

**LCCI Level 3 Certificate in Accounting – Learning outcome 1 (2-mark questions)****2 questions – students to be given 1 random question from this bank of questions.****Question 1 (2 marks)**

Which one of the following features applies to management accounting as opposed to financial accounting?

	✓
Produced as and when required	[✓]
Reporting on past events	
Regulated presentation	
Legal requirement	

**MCQ****Question 2 (2 marks)**

Identify which of the following statements is/are true regarding types of business organisations.

Statement 1 – Both public and private limited companies can raise funds through issuing shares.

Statement 2 – A sole trader has limited personal liability for business debts.

Statement 3 – A partnership business may admit new partners in to the business in order to bring new skills into the business.

	✓
Statements 1 and 3 only	[✓]
Statements 1 and 2 only	
Statements 2 and 3 only	
All three statements are true	

**MCQ****LCCI Level 3 Certificate in Accounting – Learning outcome 1 (4-mark questions)****4 questions – students to be given 2 random questions from this bank of questions.****Question 1 (4 marks – 1 mark for each correct answer shown in blue text)**

The IASB framework identifies two fundamental qualitative and four enhancing qualitative characteristics.

Identify which two of the following are fundamental characteristics and which two are enhancing characteristics by using the drop-down options provided to complete the table below.

	<b>Fundamental or enhancing</b>
Understandability	[Enhancing]
Faithful representation	[Fundamental]

Relevance	[Fundamental]
Timeliness	[Enhancing]

Drop-down options to be available in all answer boxes:

Fundamental

Enhancing

### DROP DOWN OPTIONS

#### Question 2 (4 marks – 1 mark for each correct answer shown in blue text)

Complete the following sentences regarding the different types of business organisations by filling in the blanks using the drag and drop options provided below.

Partnerships and [sole traders] are unincorporated entities and have [unlimited] liability for the debts of the business.

[Directors] are appointed to run and manage a [limited] company on behalf of the shareholders of the business.

Drag and drop options:

Limited

Managers

Partners

Unlimited

Directors

Sole traders

Professional

### DRAG AND DROP

#### Question 3 (4 marks – 1 mark for each correct answer)

Identify which stakeholder has the following needs/expectations of a company using the drop-down options provided below.

Needs/expectations	Stakeholder
The level of return on investment.	[Shareholders]
Continuity of supply of goods and services.	[Customers]
Repeat business and payment of amounts owed.	[Suppliers]
Security against borrowing.	[Providers of external finance]

Drop down options to be provided in all answer boxes:

Suppliers

Customers

Shareholders

Providers of external finance

### DROP DOWN OPTIONS

**Question 4 (4 marks – 1 mark for each correct answer)**

Identify which ethical principle is in danger of being breached in each scenario using the drop-down options provided below.

Scenario	Ethical principle
Wyatt is applying for a job with HT Ltd where his friend Nathan works in payroll. He has asked Nathan for details of the salaries of the different people in the organisation, so he knows what level of salary to expect.	[Confidentiality]
Jack has been asked to prepare a tax return which includes complex tax calculations, none of which he has prepared before, and he has no experience of working in a tax role.	[Professional competence and due care]
Winnie has submitted a claim for travel expenses to a recent client meeting. The mileage she has claimed for has been inflated and she has claimed for the reimbursement of a meal for which she did not pay.	[Integrity]
Layla has been asked by her brother to prepare the accounts for his limited company.	[Objectivity]

Drop down options to be provided in all answer boxes:

Integrity  
Objectivity  
Confidentiality  
Professional behaviour  
Professional competence and due care

**DROP DOWN OPTIONS****LCCI Level 3 Certificate in Accounting – Learning outcome 2 (2-mark questions)**

2 questions – students to be given 1 random question from this bank of questions.

**Question 1 (2 marks)**

Which one of the following would not be classed as a non-current asset?

	✓
Property rented on a six-month lease by an entity to use as its headquarters	[✓]
Investment property purchased by the business and held for its potential increase in value	
A warehouse used to store work in progress and finished goods	
A forklift truck for use in the warehouse	

**MCQ****Question 2 (2 marks)**

A business decides to produce an asset for its own use in its trading activities.

