Pearson LCCI

Certificate in Accounting (VRQ)

Level 3

Wednesday 5 July 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 (a).

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

	$
10% bank loan (2020)	100 000
Accruals - telephone	1 000
Allowance for doubtful debts	2 500
Bank	22 480 Cr
Cash	500
General reserve	15 000
Inventory at 31 March 2017	76 800
Prepayments – insurance	1 500
Profit for the year	34 000
Retained earnings at 1 April 2016	36 972
Share capital (ordinary shares at $1 each)	200 000
Share premium	50 000
Trade payables	35 000
Trade receivables	86 000
Land and buildings at 1 April 2016	
Cost	300 000
Accumulated depreciation	30 000
Machinery at 1 April 2016	
Cost	120 000
Accumulated depreciation	32 520

Additional information

- Inventory at 31 March 2017 was valued in error at selling price. Danzing Ltd sells goods at a 25% gross profit percentage/margin.
- Land was revalued upwards by $75 000. The original cost of the land was $150 000
- A machine costing $20 000 was sold during the year for $15 000. This machine was bought on 1 June 2014. This has been accounted for.
- Depreciation **was** charged
  - Buildings 2% per annum using the straight line method
  - Machinery 10% per annum using the reducing balance method
  - Depreciation policy was to charge a full year's depreciation in the year of acquisition and none in the year of disposal.
  - The depreciation charge for the year ended 31 March 2017 was $10 128
- An ordinary share dividend of $6 000 was paid during the year.
- Interest on the bank loan for the last six months for the year ended 31 March 2017 has not been paid. This has been accounted for in the profit for the year.

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

Data for part (a).

One of your clients, Aung, has provided the following information which has not yet been accounted for.

- Discount received of $125 was recorded incorrectly as discount allowed.
- Goods costing $1 750 were taken by Aung for personal use.
- Rent included $750 for the month of May 2017.
- Cleaners' wages, $1 450, were owing for the two months ending 30 April 2017.
- Depreciation charges for the year were
  - Machinery $7 695
  - Fixtures and fittings $2 500

Data for part (b) (i).

On 30 April 2017 another client, Xi, valued his inventory at $43 750. This included damaged inventory costing $9 500. The damaged inventory could be sold for $12 500 after repairs costing $3 500

Data for part (c).

Xi also provided the following information.

	$
Trade receivables	7 500
Allowance for doubtful debts	600

- This did not include irrecoverable debts of $500
- The allowance for doubtful debts was to be maintained at 5%.

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

Ally, Bella and Claire are in partnership sharing profit and losses in the ratio of 4:3:2 with interest on capital of 6% per annum.

On 1 December 2016:

The partners agreed to amend the profit sharing ratio to 4:3:3 with interest on capital of 9% per annum. In addition they decided to provide salaries of $36 000 per annum for each partner. On this date Claire also introduced additional capital of $25 000

The partners provided the following information for the year ended 31 March 2017.

	$
Capital account 1 April 2016:	
Ally	100 000
Bella	75 000
Claire	50 000
Current account 1 April 2016:	
Ally	15 000
Bella	(8 000)
Claire	12 000
Drawings:	
Ally	17 000
Bella	24 500
Claire	16 850
Non-current assets	
Cost	255 000
Accumulated depreciation	46 500
Trade payables	5 450
Trade receivables	6 350
Inventory	7 850

- Loss distributed among the partners was

	$
Ally	4 580
Bella	3 435
Claire	5 335

- On 1 April 2017 the partnership agreed to sell their business to Zorox Ltd for a purchase consideration of 156 250 shares of $1.60 each.
- The company took over all the assets and liabilities except one motor vehicle and cash at bank.
- A motor vehicle was taken by Ally at an agreed value of $12 000. This motor vehicle had a carrying value of $18 000
- Purchase consideration was shared among the partners in the profit sharing ratio.

Resource for Question 4 – Parts (b), (c), (d), (e) and (f).

Westsports Ltd manufacture footballs. The following information is provided for **each** football.

	$
Selling price	14.00
Material cost	2.50
Labour cost	4.50
Royalties	1.20

Fixed costs were $230 000 per annum.

Westsports Ltd currently manufactures 100 000 footballs per annum but has the capacity to produce 50 000 more.

They are considering the following options:

Option 1 - Purchase a new machine

- This will reduce the labour cost to $1.00 but introduce a variable overhead cost of $1.50 per football.
- Fixed costs will increase by $50 000 per annum.
- All other revenues and costs will remain unchanged.

Option 2 – Advertising campaign

- This will cost $100 000 per annum.
- Sales would increase by 10 000 footballs.
- Selling price will increase by $2.00 per football.
- All production costs will remain unchanged.

Resource for Question 5 - Parts (b), (c) and (d).

Homcomp Ltd has provided the following budgeted information relating to a computer game called 'Toyona'.

- The selling price will be $30
  - 20% of the sales are expected to be on a cash basis.
  - 80% of the sales are expected to be on a credit basis.
  - Credit customers are expected to pay two months after sale.
  - Budgeted sales:

July	August	September	October	November
-	$48 000	$60 000	$54 000	$49 200

- The purchase price will be $22
  - Credit suppliers are expected to be paid two months after purchase.
  - Budgeted purchases:

July	August	September	October	November
$52 800	$44 000	$33 000	$30 800	$44 000