

Pearson LCCI

Monday 7 December 2020

Time: 3 hours

Paper Reference **ASE20101**

Certificate in Financial Accounting (VRQ) Level 4

Please check the examination details above before entering your learner information

Learner name

Centre/Learning Provider ID

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Learner National/Passport ID (if required)

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You must have:

Resource Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen
– pencil can only be used for graphs, charts, diagrams, etc.
- **Fill in the boxes** at the top of this page with your name, Pearson learner ID, centre/learning provider ID and your learner national/passport ID (if required).
- Answer **all** questions.
- Answer the questions in the spaces provided
– there may be more space than you need.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– use this as a guide as to how much time to spend on each question.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions. Write your answers in the spaces provided.

You will need to use the data on **pages 2 and 3** of the Resource Booklet to answer parts (a) and (b).

- 1 (a) Complete the schedule of non-current assets at 30 June 2020.

(7)

Xianco plc
Schedule of non-current assets at 30 June 2020

	Land and buildings \$	Plant and machinery \$	Motor vehicles \$	Total \$
Cost / valuation				
At 1 July 2019	480 000	284 600	420 000	1 184 600
Revaluation				
Additions				
Disposals				
At 30 June 2020				
Accumulated depreciation				
At 1 July 2019	57 600	164 000	205 800	427 400
Charge for the year				
Revaluation				
Disposals				
At 30 June 2020				
Carrying value				
At 30 June 2020				
At 1 July 2019	422 400	120 600	214 200	757 200

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You will need to use the data on **page 4** of the Resource Booklet to answer parts (a) and (b).

- 2** (a) Calculate the profit from operating activities for the year ended 30 September 2020.

(5)

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- (b) Prepare a reconciliation of profit from operating activities to net cash flow from operating activities for the year ended 30 September 2020.

(7)

Workings

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Bowe plc
Reconciliation of profit from operating activities to net cash flow from operating activities for the year ended 30 September 2020

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(c) State **two** items that would appear in the financing activities section of the statement of cash flows of a company.

(2)

1

2

(d) State **two** benefits of the statement of cash flows to an ordinary shareholder.

(2)

1

2

(e) Explain how negative cash flows in **each** of the following may help an investor to assess the future growth potential of a company.

(i) Investing activities

(2)

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(ii) Financing activities

(2)

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(Total for Question 2 = 20 marks)

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You will need to use the data on **page 5** of the Resource Booklet to answer parts (a) and (b).

3 (a) Calculate the following for the consolidated statement of financial position of Maret plc at 31 July 2020:

(i) goodwill

(2)

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(ii) retained earnings

(3)

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(iii) non-controlling interest.

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(b) Prepare the consolidated statement of financial position of Maret plc at 31 July 2020.

(11)

Maret plc
Consolidated statement of financial position at 31 July 2020

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(c) Explain **one** reason why a non-controlling interest is shown in the consolidated statement of financial position.

(2)

(Total for Question 3 = 20 marks)



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You will need to use the data on **page 6** of the Resource Booklet to answer parts (a) and (c).

4 (a) Calculate the revised profit for the year ended 30 June 2020.

(6)

	\$000
Draft profit for the year	187
1.	
2.	
3.	
4.	
5.	
Revised profit for the year	

(b) State **two** benefits to a company of making a bonus issue of shares.

(2)

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- 2

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(c) Complete the statement of changes in equity for the year ended 30 June 2020.

(7)

Splend plc
Statement of changes in equity for the year ended 30 June 2020

	Share capital \$000	Share premium \$000	Revaluation reserve \$000	Retained earnings \$000	Total \$000
At 1 July 2019	300	95	8	108	511
Revaluation					
Bonus issue					
Final dividend					
Rights issue					
Interim dividend					
Profit for the year					
At 30 June 2020					



The directors of Splend plc are interested in the performance of a competitor, Rickot plc, that has reported an increase in turnover for the year.

The following ratios are available for **Rickot plc** together with industry average data.

	2019	2020	Industry average
Inventory turnover	8.3 times	11.6 times	14.9 times
Trade receivables collection period	32 days	49 days	35 days
Gearing (interest-bearing debt / equity + interest-bearing debt)	39%	67%	45%
Interest cover	2.1 times	1.3 times	4.6 times

(d) Assess the performance of **Rickot plc** in terms of:

(i) efficiency

(3)

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(ii) capital structure.

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- 5 (a) Identify the international accounting standard applied in **each** of the following scenarios. The first has been completed as an example.

(4)

Scenario	IAS No	IAS title
<i>Significant risks and rewards of ownership had passed to the buyer of goods sold.</i>	18	Revenue
Evidence of fraud was discovered after the financial year-end.		
The directors decided that changing to the revaluation method of depreciation would present more accurate financial statements.		

- (b) Complete the sentence.

(2)

External auditors are appointed by the

and report to the

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(c) Explain **one** reason why a company must consider 'accruals accounting' when preparing its financial statements.

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(d) Explain the importance to an investor of the price/earnings ratio.

(2)

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Pia wishes to make an investment in a company to provide regular income with minimal risk. She has identified two companies, both in the same business sector.

The following data is available.

	Eye plc	Jay plc
Current ratio	3.85:1	1.78:1
Asset turnover ratio	1.6 times	2.2 times
Dividend cover	4.8 times	2.5 times
Earnings per share	\$0.29	\$0.41

(e) Analyse the data for the two companies and recommend, with justification, which investment Pia should choose.

(9)

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(Total for Question 5 = 19 marks)

TOTAL FOR PAPER = 100 MARKS



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