Which one of the following costs can be included in the total cost of producing the asset?

	✓
A reasonable proportion of indirect costs	[✓]

Depreciation charges for the asset	
Wastage of materials used in testing the asset	
Ongoing maintenance costs for the asset	

### MCQ

#### LCCI Level 3 Certificate in Accounting – Learning outcome 2 (4-mark questions)

6 questions – students to be given 4 random questions from this bank of questions.

#### Question 1 (4 marks – 1 mark for each correct answer shown in blue text)

Identify the correct inventory valuation method from the characteristics given below. Use the drop-down options provided below to complete the table.

	FIFO, LIFO or AVCO
In times of rising prices this method will give higher profits	[FIFO]
This inventory valuation method is particularly suited to inventory that does not need to be kept in separate batches	[AVCO]
The valuation of inventory smooths out the impact of rising prices	[AVCO]
This inventory valuation method values closing inventory at the most recent purchase price	[FIFO]

Drop-down options to be available in all answer boxes:

FIFO

LIFO

AVCO

### DROP DOWN OPTIONS

#### Question 2 (4 marks – 1 mark for each correct answer shown in blue text)

JM Co purchased an asset on 1 June 20X4 for \$16800 and depreciated the asset using the straight-line method at a rate of 20% on a month-by-month basis assuming a nil residual value.

JM Co disposed of the asset on 1 September 20X6 and the proceeds on disposal were \$8500.

Fill in the blanks in the following sentences using the drag and drop options provided below.

When preparing the journal to account for the disposal of the asset, the entry in the asset at cost account will be a [credit] entry for the value of \$16800.

The entry in the accumulated depreciation account will be a [debit] entry for the value of [\$7560].

The disposal account will show a loss of disposal of [\$740].

Drag and drop options:

debit

credit

\$6720

\$7560

\$1580

\$740

### DRAG AND DROP

**Question 3 (4 marks – 1 mark for each correct answer shown in blue text)**

Biker Co has opening balances on two accounts as follows:

- Plant at cost of \$31600, and
- accumulated depreciation on plant of \$17100.

Biker Co has a policy of depreciating plant using the straight-line balance basis at a rate of 20% per annum assuming nil residual value.

Complete the table below to show the how the journal for depreciation for the current year would be posted using the drag and drop options provided.

	Drag and drop option:
Debit to this account	[Plant depreciation expense account]
Credit to this account	[Plant accumulated depreciation account]
Amount to post for each entry	[\$6320]
Revised carrying amount of plant at the end of the year	[\$8180]

**Drag and drop options:**

Plant accumulated depreciation account

Disposal account

Plant at cost account

Plant depreciation expense account

\$2900

\$11600

\$6320

\$8180

**DRAG AND DROP****Question 4 (4 marks)**

Wilbur values inventories in accordance with IAS 2 Inventories.

At the year end of 31 March 20X6, it has the following information relating to inventories:

Product	Quantity (units)	Cost per unit (\$)	Net realisable value (\$)
X	100	30	70
Y	150	12	9
Z	240	8	20

Product Z has just undergone a quality inspection, and it has been discovered that 50 of the units identified above have been water damaged whilst in stock and will have to be scrapped with no residual value.

What is the closing inventory valuation of Wilbur as at 31 March 20X6?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[5870]**

**INSERT VALUE**

**Question 5 (4 marks)**

JP Co uses the FIFO method of inventory valuation for its single product.

At 1 June 20X3 there were 50 units in inventory at a cost price of \$3.80 per unit.

During the month of June 20X3, the following transactions took place:

Date	Transaction	Details
5 June 20X3	Purchase of goods	75 units at \$4.15 per unit
12 June 20X3	Sale of goods	40 units at \$12.00 per unit
19 June 20X3	Purchase of goods	50 units at \$4.20 per unit
28 June 20X3	Sale of goods	90 units at \$12.50 per unit

What is the closing value of inventory for JP Co at the end of June 20X3?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[189]**

**INSERT VALUE**

**Question 6 (4 marks)**

CBL Co purchased a piece of equipment on 1 January 20X4 for \$46800. The equipment has a useful expected life of 6 years and a residual value of \$5000.

