

Pearson LCCI

Certificate in Accounting (VRQ)

Level 3

Wednesday 18 January 2017

Time: 3 hours

Paper Reference

ASE20104

Complete the details below in block capitals.

Candidate name

Centre Code

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Candidate Number

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Candidate ID Number

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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 ►

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

- 1 (a) State **four** methods of funding the acquisition of non-current assets.

(4)

- 1
- 2
- 3
- 4

Chang has recently been appointed as a trainee accountant in a computer manufacturing company.

His line manager has asked him to:

- 1 provide information relating to his previous employer's clients to the marketing department
- 2 pretend to be a prospective customer in order to obtain information from a competitor relating to a bespoke computer for gaming purposes.

- (b) Explain what Chang should do in each of the situations.

(6)

Situation 1

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Situation 2

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(c) Define the terms:

(i) absorption costing

(2)

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(ii) marginal costing.

(2)

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(d) Explain **one** disadvantage of converting a partnership into a limited liability company.

(3)

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(e) State three **external** stakeholders and their interests in financial statements.

(6)

Stakeholder	Interests in financial statements
1	<div><div></div><div></div><div></div></div>
2	<div><div></div><div></div><div></div></div>
3	<div><div></div><div></div><div></div></div>

(Total for Question 1 = 23 marks)

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- 2 The directors of Southern Products Ltd have provided the following extracts from the general ledger balances at 31 December 2016.

	\$		\$
10% bank loan	20 000	Inventory at 1 January 2016	22 700
Administrative expenses	25 800	Irrecoverable debts	5 100
Allowance for doubtful debts	4 300	Office equipment – accumulated depreciation	53 600
Bank interest	1 000	Office equipment – cost	84 000
Delivery vans – accumulated depreciation	74 800	Purchases	420 000
Delivery vans – cost	124 000	Revenue	674 000
Directors fees	40 800	Trade payables	58 000
Discount received	4 670	Trade receivables	90 000
Distribution costs	20 400	Wages and salaries	35 490

Additional information

- On 30 August 2016 a delivery van, cost \$20 000, was written off due to an accident. This had been depreciated by \$14 000. On 15 December 2016 the insurance company agreed to pay the claim of \$5 000 and a new delivery van was purchased costing \$35 000. These transactions have not yet been accounted for.
- The depreciation is charged as follows:

Office equipment	25% per annum using the reducing (diminishing) balance method
Delivery vans	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.
- On 31 December 2016 inventory was valued at \$45 950. This included damaged inventory costing \$4 500. This could be sold for \$4 200, after repairs costing \$750
- Insurance of \$2 800, included in administrative expenses, had been paid for the four months ending 31 March 2017.
- The interest on the bank loan for the second half of the year was outstanding at the year end.
- The allowance for doubtful debts is to be maintained at 10% of trade receivables.
- The wages and salaries are distributed in the ratio of 4:1 between administrative expenses and distribution costs.



(25)





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(Total for Question 2 = 25 marks)



- 3 Chocotheme Ltd, a small manufacturer of chocolate products, provided the following information for the four months ending 30 April 2017.

	Production units	Sales units
January	50	35
February	60	45
March	75	80
April	80	90

The standard data per unit is forecast to be as follows:

	\$
Selling price	20
Direct material	6
Direct labour	4
Variable overheads	3

Fixed overheads are forecast to be \$175 per month.

Additional information

- Raw materials are purchased one month before production.
- Raw material suppliers are paid two months after purchase. At 31 December 2016 trade payables were \$450. These consisted of the credit purchases for November 2016 of \$150 and December 2016 of \$300
- Credit sales are forecast to be 80% of total sales.
- Credit customers pay three months after sale. At 31 December 2016 trade receivables were \$1 450. These consisted of the credit sales for October 2016 of \$450, November 2016 of \$550 and December 2016 of \$450
- Direct labour costs and variable overheads are paid in the month they are incurred.
- Fixed overheads are payable one month in arrears.
- On 31 December 2016:
 - other payables for fixed overheads were \$150
 - cash and bank balances were \$750
- On 21 January 2017 the company plans to purchase new moulding equipment for \$3 000. 10% of the purchase price will be paid on purchase and the balance in March 2017.
- On 1 February 2017 the company plans to issue 1 000 ordinary shares of \$1 each at a price of \$1.50 each.



(13)

[illegible]

(b) Calculate the forecast break-even point for the first quarter of 2017.

(3)

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(Total for Question 3 = 16 marks)

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- 4 Amba, Bhrugesha and Chandan were in partnership trading in digital photography products and sharing profits and losses in the ratio of 1:2:2

They provided the following information on 30 November 2016:

Partners	Capital Account \$	Current Account \$
Amba	25 000	4 500
Bhrugesha	50 000	1 840 Dr
Chandan	50 000	1 000 Dr

	\$
Premises at carrying value	77 000
Machinery at carrying value	48 000
Motor vehicles at carrying value	33 400
Inventory	6 000
Trade receivables	28 950
5% loan from Chandan	50 000
Trade payables	13 450
Bank overdraft	3 240

On 30 November 2016 they decided to dissolve their partnership immediately.

- The premises were sold for \$150 000
- The machinery was sold for \$29 600
- Chandan retained all the motor vehicles at an agreed value of \$28 000
- Inventory was sold for \$5 000
- A credit customer went bankrupt owing \$25 000, nothing was received from this customer. The other trade receivables paid \$3 750 in full settlement of their accounts.
- The trade payables were settled at \$12 500
- The dissolution costs were \$4 500
- All receipts and payments were processed through the bank account.



(i)

(14)

[illegible]



(ii)

Capital Accounts

(6)

Details	Amba \$	Bhrugesha \$	Chandan \$	Details	Amba \$	Bhrugesha \$	Chandan \$

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(iii)

Bank Account

(10)

Details	\$	Details	\$

(Total for Question 4 = 30 marks)



5 Sanjana Roy, a trader, does not keep a full set of accounting records but provided the following information for the year ended 31 December 2016.

- Goods were sold at a 25% mark up.
- The net profit margin was 18%.
- The current ratio was 2.7:1
- Trade receivables collection period was 36 days.
- Trade payables payment period was 45 days.
- Inventory turnover was 10 times.
- Return on capital employed was 25%.
- Inventory was valued at \$50 000, which was 100% higher than the inventory at 1 January 2016.
- During the year, Sanjana withdrew \$15 000 from the bank for her personal use and also took goods for her own use costing \$500
- All sales and purchases were on credit during the year.
- All payments and receipts were processed through the bank.
- There were no non-current liabilities during the year.
- Sanjana's trading year consisted of 360 days.

(a) Prepare the statement of financial position at 31 December 2016 in as much detail as possible. Show your workings in the space provided.

(17)

Use this space to show your workings.

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Statement of financial position at 31 December 2016



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Sanjana Roy's normal credit terms for trade receivables and trade payables are 30 days.

- (b) Analyse the impact of her current trade receivables collection period and trade payables payment period on the liquidity of the business.

(4)

(Total for Question 5 = 21 marks)

TOTAL FOR PAPER = 115 MARKS

