

Pearson LCCI

Tuesday 8 June 2021

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).

The following balances have been extracted from the draft financial statements of Mallikco plc at 31 March 2021.

	\$
Plant and equipment	
– cost	97 600
– provision for depreciation	39 200
Property at valuation	30 500
6% bank loan (2021)	18 000
Cash and cash equivalents	5 100
Inventory	44 800
Retained earnings	36 100
Revaluation reserve	1 500
Share capital (ordinary shares of \$0.50 each)	80 000
Share premium	14 500
Trade and other payables	26 800
Trade and other receivables	38 100

The following transactions had not yet been entered in the books of account.

A payment of \$9 000 made on 31 January 2021 in respect of the 6% bank loan (2021) paid by bank transfer. On the same date, a rights issue of ordinary shares was made on the basis of one ordinary share for every 10 shares held at a premium of \$0.15. The issue was fully subscribed.

On 31 March 2021, an interim dividend of \$0.05 per share was paid on all shares in issue at that date.

During the year ended 31 March 2021 depreciation had not been accounted for.

- Property had been revalued at \$28 800
- Plant and equipment had been purchased for \$12 900 settled by a bank payment of \$4 800 and the part exchange of equipment with a carrying value of \$7 700

Plant and equipment is depreciated at 10% per annum using the reducing balance. Property is not depreciated.

A full year's depreciation is charged in the year of purchase and none in the year of disposal.

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

The following information has been extracted from the financial statements of Alfijo plc for the year ended 30 April 2021.

	30 April	
	2020 \$000	2021 \$000
Profit from operations		895
Finance costs		340
Taxation charge		190
Profit for the year		365
6% debenture (2021–2022)	1 200	–
8% debenture (2025–2026)	–	3 500
Development expenditure	80	50
Goodwill	240	180
Inventories	310	335
Other payables – debenture interest	20	280
Plant and equipment at carrying value	2 040	2 015
Property at valuation	1 850	1 760
Retained earnings	780	870
Revaluation reserve	65	–
Share capital (ordinary shares of \$1 each)	1 800	3 240
Share premium	1 250	–
Taxation payable	110	175
Trade payables	245	410
Trade receivables	320	375

During the year ended 30 April 2021 the following transactions took place.

- A bonus issue of shares was made. There were no other share issues.
- An ordinary share dividend was paid.
- Property was revalued. There were no additions or disposals of property.
- Plant and equipment with a carrying value of \$31 000 were sold at a profit of \$12 000. Other plant and equipment with a carrying value of \$25 000 were disposed of with no proceeds.
- Additional development expenditure of \$10 000 was capitalised.

The profit from operations for the year ended 30 April 2021 was after charging depreciation on plant and equipment of \$235 000

Resource for Question 3 – Parts (b) and (c).**Data for part (b).**

On 1 April 2020 Parlov plc acquired 80% of the ordinary share capital of Sebbe Ltd. The balance of retained earnings of Sebbe Ltd was \$65 000

The following information has been extracted from the financial statements at 31 March 2021.

Statement of profit or loss	Year ended 31 March 2021	
	Parlov plc \$000	Sebbe Ltd \$000
Revenue	4 240	1 850
Cost of sales	2 524	980
Gross profit	1 716	870
Operating expenses	1 072	778
Profit from operations	644	92
Interest receivable	7	–
Finance costs	66	28
Profit before taxation	585	64
Taxation	103	4
Profit for the year	482	60

Statement of financial position	At 31 March 2021	
	Parlov plc \$000	Sebbe Ltd \$000
Investment in Sebbe Ltd	588	–
Property, plant and equipment	1 580	260
Retained earnings	320	140
Revaluation reserve	240	–
Share capital (ordinary shares of \$1 each)	1 800	200

The fair value of the property, plant and equipment of Sebbe Ltd on 1 April 2020 was \$580 000. No entry for the revaluation of property, plant and equipment has been made in the books of Sebbe Ltd.

During the year ended 31 March 2021

- Parlov plc sold goods to Sebbe Ltd for \$320 000. These goods had originally cost \$240 000 and Sebbe Ltd still had 25% of the goods in inventory at 31 March 2021.
- On 1 October 2020, Parlov plc made a 10% loan of \$60 000 to Sebbe Ltd. Interest is payable 12 months in arrears on 30 September. The loan is repayable in 2022.

The directors of Parlov plc are of the opinion that goodwill has impaired by 25% over the year ended 31 March 2021. This is to be treated as an operating expense.

Data for part (c).

The following information is available for Sebbe Ltd.

	31 March	
	2020 \$000	2021 \$000
Bank overdraft	24	8
Cash and cash equivalents	–	26
Inventory	148	310
Trade and other payables	155	264
Trade and other receivables	220	206
Current ratio	2.06:1	1.99:1
Quick ratio (acid test)	1.23:1	0.85:1

Resource for Question 4 – Part (b).

The directors of Splend plc provided the following information in addition to the partially completed statement of changes in equity for the year ended 31 March 2021 on **page 13** of the question paper.

At 1 April 2020 land was valued at \$295 000

During the year ended 31 March 2021 land costing \$30 000 revalued at \$55 000 was sold for \$95 000

At 31 March 2021 after the disposal, land was valued at \$280 000

Date	
31 May 2020	Made a bonus issue of one ordinary share of \$1 each for every eight shares held.
31 July 2020	Paid a final dividend of 5% on all shares in issue at 1 April 2020.
30 September 2020	Made a rights issue of one ordinary share of \$1 each for every four shares held at a price of \$1.20 per share. The issue was fully subscribed.
31 December 2020	Paid an interim dividend of \$0.02 per share on all shares in issue at that date.
31 March 2021	The profit for the year was \$120 000

There is no resource for Question 5.



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