Pearson LCCI

Monday 7 December 2020

Time: 3 hours	Paper Reference **ASE20101**

Certificate in Financial Accounting (VRQ)
Level 4

Resource Booklet

Do not return this 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) and (b).

Data for parts (a) and (b).

Xianco plc provided the following information for the year ended 30 June 2020 in addition to the schedule of non-current assets on **page 2** of the question paper.

Non-current asset	**Additions / disposals**	**Depreciation method**	**Depreciation charged to**
Land and buildings	On 2 July 2019, buildings were revalued to \$420 000. The buildings were all purchased in January 2012 with an estimated useful life of 50 years. Land and buildings includes land at cost \$120 000	Buildings: straight line to take account of the estimated remaining useful life. Land is not depreciated.	Administrative expenses
Plant and machinery	New machinery was purchased, \$12 400	Reducing (diminishing) balance 10% per annum	Cost of sales
Motor vehicles	On 1 March 2020, a motor vehicle purchased on 1 June 2018 was sold for \$30 000 resulting in a loss of \$1 200	Straight line 20% per annum	Distribution costs
A full year's depreciation is charged in the year of purchase but none in the year of disposal.			

Data for part (b).

Balances at 30 June 2020	$
8% debenture (2024–2025)	84 000
Administrative expenses	385 100
Distribution costs	446 800
Finance costs	6 700
Inventory at 1 July 2019	148 500
Purchases	746 200
Revenue	1 760 400
Share capital (ordinary shares of $0.50 each)	540 000

- Distribution costs included a charge of $6 000 for advertising covering a two-year period commencing on 1 September 2019.
- The 8% debenture (2024–2025) was issued on 30 April 2020 with interest payable annually in arrears. No interest had yet been paid.
- Administrative expenses included a dividend of $0.025 per ordinary share paid in May 2020.
- Goods on sale or return, $22 500, were invoiced to Adjil, a credit customer, on 18 June 2020. The goods were invoiced at 25% mark up.
- On 30 June 2020 inventory was counted and valued at $153 800. On the same date Adjil informed Xianco plc that he had not yet decided whether to keep the goods.
- Total taxation for the year ended 30 June 2020 was estimated to be $28 500

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

Bowe plc provided the following information at 30 September 2019 and 30 September 2020.

	2019 $000	2020 $000
Property, plant and equipment at carrying value	4 730	5 690
Inventory	425	680
Trade and other receivables	136	190
Cash and cash equivalents	64	–
Revaluation reserve	–	65
Retained earnings	3 266	3 620
Trade payables	282	219
Interest payable	8	21
Taxation payable	180	104
Bank overdraft	–	70

During the year ended 30 September 2020

- Equity dividends of $1 020 000 were paid.
- Property was revalued upwards.
- Plant and equipment, cost $2 130 000, was purchased.
- Plant and equipment, carrying value $320 000, was sold for $295 000
- Finance costs were $162 000. In the year ended 30 September 2019 they were $88 000
- Taxation charge was $110 000. In the year ended 30 September 2019 it was $165 000

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

On 1 August 2019, Maret plc acquired 640 000 ordinary shares in Linzo Ltd. The balance of retained earnings of Linzo Ltd was $195 000

The fair value of the property, plant and equipment of Linzo Ltd at 1 August 2019 was $1 230 000. No entry for the revaluation of property, plant and equipment has been made in the books of Linzo Ltd.

The following information has been extracted from the statements of financial position at 31 July 2020.

	Maret plc $000	**Linzo Ltd $000**
6% debenture (2026–2028)	300	–
8% debenture (2020)	–	50
Bank overdraft	–	80
Cash and cash equivalents	177	–
Inventory	1 330	510
Investment in subsidiary	1 218	–
Property, plant and equipment	6 280	760
Retained earnings	840	545
Revaluation reserve	230	–
Share capital (ordinary shares of $1 each)	5 600	–
Share capital (ordinary shares of $0.50 each)	–	400
Share premium	890	20
Taxation	415	25
Trade and other payables	3 490	540
Trade and other receivables	2 760	390

During the year ended 31 July 2020.

- Maret plc provided a one-year interest-free loan of $120 000 to Linzo Ltd. One half of the loan was still owing at the year end.
- Maret plc sold goods to Linzo Ltd for $105 000 at a mark-up of 25%. One third of these goods were unsold by Linzo Ltd at the year end.
- On 29 July 2020 Linzo Ltd sent a cheque to Maret plc for $65 000, which was not recorded in Maret plc's books until 3 August 2020.
- The directors of Maret plc are of the opinion that goodwill has impaired by 10% over the year ended 31 July 2020.

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

Splend plc provided the following information for the year ended 30 June 2020.

Data for part (a).

The draft profit for the year was $187 000 **before** taking into account the following errors and omissions.

1. No adjustment had been made for outstanding wages of $2 000
2. Closing inventory had been understated by $18 000
3. The provision for irrecoverable debts was calculated at 2% of trade receivables of $250 000, whereas this should have been 4%.
4. A payment in advance of $12 000 for administrative expenses had been recorded as $21 000
5. Returns inwards of $8 000 had been recorded as returns outwards.

Data for part (c).

Date	Transaction
2 July 2019	Property was revalued downwards by $15 000. Property at valuation at 1 July 2019 was $280 000
31 August 2019	Bonus issue of one ordinary share of $0.50 for every three shares held. The directors decided to leave the reserves in the most flexible form.
30 September 2019	Paid a final dividend of $0.05 on all shares held at 1 July 2019.
31 March 2020	Made a rights issue of two ordinary shares of $0.50 for every five shares held at a premium of $0.40. The issue was fully subscribed.
30 April 2020	Paid an interim dividend of 2½% on all shares in issue at that date.

There is no resource for Question 5.

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