CBL Co has a policy of depreciating its equipment using the reducing balance (diminishing balance) method of depreciation at a rate of 30%.

On 1 January 20X6, CBL Co reviewed its depreciation policy and decided that the straight-line method of depreciation would more accurately reflect the use of the value of the asset and decided to use this method for the year ending 31 December 20X6. The useful life and the residual value of the asset remains unchanged.

What would the depreciation charge for the year ending 31 December 20X6 in respect of this asset?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[4483]**

**INSERT VALUE**

**LCCI Level 3 Certificate in Accounting – Learning outcome 3 (4-mark questions)**

**4 questions – students to be given 2 random questions from this bank of questions.**

**Question 1 (4 marks – 1 mark for each correct answer shown in blue text)**

You have been provided with the following extract from an incomplete extended trial balance.

Account	Initial trial balance		Adjustments	
	Debit (\$)	Credit (\$)	Debit (\$)	Credit (\$)
Sales		34090		
Sales returns	1305			210
Purchases	12730			
Wages	6500			
Rent	4120		170	
Bank		4680	810	138
Accruals		750	30	

Complete the table below to show the figures that would appear in the extended columns for the Statement of Profit or Loss or Statement of Financial position for each of the following accounts.

Enter your answers in whole \$ only and do not use any commas (,) or full stops(.).

Account	\$
Sales returns	[1095]
Rent	[4290]
Bank	[4008]
Accruals	[720]

**INSERT VALUE****Question 2 (4 marks – 1 mark for each correct answer shown in blue)**

Identify where each of the following account balances will appear in an extended trial balance using the drop-down options provided below.

Account	Where the account appears
Prepaid expenses	[Debit – Statement of Financial Position]
Rent received	[Credit – Statement of Profit or Loss]
Allowance for doubtful debts	[Credit – Statement of Financial Position]
Closing inventory (cost of sales)	[Credit – Statement of Profit or Loss]

Drop down options to be available in all answer boxes:

Debit – Statement of Profit or Loss

Credit – Statement of Profit or Loss

Debit – Statement of Financial Position

Credit – Statement of Financial Position

**DROP DOWN OPTIONS**

**Question 3 (4 marks – 1 mark for each correct answer shown in blue)**

You have been provided with the following abbreviated extended trial balance for the first year of trade for GC Supplies.

Account	Statement of profit or loss		Statement of financial position	
	Debit (\$)	Credit (\$)	Debit (\$)	Credit (\$)
Accruals				1100
Admin expenses	6200			
Advertising	1440			
Bank			16420	
Capital				10000
Drawings			14000	
Plant at cost			12000	
Purchases	24680			
Sales		72190		
Wages and salaries	8550			
Profit or loss for the year				

Complete the following sentences by filling in the blanks using the drag and drop options provided below.

Closing inventory has yet to be entered into the extended trial balance. The value of closing inventory is \$2600. This will appear on the [**credit**] side of the Statement of Profit or Loss and the [**debit**] side of the Statement of Financial Position.

Once the adjustment for closing inventory has been made, the Statement of Profit or Loss will show a [**profit**] for the year of \$[**33920**].

Drag and drop options:

debit

credit

\$31320

\$33920

\$28720

profit

loss

**DRAG AND DROP**



**Question 4 (4 marks – 1 mark for each correct answer)**

You have been provided with an extract from an extended trial balance.

The following two adjustments have yet to be accounted for:

1. The allowance for doubtful receivables is to be adjusted to 5% of receivables
2. A prepayment for office expenses amounting to \$780 is to be made

Account	\$
Prepayments	310
Office equipment at cost	12300
Payables	19730
Allowance for doubtful receivables	920
Depreciation charge for the year	3100
Receivables	22080
Drawings	9500
Office expenses	7210
Allowance for doubtful receivables adjustment	

Answer the following questions regarding the adjustments above using the drop-down options provided below.

