Pearson LCCI

Thursday 14 November 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 has been extracted from the financial statements of Barcob Ltd.

	30 June	
	2019 $000	**2018 $000**
Profit from operations	355	305
Finance costs	(58)	(45)
Taxation charge	(45)	(52)
Profit for the year	252	208

	30 June	
	2019 $000	**2018 $000**
8% debenture (2025–2026)	75	120
10% bank loan (2024)	395	340
Bank	579	115
Cash	12	8
Development expenditure	60	65
Goodwill	100	150
Interest payable	56	53
Inventories	248	195
Property, plant and equipment at carrying value	2 747	2 660
Retained earnings	527	407
Revaluation reserve	10	50
Share capital (ordinary shares of $1 each)	2 600	2 000
Share premium	85	245
Taxation payable	35	40
Trade payables	129	110
Trade receivables	166	172

- On 30 September 2018, the company made a bonus issue of one ordinary share for every 10 shares held.
- On 31 December 2018, an ordinary share dividend was paid.
- On 31 March 2019, the company made a rights issue of two ordinary shares for every 11 shares held at a premium of $0.10. The issue was fully subscribed.

During the year ended 30 June 2019

- Plant and equipment with a carrying value of $260 000 was sold at a loss of $20 000. Other plant and equipment with a carrying value of $40 000 was disposed of with no proceeds.
- Depreciation for the year on plant and equipment was $263 000
- Property with a valuation of $500 000 at 1 July 2018 was revalued downwards. The property had not been depreciated.
- Development expenditure of $30 000 was capitalised.

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

You work as an accounts assistant for a firm of accountants and are preparing the partnership accounts of Callum and Dana.

Callum and Dana do not have a formal partnership agreement.

At 1 August 2018	Callum $	Dana $
Capital account	56 000	48 000
Current account	4 600	3 200
Loan	12 000	–

On 1 November 2018 Ella joined the partnership. The new partnership agreement provided for:

- profits and losses to be shared between Callum, Dana and Ella in the ratio 6:3:1
- interest of 5% per annum on opening capital balances
- interest of 6% per annum on total drawings
- interest of 3% per annum on partners' loans
- annual salary of $12 000 for Ella.

Ella introduced $10 000 cash and a motor vehicle valued at $14 000

Goodwill was valued at $40 000. The partners decided that goodwill was not to be maintained in the books.

For the year ended 31 July 2019

The draft profit before loan interest was $90 000 accrued equally over the year.

Total drawings taken in equal instalments were:

	$
Callum	18 000
Dana	14 000
Ella	8 000

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

Data for parts (b) and (c).

Carlot plc has one subsidiary undertaking, Soulep Ltd.

On 1 July 2018 Carlot plc acquired 160 000 ordinary shares in Soulep Ltd. The balance of retained earnings of Soulep Ltd was $40 000

The fair value of property, plant and equipment of Soulep Ltd was $220 000. No entry for the revaluation of property, plant and equipment had been made in the books of Soulep Ltd.

Summarised statements of profit or loss for the year ended 30 June 2019

	Carlot plc $000	**Soulep Ltd $000**
Revenue	1 550	370
Cost of sales	(715)	(170)
Gross profit	835	200
Administration expenses	(380)	(115)
Distribution costs	(235)	(40)
Profit from operations	220	45
Dividend received from Soulep Ltd	16	–
Finance costs	(26)	(8)
Profit before tax	210	37
Tax	(41)	(7)
Profit for the year	169	30

During the year ended 30 June 2019

- Soulep Ltd sold goods costing $18 000 to Carlot plc for $36 000. At the year-end half of these goods were unsold by Carlot plc.
- Carlot plc invoiced Soulep Ltd with $8 000 administration expenses.
- Dividends paid were:
  Carlot plc $25 000
  Soulep Ltd $20 000
- The directors of Carlot plc are of the opinion that goodwill has been impaired by 25%.

Extracts from statements of financial position at 30 June 2019

	Carlot plc $000	Soulep Ltd $000
Property plant and equipment	2 660	180
Investment in Soulep Ltd	268	–
Share capital (ordinary shares of $1) (ordinary shares of $0.50)	1 500	100
Retained earnings	325	50
Revaluation reserve	90	–

Data for part (d).

The directors of Halipac Ltd have provided the following information.

Ratio	2019	2018
Current	2.9:1	1.6:1
Quick (acid test)	0.8:1	1.2:1
Gearing (Interest-bearing debt/equity + interest-bearing debt)	75%	43%
Interest cover	1.2 times	3.8 times

Resource for Question 4 – Parts (a) and (b).

The following balances have been extracted from the draft financial statements of Ralfet Ltd at 30 June 2019.

	$
8% bank loan (2019)	36 000
Cash and cash equivalents	42 300
Inventory	67 900
Plant and equipment – cost – accumulated depreciation	58 000 22 400
Property at valuation	29 600
Retained earnings	46 200
Revaluation reserve	2 400
Share capital (ordinary shares of $1 each)	96 000
Share premium	11 600
Trade and other payables	29 700
Trade and other receivables	46 500

The following had not been accounted for.

- A bonus issue of one ordinary share for every eight shares held. The directors decided to leave the reserves in the most flexible form.
- Repayment of half of the 8% bank loan (2019).
- Plant and equipment was purchased for $12 000. This was settled by the part exchange of equipment with a carrying value of $3 500 and a bank payment of $9 000
- An interim dividend of $5 400 was paid.
- Property was revalued at $26 500
- No depreciation for the year had been charged. Plant and equipment is depreciated at 10% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase and none in the year of disposal.

There is no resource for Question 5.