Pearson LCCI

Thursday 14 January 2021

Time: 3 hours | Paper Reference **ASE20104**

Certificate in Accounting (VRQ)

Level 3

Resource Booklet

Do not return this 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 – Parts (a) and (b).

Kamilco Ltd provided the following information.

At 1 October 2019	$
Inventory	18 640
Office equipment – cost – accumulated depreciation	 49 800 19 300

At 30 September 2020	$
8% bank loan	13 500
Administrative expenses	76 288
Bank	2 480
Bank interest paid	1 008
Carriage inwards	345
Distribution costs	9 275
Purchases	57 600
Returns inwards	360
Revenue	150 850
Trade receivables	12 810

- Closing inventory was valued at $23 280. This included damaged items, $650, which will cost $120 to repair and can be sold for $690
- During the year ended 30 September 2020, the company donated goods to a charity for advertising purposes. The goods had a selling price of $3 080. This included a mark-up of 40%. Advertising is treated as an administrative expense.
- A payment for administrative expenses, $390, had been made for the six months ending 31 January 2021.
- An irrecoverable debt of $660 is to be written off.
- An allowance for doubtful debts of 4% of trade receivables is to be created.
- The 8% bank loan was taken out on 1 June 2020. No interest has yet been paid.
- It is estimated that the carrying value of the office equipment is $28 000. There have been no additions or disposals during the year.
- The tax charge for the year was estimated to be $1 100

Resource for Question 2 – Part (a).

Maria provided the following information in addition to the extended trial balance extract at 31 October 2020 on **page 4** of the question paper.

- Carriage inwards, $140, had been credited to the carriage outwards account.
- An invoice for insurance, $1 860, for the 12 months ending 30 September 2021 had not been entered in the books.
- The allowance for doubtful debts was to be maintained at 5% of trade receivables.
- A payment for advertising, $185, had been debited to both the bank account and the advertising account.
- Closing inventory had been valued at selling price $17 290. Maria adds a mark-up of 40% to all goods.

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

Data for parts (a) and (c).

On 1 October 2019 Aye plc acquired 80% of the ordinary share capital of Bee Ltd.

Statement of profit or loss for the year ended 30 September 2020

	Aye plc $000	Bee Ltd $000
Revenue	8 450	1 340
Cost of sales	(4 980)	(650)
Gross profit	3 470	690
Administrative expenses	(1 020)	(260)
Distribution costs	(1 610)	(210)
Profit from operations	840	220
Finance costs	(90)	(60)
Dividend received from Bee Ltd	40	–
Profit before tax	710	160
Tax	(160)	(40)
Profit for the year	550	120

During the year ended 30 September 2020

- Bee Ltd sold goods that had cost $60 000 to Aye plc for $80 000. One half of these goods had not been sold by Aye plc at the year end.
- Aye plc had recharged $30 000 administrative costs to Bee Ltd.
- There were no impairment losses on goodwill.

Bee Ltd provided the following information.

	30 September	
	2019 $000	**2020 $000**
Inventory	170	196
Trade receivables	145	180
Trade payables	86	95

Data for part (d).

The following accounting ratios are available from the financial statements of Cee Ltd.

Ratio	**2019**	**2020**
Profit for the year as a percentage of revenue	9.3%	10.2%
Return on capital employed (ROCE)	12%	10%
Current ratio	1.7:1	2.1:1
Quick ratio (acid test)	1.2:1	0.7:1

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

Jordi provided the following information for one unit of product based on production and sales of 12 000 units.

	$
Selling price	20.00
Direct material	6.50
Direct labour	5.30
Variable overhead	1.20
Fixed overhead	4.50

Jordi has the following expansion plans:

- increase production and sales by 50%
- rent additional premises at an annual cost of $12 000
- reduce the unit cost of direct material by 10%
- reduce the selling price by 10%.

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

Farheen provided the following information in addition to the incomplete cash budget on **page 13** of the question paper.

Actual Purchases		**Budgeted Purchases**		
November 2020 $	**December 2020 $**	**January 2021 $**	**February 2021 $**	**March 2021 $**
30 000	40 000	80 000	60 000	50 000

- 10% of purchases are on a cash basis with the remainder on credit.
- 40% of credit purchases are paid in the month after purchase after taking a 5% cash discount.
- 60% of credit purchases are paid two months after purchase.
- Wages paid in the month incurred are $1 700 for the month of January 2021 and will reduce by $500 for February 2021 and March 2021.
- Farheen will take drawings on the last day of the month based on 3% of total receipts.
- Bank interest of 5% per month is paid on 1 February 2021 calculated on the bank overdraft on 1 January 2021.