Question	Answer
Which side would adjustment number 1 appear on in the allowance for doubtful receivables adjustment account on the extended trial balance?	[Debit]
What value would each leg of the transaction be for in adjustment number 1?	[\$184]
Which side would adjustment number 2 appear on in the office expenses account on the extended trial balance?	[Credit]
What would be the new balance on the office expenses account after the journal for adjustment number 2 had been done on the extended trial balance?	[6430]

Drop-down options to be available in each box:

Question	Drop-downs
Which side would adjustment number 1 appear on in the allowance for doubtful receivables adjustment account on the extended trial balance?	Debit Credit
What value would each leg of the transaction be for in adjustment number 1?	\$184 \$920 \$1104
Which side would adjustment number 2 appear on in the office expenses account on the extended trial balance?	Debit Credit
What would be the new balance on the office expenses account after the journal for adjustment number 2 had been done on the extended trial balance?	\$7210 \$6430 \$7990

**DROP DOWN OPTIONS**

**LCCI Level 3 Certificate in Accounting – Learning outcome 4 (2-mark questions)**

**3 questions – students to be given 2 random questions from this bank of questions.**

**Question 1 (2 marks)**

Oakley and Tristan are in a partnership sharing profits and losses in the ratio of 2:1.

Jo is admitted to the partnership and the profit-sharing ratio now becomes Oakley 3, Tristan 2 and Jo 1. (3:2:1).

Goodwill at the time of Jo joining is valued at \$45,000.

What will be the goodwill adjustments to Oakley's capital account?

	✓
Debit \$22500 and Credit \$30000	[✓]
Debit \$30000 and Credit \$22500	
Debit \$15000 and Credit \$22500	
Debit \$30000 and Credit \$15000	

MCQ

**Question 2 (2 marks)**

The following balances appear in the Statement of Financial Position for PT Supplies.

	31.12.X6 \$	31.12.X5 \$
Non-current assets at cost	83000	68000
Revaluation surplus	25000	10000

During the year ended 31 December 20X6, non-current assets with a cost of \$18000 were disposed of.

What amount would appear in the Statement of Cash Flows for the purchase of non-current assets for the year ended 31 December 20X6?

	✓
\$18000	[✓]
\$15000	
\$30000	
\$33000	

MCQ

**Question 3 (4 marks – 2 marks for each correct answer shown in blue)**

Identify whether each of the following statements regarding groups of companies is true or false using the drop-down options provided below.

Statement	True or false
When a parent company acquires a subsidiary company, the retained earnings are split into pre- and post-acquisition. The post-acquisition retained earnings are then included in the goodwill calculation.	[False]
If a parent company has one subsidiary company with the same reporting date, there will be a total of three sets of financial statements produced at the year end.	[True]

Drop-down options to be provided in all answer boxes:

True

False

**DROP DOWN OPTIONS****LCCI Level 3 Certificate in Accounting – Learning outcome 4 (4-mark questions)**

5 questions – students to be given 3 random questions from this bank of questions.

**Question 1 (4 marks)**

On 1 January 20X4, Green Co acquired 80% of the share capital of Blue Co for \$40000.

At the date of acquisition, the share capital of Blue Co consisted of 5,000 ordinary shares of \$1 each and reserves of \$14000.

At 31 December 20X4, the reserves of Green Co were \$108000 and Blue Co were \$42000.

In the Consolidated Statement of Financial position for the year ended 31 December 20X4, what amount would appear for the non-controlling interest?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$9400]

**INSERT VALUE****Question 2 (4 marks – 2 marks for each answer shown in blue text)**

Richard and Stuart trade as a partnership under the name of RS Trading.

The financial year end of RS Trading is 31 March 20X3.

All the necessary year-end adjustments have been made, except for the transfer of profit to the current accounts of the partners.

The balances on the current accounts are currently:

Richard            \$2500 credit

Stuart             \$1200 debit

Profits and losses are to be shared in the ratio of 2:1 respectively.

The balance of profit to be shared between the partners is \$6900.

