Pearson LCCI

Monday 10 June 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.

Turn over

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

The following information was extracted from the books of Snapz plc.

1 April 2018	**$000**
Motor vehicles – cost – accumulated depreciation	 1 400 740
Plant and machinery – cost – accumulated depreciation	 4 350 2 250
Intangible assets	400
8% debentures (2026–2027)	2 220
Inventory	2 330

The following transactions took place during the year ended 31 March 2019.

Date	**Transaction**
30 June 2018	Rights issue of one ordinary share of $0.50 for every five shares held at a premium of 5%. The issue was fully subscribed.
31 August 2018	Paid a final dividend of $0.05 per share.
31 December 2018	Issued a further 8% debenture (2029–2030) of $150 000
31 January 2019	Bonus issue of one ordinary share of $0.50 for every nine shares held. The directors wished to maintain reserves in the most flexible form.
29 March 2019	Goods, with a mark up of 25%, were invoiced at $20 000 and were delivered to a credit customer on a sale or return basis.

31 March 2019	$000
Administrative expenses	4 180
Distribution costs	5 360
Finance costs	20
Purchases	11 280
Revenue	24 650

On 31 March 2019

- Inventory was counted and valued at $2 540 000
- The directors wished to make a provision for irrecoverable debts of 2% of trade receivables, $3 770 000
- An impairment review indicated that the intangible assets had a value of $360 000
- The directors estimated that the taxation liability on the current year's profits will be $480 000
- Debenture interest of $21 000 was owing.

Depreciation policy

Non-current asset	Basis	Charged to
Motor vehicles	20% straight line	75% distribution costs 25% administrative expenses
Plant and machinery	10% 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).

On 1 May 2018 Par plc acquired 450 000 ordinary shares in Sub Ltd.

The following draft financial statements are available for the two companies at 30 April 2019.

Statements of financial position at 30 April 2019

	Par plc $000	Sub Ltd $000
Assets		
Non-current assets		
Property, plant and equipment	7 250	950
Investment in subsidiary	890	–
	8 140	950
Current assets		
Inventory	3 240	980
Trade and other receivables	1 896	240
Cash and cash equivalents	1 024	–
	6 160	1 220
Total assets	14 300	2 170
Equity and liabilities		
Equity		
Share capital (ordinary shares of $1 each)	9 000	750
Share premium	590	40
Revaluation reserve	680	–
Retained earnings	1 692	480
Total equity	11 962	1 270
Non-current liabilities		
6% debenture (2025–2027)	950	–
12% bank loan (2022)	–	65
	950	65
Current liabilities		
Bank overdraft	–	320
Trade and other payables	868	305
Taxation	520	210
	1 388	835
Total liabilities	2 338	900
Total equity and liabilities	14 300	2 170

On 1 May 2018

- The balance of retained earnings of Sub Ltd was \$220 000
- The fair value of the property, plant and equipment of Sub Ltd was \$1 100 000. No entry for the revaluation of property, plant and equipment had been made in the books of Sub Ltd.

During the year ended 30 April 2019

- Sub Ltd purchased goods from Par plc for \$72 000
  - Par plc had invoiced these goods at cost plus 20%
  - one half of these goods were unsold at 30 April 2019
  - Sub Ltd still owed \$40 000 of this invoice on 30 April 2019.
- Par plc repaid the whole of Sub Ltd's 12% bank loan (2022). No entries had been made in either company's financial records in respect of this transaction.
- The directors of Par plc are of the opinion that goodwill had been impaired by \$30 000

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

The following information has been extracted from the financial statements of Dalsay Ltd.

	31 March	
	2019 $000	**2018 $000**
Profit from operations	405	315
Finance costs	(48)	(30)
Taxation charge	(105)	(75)
Profit for the year	252	210

	31 March	
	2019 $000	**2018 $000**
8% debentures (2019–2020)	–	300
10% debentures (2025–2026)	500	–
Bank	230	65
Cash	15	8
Development expenditure	110	80
Goodwill	165	215
Interest payable	20	6
Inventories	475	440
Property, plant and equipment at carrying value	3 920	3 510
Retained earnings	739	632
Revaluation reserve	115	90
Share capital (ordinary shares of $1 each)	3 360	3 000
Share premium	65	260
Taxation payable	100	85
Trade payables	296	230
Trade receivables	280	285

1. On 30 April 2018 the company made a rights issue of one ordinary share for every 20 shares held at a premium of 10%. The issue was fully subscribed.

2. On 31 October 2018 the company made a bonus issue of one ordinary share for every 15 shares held.

3. During the year ended 31 March 2019:
   - the company paid dividends, $145 000
   - additional development expenditure of $48 000 was capitalised
   - plant and equipment with a carrying value of $150 000 was sold for $135 000
   - property was revalued upwards by $25 000
   - plant and equipment was purchased for $820 000

There is no resource for Question 4.

Resource for Question 5 – Part (e).

The following information is available for two companies.

Ratio	**Tee plc**	**Ewe plc**
Return on capital employed (ROCE)	18%	15%
Quick ratio (acid test)	0.8:1	1.3:1
Dividend cover	3.5 times	1.8 times
Earnings per share	$1.63	$1.49