

Pearson LCCI

**Certificate in Financial
Accounting (VRQ)
Level 4**

Monday 4 June 2018
Resource Booklet

Paper Reference
ASE20101

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.

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Resource for Question 1 – Parts (a) and (b)

The directors of Noblette plc have provided the following information for the year ended 31 May 2018.

	\$000
5% debenture (2022)	480
Administrative expenses	640
Bank	32 Cr
Carriage inwards	10
Distribution costs	580
Dividends paid	35
Finance costs	20
Inventory at 1 June 2017	420
Purchases	3 320
Retained earnings	1 026
Returns inwards	130
Revaluation reserve	50
Revenue	6 930
Share capital (ordinary shares of \$1 each)	1 200
Share premium	150
Taxation	10 Dr
Trade payables	318
Trade receivables	685
Non-current assets at 1 June 2017	
Land	
Cost	1 120
Buildings	
Valuation	2 380
Accumulated depreciation	120
Plant and machinery	
Cost	1 246
Accumulated depreciation	490
Motor vehicles	
Cost	400
Accumulated depreciation	200

Additional information

On 2 June 2017, buildings were revalued at \$2 120 000. It is estimated that these buildings will have a remaining useful life of 40 years.

On 31 May 2018:

- plant and machinery, purchased in June 2016 costing \$40 000, was sold for \$34 000. This had not been recorded
- inventory was valued at \$535 000
- the inventory valuation excluded goods costing \$26 000 with a selling price of \$48 000, which had originally been sold and invoiced to a customer on a sale or return basis and were returned. The return has not been recorded in the books of account
- delivery vehicle licences costing \$18 000 had been paid for the year ending 30 September 2018
- interest on the 5% debenture (2022) had been paid up to 31 January 2018
- the directors estimate that the tax liability on the current year's profits will be \$350 000. The balance on the taxation account at 31 May 2018 is the taxation underestimated on the previous year's profits.

Depreciation policy

Non-current asset	Basis	Charged to
Motor vehicles	25% per annum straight line	80% Distribution costs 20% Administrative expenses
Buildings	Straight line	Administrative expenses
Plant and machinery	10% per annum reducing balance	Cost of sales

A full year's depreciation is charged in the year of acquisition but none in the year of disposal.

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

Wardlow plc has one subsidiary undertaking, Limston Ltd.

The following draft statements of financial position were provided.

Statements of financial position at 30 April 2018

	Wardlow plc \$000	Limston Ltd \$000
Non-current assets		
Property, plant and equipment	6 400	860
Investment in subsidiary	<u>1 256</u>	<u>-</u>
	<u>7 656</u>	<u>860</u>
Current assets		
Inventory	2 240	720
Trade and other receivables	1 480	475
Cash and cash equivalents	<u>615</u>	<u>-</u>
	<u>4 335</u>	<u>1 195</u>
Total assets	<u>11 991</u>	<u>2 055</u>
Equity and liabilities		
Equity		
Share capital (ordinary shares of \$1 each)	4 600	600
Share premium	660	120
Revaluation reserve	500	-
Retained earnings	<u>3 326</u>	<u>440</u>
Total equity	<u>9 086</u>	<u>1 160</u>
Non-current liabilities		
6% debenture (2025-27)	<u>1 500</u>	<u>-</u>
Current liabilities		
Bank overdraft	-	150
10% bank loan (2018)	-	240
Trade and other payables	915	430
Taxation	<u>490</u>	<u>75</u>
	<u>1 405</u>	<u>895</u>
Total liabilities	<u>2 905</u>	<u>895</u>
Total equity and liabilities	<u>11 991</u>	<u>2 055</u>

Additional information

On 1 May 2017:

- Wardlow plc acquired 480 000 ordinary shares in Limston Ltd
- the balance of retained earnings of Limston Ltd was \$140 000
- the fair value of the property, plant and equipment of Limston Ltd was \$1 070 000.
No entry for the revaluation of property, plant and equipment has been made in the books of Limston Ltd.

On 28 February 2018:

- Limston Ltd purchased goods from Wardlow plc for \$105 000
- Wardlow plc had invoiced these goods to Limston Ltd at cost plus 25%
- One third of these goods were unsold at 30 April 2018
- Limston Ltd still owed \$65 000 of this invoice to Wardlow plc on 30 April 2018.

On 30 April 2018:

- Wardlow plc transferred \$180 000 into Limston Ltd's bank account and, in addition, repaid one half of Limston Ltd's bank loan (2018). No entries have been made in either company's books of account
- the directors of Wardlow plc are of the opinion that goodwill has been impaired by 10% during the year ended 30 April 2018.

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

The directors of Treb Ltd have provided the following information for the year ended 31 March 2018.

	Year ended 31 March	
	2018 \$000	2017 \$000
Extract from the statement of profit or loss		
Finance costs	25	14
Taxation	120	66
Profit for the year	350	340

	At 31 March	
	2018 \$000	2017 \$000
Extract from the statement of financial position		
Property, plant and equipment	430	360
Development costs	284	60
Investments	390	110
Inventory	185	155
Trade receivables	92	66
Cash and cash equivalents	82	90
Share capital (ordinary shares of \$1 each)	400	350
Share premium	20	–
Revaluation reserve	35	–
Retained earnings	471	156
8% debenture (2019)	280	150
Trade payables	140	109
Taxation payable	105	70
Other payables (finance costs)	12	6

Additional information

During the year ended 31 March 2018:

- an ordinary share dividend was paid
- property, plant and equipment were depreciated by \$44 000
- development costs were impaired by \$16 000
- there were no disposals of non-current assets.

Resource for Question 4 – Parts (a) and (d)

Data for part (a)

The directors of Ursule plc provided the following information.

On 1 May 2017:

- the share capital of the company comprised 2 000 000 ordinary shares of \$0.50 each
- the balance of land at valuation was \$4 200 000

During the year ended 30 April 2018:

Date	Transaction
31 May 2017	made a bonus issue of 1 ordinary share for every 5 shares held
30 June 2017	paid a final dividend of \$0.04 per ordinary share on shares held at 1 May 2017
30 September 2017	made a rights issue of 1 ordinary share for every 4 shares held at a premium of \$0.20 per share. The issue was fully subscribed
31 December 2017	paid an interim ordinary share dividend of 5%
31 March 2018	sold a plot of land for \$1 700 000. This plot of land had cost \$800 000 and had been revalued in 2015 at \$1 300 000
30 April 2018	the remaining land was revalued at \$3 600 000

The profit for the year ended 30 April 2018 was \$1 450 000

Data for part (d)

The directors of Ursule plc provided the following data.

	2018	2017
Gross profit margin	39%	36%
Operating profit margin	14%	17%
Return on capital employed (ROCE)	23%	28%
Return on equity	16%	12%
Gearing (interest-bearing debt/equity + interest-bearing debt)	42%	60%

Resource for Question 5 – Part (d)

Abell wishes to invest in a company. He has identified two possible businesses. Both companies operate in the same industry sector.

The following data is available.

	Aye plc	Bee plc
Return on capital employed (ROCE)	24.3%	18.5%
Gearing (interest-bearing debt/equity + interest-bearing debt)	68%	45%
Interest cover	3.4 times	2.1 times
Dividend cover	1.5 times	2.2 times
Share price annual change	+ 18%	– 2%