Calculate the balance on each of the partner's current accounts after sharing the profits and enter these in the boxes below. **You do not need to indicate whether the balance is a debit or credit balance.**

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

Partner	Current account
Richard	<b>\$[7100]</b>
Stuart	<b>\$[1100]</b>

**INSERT VALUE**

### Question 3 (4 marks)

The Statement of Financial Position for GC Supplies Ltd shows capital and reserves figures for the years ending 31.12.X3 and 31.12.X4 as follows:

	20X4 (\$)	20X3 (\$)
Ordinary share capital	50000	40000
Share premium	30000	10000
Revaluation surplus	40000	20000
Retained earnings	240000	180000

Dividends of \$15000 were paid during the year ended 31 December 20X4.

What is the amount that would show as total comprehensive income as reported in the Statement of Profit and Loss for the year ending 31 December 20X4?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[95000]**

**INSERT VALUE**

### Question 4 (4 marks)

Tip Ltd acquired 70% of the share capital of SW Ltd for \$60000 on 1 October 20X4. At that date the fair value of the non-current assets of SW Ltd exceeded the carrying amount by \$20000.

Extracts from the Statements of Financial Position of the two companies for the year ended 30 September 20X5 are provided below.

	Tip Ltd \$	SW Ltd \$
Non-current assets	140000	55000
Current assets	46800	32500

Equity and liabilities		
Equity		
Share capital (\$1 shares)	50000	20000
Retained earnings	186520	68360

What amount would appear in the Consolidated Statement of Financial Position for non-current assets for the year ending 30 September 20X5?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

[\$**215000**]

**INSERT VALUE**

**Question 5 (4 marks – 1 mark for each correct answer)**

Identify whether each of the following statements regarding shares is true or false by using the drop-down options provided below to complete the table.

Statements	True or false
If a company issues bonus shares, the total equity of the company remains the same.	[True]
The number of shares to be issued via a rights issue is usually in proportion to a shareholder's existing shareholding.	[True]
Rights issues have to be fully exercised by the shareholder. They are not able to partially exercise the rights.	[False]
Rights issues are normally issued at a price just above market price.	[False]

Drop-down options to be available in all answer boxes:

True

False

**DROP DOWN OPTIONS**

**LCCI Level 3 Certificate in Accounting – Learning outcome 5 (2-mark questions)**

**3 questions – students to be given 2 random questions from this bank of questions.**

**Question 1 (2 marks)**

Which one of the following provides a gross profit margin of 40%?

	✓
Sales of \$4260 Cost of sales \$2556	[✓]
Sales of \$4260 Profit of \$2556	
Sales of \$6300 Cost of sales \$4500	
Sales of \$6300 Profit of \$1800	

**MCQ**

**Question 2 (2 marks)**

Jason trades as a sole trader with a financial year end of 31 December.

On 1 January 20X5 the business had assets of \$32000 and liabilities of \$8000.

By the end of the year, the assets of the business were \$46000, and liabilities were \$13000.

Jason contributed capital of \$6000 during the year.

Which of the following represents the profit or loss made for the year ending 31 December 20X5?

	✓
Profit of \$3000	[✓]
Profit of \$9000	
Profit of \$15000	
Loss of \$19000	

MCQ

**Question 3 (2 marks)**

Gemma is the owner of GB Gardening Supplies and has provided the following information about the business.

	\$
Opening receivables	23680
Closing receivables	22770
Receipts from customers in the period	68900
Irrecoverable debts written off in the period	1500

The receipts from customers in the period includes \$15230 of cash sales.

Which one of the following identifies the amount of sales on credit for the period?

	✓
\$54260	[✓]
\$69490	
\$52760	
\$66490	

MCQ

**LCCI Level 3 Certificate in Accounting – Learning outcome 5 (4-mark questions)**

**3 questions – students to be given 2 random questions from this bank of questions.**

**Question 1 (4 marks)**

The financial year end of TLB Co is 31 March 20X6.

The balance on the payables account of TLB Co as at 1 April 20X5 was \$43650.

Credit purchases during the year amounted to \$467200.

The trade payables payment period was 42 days at the year end of 31 March 20X6.

Assume purchases occur evenly throughout the year and that all balances outstanding at 1 April 20X5 had been paid.

How much cash did TLB Co pay to its suppliers during the year to 31 March 20X6?

You should round your answers to the nearest \$ throughout your calculations and enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[457090]**

**INSERT VALUE**

### Question 2 (4 marks)

You have been provided with the following information relating to JKL Ltd for the year ending 30 September 20X6.

