseem Ltd**  
**Statement of cash flows for the year ended 30 June 2020**

Net cash from operating activities	\$	51 820
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(c) Explain how a rights issue would be treated in the statement of cash flows.

(2)

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(d) State **two** stakeholders and their interest in the statement of cash flows.  
An example is provided.

(4)

Stakeholder	Interest
<i>Providers of finance</i>	<i>To see if loans can be repaid.</i>
<b>1</b>	
<b>2</b>	

(Total for Question 3 = 22 marks)

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You will need to use the data on **page 6** of the Resource Booklet to answer part (b).

- 4 (a) State the accounting concept that is applied when machinery is always depreciated using the same method. (1)

(b) Calculate for the new machine the:

- (i) net present value (8)

Year	Net cash flow \$	Discount factor at 12%	Present value \$
0		1.000	
1		0.893	
2		0.797	
3		0.712	
Net present value			

- (ii) payback period in years and months. (3)

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The directors decide not to purchase this machine. However, they are considering purchasing one of the following two machines and provide the following data.

	Machine	
	B	C
Purchase price	\$150 000	\$250 000
Residual value after 3 years	Nil	\$100 000
Payback period	1 year 11 months	2 years 4 months
Net present value	\$47 000	\$30 000
Accounting rate of return	40%	33%

(c) Discuss which machine they should purchase.  
You must justify your decision.

(5)

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Email message ×

To  Cc Bcc

From

**B I U** | | **A** | **T** | | | | | | | |

Thank you for helping me with this investment appraisal.

My friend works for the company supplying machines B and C. He has told me the company is in financial difficulties.

He will give me a car if I place the order for the new machine this week, so we need to get this order through quickly.

Add attachment Cancel Send now

(d) (i) State whether the accounts manager should accept the car. (1)

Yes/No

(ii) Explain, referring to **one** principle of professional ethics, the reason for your answer. (2)

Principle

Explanation

**(Total for Question 4 = 20 marks)**

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5 Elan provided the following budgeted information.

	Price	Units		
		February 2021	March 2021	April 2021
Sales	\$50	450	480	470
Purchases	\$40	400	450	500

(a) Complete the inventory budget for the three-month period ending 30 April 2021.

(5)

**Elan**  
**Inventory budget for the three-month period ending 30 April 2021**

	February \$	March \$	April \$
Opening balance	23 000		
Purchases			
Cost of sales			
Closing balance			

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Elan pays general expenses of \$1 000 per month and commission at the rate of 1% of sales.

- (b) Prepare the budgeted statement of profit or loss for the three-month period ending 30 April 2021.

(10)

**Elan**  
**Budgeted statement of profit or loss for the three-month period ending 30 April 2021**

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Currently Elan tries to keep inventory levels as low as possible so only orders small quantities. His supplier has offered him a trade discount of 20% if he purchases larger quantities of 1000 units at a time.

(c) Discuss the possible effects on Elan's profitability of this proposal.

(5)

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**(Total for Question 5 = 20 marks)**

**TOTAL FOR PAPER = 100 MARKS**

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