Pearson LCCI

Certificate in Accounting (VRQ)

Level 3

Wednesday 7 June 2017

Resource Booklet

Paper Reference

ASE20104

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 – part (b).

Menzzies Ltd provided the following information for the year ended 31 March 2017.

	$000
5% Bank loan	5 000
Administrative expenses	3 500
Distribution costs	5 525
Inventory at 1 April 2016	4 150
Purchases	13 575
Revenue	25 000
Trade receivables	4 500
Land and buildings at 1 April 2016	
Cost	11 000
Accumulated depreciation	450
Plant and machinery at 1 April 2016	
Cost	6 000
Accumulated depreciation	3 000

Additional information

- On 31 March 2017 inventory was valued at $5 175 000. This included damaged inventory of $200 000. The damaged inventory can be sold for $150 000 after repairs at a cost of $40 000
- Depreciation policy
  - The depreciation on buildings was to be charged at 5% per annum on a straight line basis.
  - Land is not depreciated. During the year, land costing $2 000 000 was revalued to $2 500 000. This had not been included in the books.
  - The depreciation on plant and machinery was to be charged at 20% per annum on a reducing (diminishing) balance basis.
  - Depreciation was to be apportioned equally between distribution costs and administrative expenses.

- Trade receivables included a debt of $10 000, which was to be written off.
- At 31 March 2017:
  - distribution costs of $8 000 were owing
  - administrative expenses included prepaid insurance of $15 000
  - interest on the 5% bank loan was owing for the year
  - tax for the year was $400 000

Resource for Question 2 – parts (b), (c) and (e).

Zoltra Ltd plans to sell a new product from July 2017.

- Budgeted sales units will be July 4250, August 5000, September 5100 and October 4500.
  - Budgeted selling price is $30 per unit.
  - 20% of sales will be on a cash basis.
  - 40% of the remaining sales will be received one month after sale and 40% will be received two months after sale.
- Budgeted purchase price is $15 per unit.
  - On 1 July initial inventory of 4250 units, required for the sales in July, will be purchased and paid for on that date.
  - Other inventory will be purchased on a one month credit basis.
  - They will purchase 50% of the units required one month in advance of sales and 50% in the month of sale.
- Budgeted fixed costs excluding depreciation on motor vehicle, $50 000 per month, to be paid on the last day of the month.
- On 1 July a motor vehicle costing $30 000 will be purchased, by cheque. This will be depreciated over five years on a straight line basis.
- On 1 July Zoltra Ltd will receive a bank loan of $50 000

Resource for Question 3 – parts (b) and (c).

Tay Ltd provided the following information.

	31 March 2017 $	31 March 2016 $
Bank	29 600	12 500 Cr
Bank loan	50 000	-
Cash in hand	150	500
Property, plant and equipment	280 000	200 000
Retained earnings	67 500	60 000
Share capital - ordinary shares at $1 each	250 000	200 000
Share premium	70 000	50 000
Net cash from operating activities for the year ended 31 March 2017 was $43 500		

Additional information

During the year:

- property, plant and equipment, costing $50 000 with accumulated depreciation of $25 000, was sold for a profit of $5 750
- there were no other disposals
- a dividend of $12 500 was paid.

Depreciation charge for the year was $35 000

	31 March 2017 $	31 March 2016 $
Gross profit percentage/margin	28%	30%
Profit for the year to revenue percentage	18%	15%
Return on capital employed	5.41%	4.35%

Resource for Question 4 - parts (a) and (b).

On 1 April 2016 Madiha started her business.

She did not keep full accounting records. She provided the following information for the year ended 31 March 2017.

Bank Summary

Receipts	**$**	**Payments**	**$**
Capital	25 000	Purchases	5 000
Cash banked	47 000	Trade payables	40 000
		General expenses	8 750
		Drawings	5 000
		Office equipment	10 000
		Balance c/d	3 250
	72 000		72 000
Balance b/d	3 250		

Cash Summary

The cash banked from the sales was after deducting:	
Cash float	$250
Drawings	**To be calculated**
General expenses	$3 500
Purchases	$10 000

- Goods were sold at a mark-up of 30%.
- All sales were on a cash basis.
- She estimated that her office equipment will have a useful life of five years and decided to depreciate it by using the straight line method.
- On 31 March 2017
  - Trade payables were $12 500
  - Inventory was valued at $2 750

Resource for Question 5 – part (b).

The directors of Rossa Ltd are planning to invest in a machine costing $100 000

They provided the following estimates:

- Useful life for the machine is three years.
- The machine can be sold for $25 000 at the end of year three.
- Revenue
  - Year one: $70 000
  - Year two: increase by 40% on year one.
  - Year three: increase by 30% on year one.
- Variable cost
  - Year one: $25 000
  - Year two: increase by $30 000 on year one.
  - Year three: increase by $36 000 on year two.
- The cost of capital is 10%.

Year	Discount factor at 10%
0	1.000
1	0.909
2	0.826
3	0.751

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