	\$
Discounts allowed	220
Credit sales	208600
Sales returns	3610
Bank receipts from customers	201610
Contra offset between payables and receivables	1800
Trade receivables as at 30 September 20X6	22010

What was the balance as at 1 October 20X5 on the trade receivables account?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[20650]**

**INSERT VALUE**

### Question 3 (4 marks)

Lee runs a computer shop as a sole trader.

The inventory at the beginning of the year was \$18300 however the entire closing inventory was stolen when his premises were broken into at the year end.

He has provided the following information:

	\$
Sales for the year	78400
Purchases	48730
Goods are sold at a mark-up of:	60%

What was the value of the inventory that was stolen?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[18030]**

INSERT VALUE

**LCCI Level 3 Certificate in Accounting – Learning outcome 6 (2-mark questions)**

**3 questions – students to be given 2 random questions from this bank of questions.**

**Question 1 (2 marks)**

The following accounting ratios relate to a manufacturing company.

Year to 31 March	20X5	20X4
Inventory turnover	12 times	8 times
Trade receivable days	41 days	40 days
Trade payable days	44 days	35 days

Which one of the following would be an explanation for any of the movements in the above ratios?

	✓
A new and improved inventory management system was implemented in the year.	[✓]
A new policy for credit control was implemented during the year which improved the efficiency of the collection of debts.	
The company took advantage of prompt payment discounts offered by suppliers during the year.	
The company was holding large amounts of obsolete stock at the end of the year.	

MCQ

**Question 2 (2 marks)**

Which one of the following correctly identifies the formula to be used when calculating the return on capital employed ratio for a limited company?

	✓
Profits from operations / (Total equity + Non current liabilities) x 100	[✓]
Profit from operation / Total equity x 100	
Profit after tax / (Total equity + Non current liabilities) x 100	
Gross profit / Total equity x 100	

MCQ



**Question 3 (2 marks)**

A business calculated accounting ratios for the year ending 31 March 20X7 and compared the results to the previous year as shown below.

Ratios	31.03.X7	31.03.X6
Inventory turnover	12 times	16 times
Trade receivables collection period	38 days	42 days
Trade payables payment period	44 days	40 days
Current ratio	2.1 : 1	2.1 : 1
Quick ratio (acid test)	0.8 : 1	1.2 : 1

Which one of the following is a valid conclusion based on the information above?

	✓
The business is holding a higher amount of inventory than the previous year.	[✓]
The business has secured a long-term contract with a major customer who has been granted a 60-day credit account.	
The business is running down stock levels to try and increase the working capital of the business.	
The business is at risk of becoming insolvent due to the low quick ratio.	

MCQ

**LCCI Level 3 Certificate in Accounting – Learning outcome 6 (4-mark questions)**

3 questions – students to be given 2 random questions from this bank of questions.

**Question 1 (4 marks – 2 marks for each correct answer shown in blue text)**

You have been provided with the following extracts from the financial statements for a limited company for the year ending 30<sup>th</sup> September 20X4.

	\$
Profit from operations	142000
Finance costs	1600
Profit before tax	140400
Tax	28080
Net profit for the period	112320

	\$
Current assets	
Inventory	12500
Receivables	11680
Cash and cash equivalents	24020
	48200
Equity	
Share capital	100000

Retained earnings	232300
	332300
Non-current liabilities	50000
Current liabilities	37800

Calculate the following ratios and **you must show your answers to 1 decimal place.**

Return on capital employed (%)	[37.1] %
Quick (acid test) ratio	[0.9] : 1

#### INSERT VALUE

#### Question 2 (4 marks – 2 marks for each correct answer shown in blue text)

You have been provided with the following extracts from the financial statements for a limited company for the year ending 31 December 20X3.

	\$
Revenue	132600
Cost of sales	74100
Gross profit	58500
Less expenses	23950
Profit from operations	34550

	\$
Non-current assets	138000
Current assets	
Inventory	24130
Receivables	13800
Cash and cash equivalents	39700
	77630
Current liabilities	46460

Calculate the following ratios and **you must show your answers to the nearest whole number.**

Trade receivables collection period (days)	[38] days
Gross profit margin (%)	[44] %

#### INSERT VALUE

**Question 3 (4 marks – 1 mark for each correct answer shown in blue text)**

Identify whether each of the following statements about ratios are true or false using the drop-down list provided below.

