

Pearson LCCI

Monday 14 September 2020

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) and (b).

A trainee accountant of Petrog plc has prepared a draft statement of profit or loss for the year ended 31 March 2020.

Petrog plc
Statement of profit or loss for the year ended 31 March 2020

		\$
Revenue	Note 1	979 800
Cost of sales	Note 2	(527 200)
Gross profit		452 600
Administrative expenses	Note 3	(276 800)
Distribution costs		(44 700)
Profit from operations		131 100
Finance costs		(1 200)
Profit before tax		129 900
Tax		(13 700)
Profit for the year		116 200

Note 1

	\$
Revenue	956 800
Other income	19 600
Returns outwards	3 400
	979 800

Note 2

	\$
Inventory at 1 April 2019	126 000
Purchases	521 500
Carriage outwards	3 700
	651 200
Inventory at 31 March 2020	(124 000)
	527 200

Revenue included goods sent to a credit customer on a sale or return basis. The goods cost \$4 200 and had been invoiced for \$6 500. The customer had not yet decided whether to keep the goods.

Inventory had been counted and valued at \$124 000

Note 3

	\$
Dividends paid	4 800
General expenses	94 000
Rent paid	180 000
Provision for irrecoverable debts at 1 April 2019	(1 300)
Provision for depreciation at 31 March 2020	(53 600)
Wages and salaries	52 900
	276 800

A prepayment for rent, \$15 000, had been treated as an accrual.

The provision for irrecoverable debts at 31 March 2020 was \$2 100

The depreciation charge for the year was \$5 100

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

On 1 May 2019 AB plc acquired 960 000 ordinary shares in CD Ltd, when the balance of retained earnings of CD Ltd was \$180 000

The fair value of the property, plant and equipment of CD Ltd was \$670 000. No entry for the revaluation of property, plant and equipment has been made in the books of CD Ltd.

The following balances were provided at 30 April 2020.

	AB plc \$000	CD Ltd \$000
6% debenture (2026–2028)	1 120	–
8% debenture (2020)	–	220
Cash and cash equivalents	185	20
Inventory	1 850	370
Investment in CD Ltd	952	–
Property, plant and equipment	5 640	560
Retained earnings	402	270
Revaluation reserve	380	–
Share capital (ordinary shares of \$1 each)	5 500	–
Share capital (ordinary shares of \$0.50 each)	–	800
Share premium	690	130
Taxation	275	25
Trade and other payables	1 530	315
Trade and other receivables	1 270	810

- CD Ltd had sold goods costing \$32 000 to AB plc for \$48 000. One half of these goods were unsold by AB plc at the year end.
- Trade and other receivables of AB plc included \$19 000 owed by CD Ltd. Trade and other payables of CD Ltd included \$14 000 owed to AB plc.
- CD Ltd had sent a payment to AB plc that had not been received by them at the year end. This payment accounted for the difference in the inter-company accounts.
- The directors of AB plc are of the opinion that goodwill has been impaired by 20%.

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

Hatlon plc provided the following information.

At 1 April 2019	\$
Property, plant and equipment	
– cost	284 000
– accumulated depreciation	116 200
Bank overdraft	13 900
8% debentures (2020–2021)	85 000
Taxation payable	22 600
Share capital (ordinary shares of \$0.50 each)	120 000

The following transactions took place during the year ended 31 March 2020.

Date	Transactions
31 May 2019	A bonus issue of one ordinary share for every six shares held at that date.
30 June 2019	A rights issue of one ordinary share for every seven shares held at a premium of \$0.20 per share. The issue was fully subscribed.
31 August 2019	An interim dividend of \$0.05 per share was paid on all shares in issue at that date.
30 November 2019	Part-repayment of 8% debentures, \$15 000
31 December 2019	Plant and equipment was purchased for \$68 000
31 January 2020	Plant and equipment, costing \$25 625 on 1 January 2018, was sold for \$18 700

The company's depreciation policy is to depreciate all non-current assets at 20% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase, but none in the year of disposal.

Taxation on the profit for the year ended 31 March 2020 was estimated to be \$14 200

The total tax liability at 31 March 2020 was \$12 400

The directors have provided the following additional information.

	\$
Profit from operations	78 100
Increase in inventories	2 600
Decrease in trade receivables	3 200
Increase in trade payables	4 800

Resource for Question 4 – Part (a).

EB plc provided the following information in addition to the incomplete statement of changes in equity for the year ended 31 March 2020 on **page 14** of the question paper.

Date	
30 April 2019	Made a bonus issue of one ordinary share for every four shares held.
31 May 2019	Paid final dividend of \$0.05 per share on all shares in issue at 31 March 2019.
30 September 2019	Made a rights issue of three ordinary shares for every 10 shares held at a premium of \$0.15 per share. The issue was fully subscribed.
31 October 2019	Paid \$5 000 expenses on the rights issue made.
31 December 2019	Paid an interim dividend of \$0.025 on all shares in issue at that date.
31 March 2020	Property was revalued downwards by \$18 000
31 March 2020	Profit for the year was \$33 000

Additional information

The share capital of EB plc is made up of ordinary shares with a nominal value of \$0.50 each.

There is no resource for Question 5.