

Pearson LCCI

# Certificate in Accounting (VRQ)

Level 3

Wednesday 8 March 2017

Time: 3 hours

Paper Reference

**ASE20104**

Complete the details below in block capitals.

Candidate name

Centre Code

--	--	--	--	--	--	--	--

Candidate Number

--	--	--	--	--	--	--	--	--	--

Candidate ID Number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

You do not need any other materials.

Total Marks

## Instructions

- Use **black** ink or ball-point pen
  - pencil can only be used for graphs, charts, diagrams, etc.
- **Fill in the boxes** at the top of this page with your name, candidate number, centre code and your candidate ID number.
- Answer **all** questions.
- Answer the questions in the spaces provided
  - there may be more space than you need.
- You must show your workings.

## Information

- The total mark for this paper is 115.
- The marks for **each** question are shown in brackets
  - use this as a guide as to how much time to spend on each question.
- Calculators may be used.

## Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

P54335A

©2017 Pearson Education Ltd.

1/1/1/1/1/1/1



Pearson

**Answer ALL questions. Write your answers in the spaces provided.**

- 1** (a) (i) State which accounting concept applies when adjusting for other receivables in the financial statements.

(1)

- (ii) State how an adjustment for other receivables is treated in each of the financial statements.

(2)

Statement of profit or loss

Statement of financial position

- (b) Describe **one** qualitative characteristic of financial reporting under the International Accounting Standards Board (IASB) Framework.

(2)

Characteristic	Description
	<p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>

IAS 2 – Inventories states that inventories should be valued at the lower of cost and net realisable value.

- (c) Define the terms:

- (i) cost

(2)



(ii) net realisable value.

(2)

(d) State **five** adjustments that may be required to reconcile profit for the year to cash from operating activities.

(5)

- 1 .....
- 2 .....
- 3 .....
- 4 .....
- 5 .....

(e) State how a bonus issue of ordinary shares is treated in the statement of changes in equity.

(2)

- .....
- .....
- .....

(f) State **two** disadvantages of operating a business as part of a franchise.

(2)

- 1 .....
- 2 .....
- .....

(Total for Question 1 = 18 marks)



P 5 4 3 3 5 A 0 3 2 0

**2** Kymi and Jami are in partnership with **no** partnership agreement. They have provided the following information.

	31 December 2016	1 January 2016
	\$	\$
Inventory	To be calculated	6 160
Trade payables	1 685	2 575
Trade receivables	4 060	3 430

During the year ended 31 December 2016, cheque payments to trade payables were \$37 685 and bank receipts from trade receivables were \$51 570

All goods were sold with a 25% gross profit margin. All purchases and sales were on credit.

- (a) Prepare the **trading section** of the statement of profit or loss for the year ended 31 December 2016.

(12)

**Kymi and Jami**  
**Statement of profit or loss for the year ended 31 December 2016**

This image shows a single sheet of white paper with horizontal dashed lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the paper.

DO NOT WRITE IN THIS AREA

**DO NOT WRITE IN THIS AREA**

**DO NOT WRITE IN THIS AREA**

**DO NOT WRITE IN THIS AREA**

**DO NOT WRITE IN THIS AREA**

**DO NOT WRITE IN THIS AREA**

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

On 31 December 2016 inventory was counted and valued at \$2 540

Kymi suspected some goods were stolen during the year.

(b) Calculate the value of the goods stolen.

(3)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



### Additional information

- On 1 January 2016 non-current assets were valued at \$31 550
- On 2 January 2016:
  - a motor vehicle purchased on 1 January 2014 for \$15 000 was sold for \$6 000
  - a new motor vehicle costing \$20 000 was purchased.
- All non-current assets are depreciated at 20% per annum using the reducing (diminishing) balance method.
- The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

(c) (i) Calculate the profit or loss on disposal of the motor vehicle.

(3)

.....

.....

.....

.....

.....

.....

(ii) Calculate the depreciation charge for the year ended 31 December 2016.

(3)

.....

.....

.....

.....

.....

.....

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



On 1 January 2017 the partnership was taken over by Highhob Ltd. The net assets of the partnership, other than the bank balance, were acquired at their carrying value by Highhob Ltd for \$34 105

(d) Prepare the realisation account.

(8)

Realisation Account


(Total for Question 2 = 29 marks)



- 3 On 1 April 2015 Zxylex plc acquired 9 000 000 shares in PiBox Ltd. The statements of financial position at 31 March 2016 for both companies were as follows.