Statement	True or false
Figures from both the Statement of Profit or Loss and Statement of Financial Position are used in calculating the return on capital employed ratio.	[True]
If a ratio increases compared to the previous year, this will always mean that performance has improved.	[False]
A disadvantage of ratios is that they can be distorted by the accounting policies used by a business when comparing two companies.	[True]
A higher asset turnover ratio is more favourable for the business as this implies the business is more efficient in generating revenue from the use of its assets.	[True]

Drop down options to be available in all answer boxes:

True

False

**DROP DOWN OPTIONS****LCCI Level 3 Certificate in Accounting – Learning outcome 7 (4-mark questions)**

4 questions – students to be given 2 random questions from this bank of questions.

**Question 1 (4 marks)**

You are preparing a trade receivables budget for the year quarter ending 31 December 20X7.

The balance on the trade receivables account at the end of September 20X7 was \$42350.

Credit sales are expected to be as follows:

October 20X7	November 20X7	December 20X7
\$162400	\$120800	\$134500

Based on past events, trade receivables are expected to pay as follows:

Paid in the month of sale	20%
Paid within one month of sale	60%
Paid within two months of sale	20%

Customers who pay in the month of sale receive a 5% discount.

What amount will be received from trade receivables in the month of December 20X7?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

**\$[130515]**

**INSERT VALUE**

**Question 2 (4 marks)**

You have been provided with the following data for 20X5:

Budget data	January (\$)	February (\$)	March (\$)
Invoiced sales	10200	12100	11800
Purchases	3600	4120	3760
Wages	2200	1800	2000
Capital expenditure	4000	6000	-

Further information:

- 80% of invoiced sales are paid in the month following sale with the remainder paying two months after sale.
- The invoiced sales for November and December 20X4 were \$9400 and \$8250 respectively.
- Purchases and wages are paid in the month incurred.
- Capital expenditure is paid immediately as it is incurred.

If the opening cash balance at the start of January was \$2500, what is the expected closing cash balance at the end of March?

Enter your answer in whole \$ only and do not use any commas (,) or full stops(.).

\$(5030)

INSERT VALUE

**Question 3 (4 marks)**

The sales budget for Black & Co is 8000 units in January, 6000 units in February and 8500 units in March.

The company policy is for the month end inventory to equal to half of the following month's sales demand.

If the opening inventory was 5000 units at the beginning of January, how many units would Black & Co need to produce in February?

Enter your answer in whole units only and do not use any commas (,) or full stops(.).

(7250) units

INSERT VALUE

**Question 4 (4 marks)**

JS Ltd operates as a wholesale business.

During the month of June, cost of sales was \$68000, trade payables decreased by \$11500 and inventory increased by \$8000.

Calculate the amount paid to payables in the month of June.

\$(87500)

INSERT VALUE

### LCCI Level 3 Certificate in Accounting – Learning outcome 8 (2-mark questions)

3 questions – students to be given 2 random questions from this bank of questions.

#### Question 1 (2 marks)

Jones Co is considering increasing the selling price of its product JC1 by \$5.

What will be the impact on the breakeven point and the margin of safety assuming no change in the number of units sold or any other variable?

	✓
The breakeven point will decrease, and the margin of safety will increase.	[✓]
The breakeven point will stay the same, but the margin of safety will decrease.	
The breakeven point will increase, and the margin of safety will decrease.	
The breakeven point will decrease, and the margin of safety will stay the same.	

MCQ

#### Question 2 (2 marks)

Which one of the following statements is true regarding marginal and absorption costing?

	✓
If inventory increases over a year, the profits under absorption costing will be higher than with marginal costing.	[✓]
The contribution per unit will increase if the sales volume increases.	
The marginal cost of a product includes an allowance for fixed production costs.	
There will always be an element of under- or over-absorption of overheads in both marginal and absorption costing.	

