

Pearson LCCI

Tuesday 2 April 2019

Time: 3 hours

Paper Reference **ASE20101**

**Certificate in Financial Accounting
(VRQ)**

Level 4

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.

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Resource for Question 1 – Parts (a), (b) and (c).

The directors of Farmell plc provided the following information in addition to the statement of changes in equity on page 2 of the question paper.

1 April 2018	Share capital consisted of 4 000 000 ordinary shares at \$0.50 each.
30 April 2018	Rights issue of one ordinary share for every 10 shares held at \$0.80 per share. The issue was fully subscribed.
31 May 2018	Paid a final dividend of \$0.05 on all shares held at that date.
31 October 2018	Bonus issue of one ordinary share for every four shares held at that date. The directors decided to leave the reserves in the most flexible form.
31 December 2018	Paid an interim dividend of 2% on all shares held at that date.

The draft profit for the year ended 31 March 2019 was \$485 000 before adjusting for land revalued downwards by \$20 000. In addition, on 2 April 2019 a credit customer returned goods, \$35 000, invoiced on 15 March 2019. Farmell plc sells all goods with a profit margin of 20%.

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

The following information has been extracted from the financial statements of Raplay Ltd for the year ended 31 December 2018.

At 1 January 2018	\$
Plant and machinery – cost – accumulated depreciation	260 000 86 000
Development expenditure	37 000
Taxation liability	6 700
Debenture interest payable	750
10% debentures (2018–19)	90 000

2018	Transaction
31 March	Development expenditure, \$8 000, capitalised.
31 March	Machinery, \$30 000, purchased on 1 February 2017 was sold for \$28 000
30 June	Machinery purchased, \$42 000
30 September	Repaid \$50 000 of the 10% debentures (2018–19).
31 October	Paid the opening taxation liability.
30 November	Paid \$2 000 on account of the current year's tax.

At 31 December 2018	\$
Increase in inventories	2 900
Decrease in trade receivables	1 300
Increase in trade payables	4 800
Debenture interest payable	2 000
For the year ended 31 December 2018	
Estimated taxation liability	17 400
Profit for the year	87 000

Depreciation policy

- Plant and machinery is depreciated at 10% per annum using the straight line method. Depreciation is charged on a monthly basis.
- Development expenditure is amortised at 10% per annum based on the year-end carrying value.

Resource for Question 3.

On 1 January 2018 Mallax plc acquired 60% of the ordinary share capital of Haplet Ltd.

The balance of retained earnings of Haplet Ltd was \$70 000

The fair value of property, plant and equipment of Haplet Ltd was \$400 000. No entry for the revaluation of property, plant and equipment had been made in the books of Haplet Ltd.

Summarised statements of profit or loss for the year ended 31 December 2018

	Mallax plc \$000	Haplet Ltd \$000
Revenue	2 180	860
Cost of sales	1 260	400
Gross profit	920	460
Operating expenses	518	380
Profit from operations	402	80
Dividend received from Haplet Ltd	5	–
Finance costs	25	20
Profit before tax	382	60
Tax	45	10
Profit for the year	337	50

On 31 October 2018 Haplet Ltd sold goods costing \$60 000 to Mallax plc for \$90 000. All these goods had been sold by Mallax plc at the year end.

On 30 November 2018 Mallax plc invoiced Haplet Ltd with \$3 000 interest charges.

Balances at 31 December 2018	Mallax plc \$000	Haplet Ltd \$000
Investment in Haplet Ltd	188	–
Ordinary share capital	1 200	100
Retained earnings	195	112
Revaluation reserve	130	–
Property plant and equipment	2 150	340

At 31 December 2018 the directors of Mallax plc are of the opinion that goodwill had been impaired by 20%.

Resource for Question 4 – Part (a).

Parlot Ltd provided the following information for the year ended 31 December 2018 in addition to the schedule of non-current assets on page 12 of the question paper.

Non-current asset	Adjustments	Depreciation method
Land and buildings	On 1 January 2018 buildings purchased on 1 January 2008 were revalued to \$800 000 Land and buildings includes land at a cost of \$450 000	Buildings: straight line to take account of an estimated useful life of 50 years. Land is not depreciated.
Plant and machinery	On 1 March 2018 machinery was purchased for \$62 000. This was funded by a trade-in allowance of machinery, cost \$50 000 with a carrying value of \$32 000	Straight line 10% per annum.
Motor vehicles	On 1 August 2018 a motor vehicle was sold for \$26 000. The motor vehicle had been purchased on 31 March 2017 for \$40 000	Reducing (diminishing) balance 25% per annum.

A full year's depreciation is charged in the year of purchase but none in the year of sale.

Resource for Question 5 – Parts (a) and (d).**Data for part (a).**

The directors of Trapple Ltd provided the following information.

Ratio	2019	2018
Gross profit margin	32%	29%
Operating profit margin	11%	13%
Return on capital employed (ROCE)	8%	9%
Inventory turnover	98 days	71 days
Trade receivables collection period	42 days	34 days
Trade payables payment period	34 days	36 days

Data for part (d).

The following information is available for two companies, Eff plc and Gee plc, for the year ended 31 January 2019.

Ratio	Eff plc	Gee plc
Return on capital employed (ROCE)	12%	9%
Gearing	52%	39%
Interest cover	2.4 times	2.8 times
Dividend cover	1.9 times	3.5 times



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