	Zxylex plc	PiBox Ltd
	\$000	\$000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	65 388	31 887
Investment in PiBox Ltd	26 000	–
	<b>91 388</b>	<b>31 887</b>
<b>Current assets</b>		
Inventories	28 273	5 566
Trade receivables	11 508	5 154
Cash and cash equivalents	2 146	68
	<b>41 927</b>	<b>10 788</b>
<b>Total assets</b>	<b>133 315</b>	<b>42 675</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital (\$1 ordinary shares)	25 000	12 000
Share premium	12 000	4 000
Retained earnings	55 621	17 092
<b>Total equity</b>	<b>92 621</b>	<b>33 092</b>
<b>Non-current liabilities</b>		
Bank loan	21 000	8 000
<b>Current liabilities</b>		
Trade payables	13 554	1 475
Tax liabilities	6 140	108
<b>Total liabilities</b>	<b>40 694</b>	<b>9 583</b>
<b>Total equity and liabilities</b>	<b>133 315</b>	<b>42 675</b>

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



- On 1 April 2015:
  - the balance of retained earnings of PiBox Ltd was \$12 052 000
  - the fair value of the property, plant and equipment of PiBox Ltd was \$28 800 000. The carrying value of the non-current assets at 1 April 2015 was \$25 800 000. The revaluation has not been recorded in the books of PiBox Ltd.
- There have been no changes to the balances of share capital and share premium during the year.
- No dividends were paid during the year by either company.

(20)

**Zxylex plc**  
**Consolidated statement of financial position at 31 March 2016**



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 3 = 20 marks)



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

**BLANK PAGE**



P 5 4 3 3 5 A 0 1 1 2 0

**4** Bob is in business buying and selling shoes.

He has provided a forecast for sales, purchases and overheads for 1 April to 31 August 2017.

	April	May	June	July	August
	\$	\$	\$	\$	\$
Sales	20 000	24 000	18 000	16 000	20 000
Purchases	10 000	11 500	10 750	9 866	11 250
Overheads	5 500	6 124	5 490	4 982	4 126

- All sales, purchases and overheads will be on credit.
- 80% of customers will pay one month after the sale. The remaining customers will pay two months after the sale.
- 50% of the cost of purchases and overheads will be paid in the same month as incurred. The remainder will be paid one month after.
- Monthly cash drawings will be equal to 5% of the sales in that month.
- On 1 June 2017 a non-current asset costing \$6 800 will be purchased for cash. Total depreciation for the year is \$1 200
- On 30 June 2017 a loan of \$24 000 will be received from the bank. This will be repaid in 24 equal monthly instalments starting on 31 July 2017. The total amount to be repaid including interest is \$30 000
- On 1 June 2017 Bob has estimated his bank overdraft to be \$23 000



(15)

[illegible]

(b) Explain **two** ways in which Bob could improve his liquidity position.

(4)

1

2

(c) State **one** reason why Bob's bank manager may be interested in his cash budget.

(1)

(d) Calculate the budgeted trade receivables collection period for the **three** months ending 31 August 2017.

(6)

**(Total for Question 4 = 26 marks)**



- 5 Llade Ltd manufactures bottles. The company provides you with the following information.

	\$ per bottle
Material	6
Labour	5
Patent design	1
Selling price	16

Total fixed overheads for the year ended 31 October 2016 were \$25 000

- (a) (i) Calculate the break-even point in units.

(2)

.....

.....

.....

.....

- (ii) Calculate the number of bottles that need to be sold to achieve a target profit of \$5 000

(2)

.....

.....

.....

.....



P 5 4 3 3 5 A 0 1 5 2 0

On 31 October 2016, a machine breaks down and cannot be repaired.  
The production manager proposes two options.

Fixed overheads are expected to rise by 10% in Year 3 for both options.

**Option 1**

- Purchase a replacement machine at a cost of \$350 000 on 1 November 2016.
- This machine can produce 30 000 units per year and is expected to last 4 years.

The cost of capital is 10%.

Year	Discount rate (10%)
0	1.000
1	0.909
2	0.826
3	0.751
4	0.683

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



(b) (i) Calculate the net present value for option 1.

(8)

Handwriting practice area with horizontal dotted lines.



P 5 4 3 3 5 A 0 1 7 2 0

- Rent a machine at a cost of \$7 000 per month including maintenance for 4 years from 1 November 2016.
- This machine can produce 28 000 units per year.

(6)

**DO NOT WRITE IN THIS AREA**

**DO NOT WRITE IN THIS AREA**

**DON'T WRITE IN THIS AREA**

(iii) Advise, stating your reasons, whether Llade Ltd should purchase a replacement machine or rent a machine.

(4)

.....

.....

.....

.....

.....

.....

.....

.....

(Total for Question 5 = 22 marks)

TOTAL FOR PAPER = 115 MARKS



DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