MCQ

#### Question 3 (2 marks)

JP Ltd is planning to launch a new product. It will be manufactured in batches of 100.

The following cost estimates have been produced per batch:

Cost estimates	\$
Direct materials	6400
Direct labour	5500
Variable production overheads	2200
Fixed production overheads	1800
Administration, selling and distribution costs	2250

What is the estimated marginal production cost per batch?

	✓
\$14100	[✓]
\$15900	
\$18150	
\$11900	

### MCQ

#### LCCI Level 3 Certificate in Accounting – Learning outcome 8 (4-mark questions)

5 questions – students to be given 3 random questions from this bank of questions.

#### Question 1 (4 marks)

CH Co sells a single product.

The selling price per unit is \$225 and the variable costs of production are \$65.

The breakeven point has been calculated as 3200 units and CH Co wishes to make a target profit of \$200000.

What amount has been budgeted for fixed costs in this scenario?

Enter your answer in \$ only and do not use any commas (,) or full stops(.).

**\$[312000]**

### INSERT VALUE

#### Question 2 (4 marks – 1 mark for each correct answer shown in blue text)

You have been provided with the following statements regarding the different methods of investment appraisal.

Identify which method is being described in each statement by using the drop-down options provided in the table below.

Description	Method
This method uses a discount factor to take into account the time value of money.	<b>[Net present value]</b>
This method shows the result as a percentage which easy to compare to other projects for decision makers.	<b>[Accounting rate of return]</b>
This method focuses on the short-term liquidity aspect of a project.	<b>[Payback period]</b>
This method uses profit rather than cash flow in the calculation	<b>[Accounting rate of return]</b>

Drop-down options to be provided in all answer boxes:

Payback period

Accounting rate of return

Net present value

### DROP DOWN OPTIONS

**Question 3 (4 marks – 2 marks for each correct answer)**

You have been provided with the following information regarding two projects.

	Project A (\$)	Project B (\$)
Capital investment required	50000	60000
Annual cash flows generated by each project:		
Year 1	10000	15000
Year 2	15000	25000
Year 3	20000	20000
Year 4	10000	10000
Year 5	5000	10000

Calculate the payback period for each project in years to **1 decimal place** and enter these in the table below.

Project A	[3.5] years (1)
Project B	[3.0] years (1)

INSERT VALUE

**Question 4 (4 marks)**

Jack & Co is considering investing \$45000 in an asset which is expected to yield the following cash flows over the next five years.

Year	Cash flow (\$)
1	30000
2	20000
3	15000
4	12000
5	6000

At the end of its life, the asset has to be disposed of at a cost of \$4000 to Jack & Co

The company uses a cost of capital of 10% for the purposes of net present value calculations. The discount factors are shown below.

Year	Discount factor
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Calculate the net present value of the asset.

Enter your answer in \$ only and do not use any commas (,) or full stops(.).

[\$19493]

INSERT VALUE

**Question 5 (4 marks – 1 mark for each correct answer shown in blue text)**

Winter Co has been looking at options to expand the business and has identified four possible options, however it is only able to invest in two.

The first investment needs to focus on liquidity, and the second investment should provide the best possible return for the shareholders possible.

The following forecasts have been provided:

Method	Project A	Project B	Project C	Project D
Net present value	24235	29760	28630	21990
Payback (years)	2.5	3.0	3.1	2.8

Complete the following table to identify which projects Winter Co should invest in.

For the first investment, Winter Co should invest in which project?	[Project A]
Why should Winter Co choose this project for the first investment?	[Shortest payback]
For the second investment, Winter Co should invest in which project?	[Project B]
Why should Winter Co choose this project for the second investment?	[Highest NPV]

Drop down options to appear in each box:

For the first investment, Winter Co should invest in which project?	Project A Project B Project C Project D
Why should Winter Co choose this project for the first investment?	Highest NPV Lowest NPV Shortest payback Longest payback
For the second investment, Winter Co should invest in which project?	Project A Project B Project C Project D
Why should Winter Co choose this project for the second investment?	Highest NPV Lowest NPV Shortest payback Longest payback

**DROP DOWN OPTIONS**