

April 25 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)

The IASB framework identifies four enhancing characteristics that make financial statements useful.

Under which one of the following characteristics provides assurance that the financial information is both credible and reliable?

	✓
Verifiability	[✓]
Understandability	
Timeliness	
Comparability	

MCQ**Question 2 (2 marks)**

Being compliant with relevant laws and regulations is a demonstration of which of the following ethical principles?

	✓
Professional behaviour	[✓]
Professional competence and due care	
Integrity	
Objectivity	

MCQ

April 25 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)

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

Needs/expectations	Stakeholder
Return on investment	[Shareholders]
Career progression and job security	[Employees]
Continuing trading opportunities	[Suppliers]
Provision of taxes and jobs, compliance with legislation	[Government]

Drag and drop options:

Shareholders
Government
Employees
Suppliers

DRAG AND DROP

Question 2 (4 marks – 1 for each correct answer)

Identify which ethical principle is being described in each of the following statements using the drop-down options provided below.

Description	Ethical principle
Maintaining independence and not being influenced by others	[Objectivity]
Ensuring information is not disclosed to unauthorised parties	[Confidentiality]
Maintaining professional knowledge and skill at the level required and acting diligently and in accordance with standards.	[Professional competence and due care]
Being straight forward and honest in all professional and business relationships.	[Integrity]

Drop-down options to be available in all boxes:

Integrity
Objectivity
Confidentiality
Professional behaviour
Professional competence and due care

DROP DOWN

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

Listed in the table below are advantages and disadvantages of trading as different types of business organisations.

Identify which type of business organisation matches the advantages and disadvantages using the drop-down lists provided below. Each option should only be used once in the most appropriate situation.

Advantages and disadvantages	Business organisation
Provides the ability to start a new small entrepreneurial business but with limited liability.	[Private limited company]
An unincorporated business which consists of two or more owners.	[Partnership]
Business decisions are made quickly by one person, but they have unlimited liability.	[Sole trader]
Allows the expansion of the business through the selling of shares on the stock market.	[Public limited company]

Drop down options to be available in all boxes:

Partnership
Private limited company
Public limited company
Sole trader

DROP DOWN OPTIONS

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

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

Identify whether each of the following characteristics are fundamental or enhancing using the drop-down options provided to complete the table below.

	Fundamental or enhancing
Understandability	[Enhancing]
Comparability	[Enhancing]
Relevance	[Fundamental]
Timeliness	[Enhancing]

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

Fundamental
Enhancing

DROP DOWN OPTIONS

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

Question 1 (2 marks)

Retreat Co has built a new factory and has incurred the following costs:

	\$
Land	325000
Materials	650000
Labour	425000
Architect's fees	29000
Apportioned administrative overheads	45000
Surveyor's fees	16000
Business rates for the first year	15000
Total	1505000

Which one of the following identifies the total amount to be capitalised in respect of the factory?

	✓
\$1445000	[✓]
\$1505000	
\$1490000	
\$1460000	

MCQ

Question 2 (2 marks)

The closing inventory of GBC Co has been calculated at cost as \$68000. Included in this figure are inventories to the value of \$8400 which have been found to be damaged. The damaged inventory can now only be sold for 60% of the usual \$10080, and the company would incur further costs of \$800 in remedial work.

What value should be shown for inventories at the year end in the company's Statement of Financial Position?

	✓
\$64848	[✓]
\$65648	
\$66448	
\$67200	

MCQ

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

Question 1 (4 marks)

LKP Ltd values inventories in accordance with IAS 2 Inventories. At the year end of 31 December 20X3, it has the following information relating to inventories:

Product	Quantity (units)	Cost per unit (\$)	Net realisable value (\$)
LKP1	25	85	78
LKP2	30	68	82
LKP3	42	120	185

What is the closing inventory valuation of LKP Ltd as at 31 December 20X3?

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

\$[9030]

INSERT VALUE

Question 2 (4 marks)

FT Co uses the first in first out (FIFO) method of inventory valuation.

The opening inventory as at 1 July 20X3 consisted of 180 units at a cost of \$2.50 per unit.

The purchases and sales of inventory during the month of July were as follows:

Date	Purchases		Sales	
	\$ per unit	Units	\$ per unit	Units
7 July	\$2.80	45		
12 July			\$8.00	200
19 July	\$2.70	120		
29 July			\$8.20	75

What is the closing inventory valuation of FT Co as at 31 July 20X3?

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

\$[189]

INSERT VALUE

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

HG Ltd has opening balances on two accounts as follows:

- plant and equipment at cost of \$64200, and
- accumulated depreciation on plant and equipment of \$24820.

HG Ltd has a policy of depreciating plant and equipment using the reducing (diminishing) balance basis at a rate of 20% per annum.

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 and equipment depreciation expense account]
Credit to this account	[Plant and equipment accumulated depreciation account]
Amount to post for each entry	[\$7876]
Revised carrying amount of plant and equipment at the end of the year	[\$31504]

Drag and drop options:

Plant and equipment accumulated depreciation account

Disposal account

Plant and equipment at cost account

Plant and equipment depreciation expense account

\$7876

\$12840

\$4964

\$39380

\$31504

DRAG AND DROP

Question 4 (4 marks)

Xcel Ltd purchased an asset for \$36950 on 1 January 20X4. At that time the asset was deemed to have a useful life of 7 years and a residual value of \$3000 and was depreciated using the straight-line method of depreciation.

On 1 January 20X7 it was decided that the asset had a remaining useful life of 6 years and the estimated residual value was revised to \$2000.

What was the depreciation charge for the year ended 31 December 20X7 in respect of this asset?

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

[\$3400]

INSERT VALUE

Question 5 (4 marks)

A business purchased a motor van on 1 January 20X3 for \$18000. The business uses the diminishing balance method of depreciation at a rate of 20%.

On 1 January 20X6, the business decides to part exchange the van purchased on 1 January 20X3 for a new van which has a list price of \$26450.

The business recorded a loss on disposal of \$1200 on the van which was part exchanged.

Using the information provided, calculate the part exchange allowance given on the van which has been disposed of.

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

\$(8016]

INSERT VALUE

Question 6 (4 marks – 2 marks for each correct answer)

HPO Ltd purchased an item of plant on 1 April 20X3 costing \$68000.

HPO Ltd has a policy of depreciating plant using the diminishing balance method at a rate of 20%.

The financial year end of HPO Ltd is 31 March.

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

Question	Answer
What would be the depreciation charge for the year ending 31 March 20X5?	[10880]
What would be the carrying value of the plant as at 31 March 20X6?	[34816]

INSERT VALUE

April 25 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		54203		
Sales returns	1210		105	
Purchases	11420			120
Purchase returns	85		120	
Prepayments	240		40	
Rent	6400			160
Bank	2430		245	180
Discounts received		100		50

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	\$
Purchase returns	[205]
Bank	[2495]
Prepayments	[280]
Sales	[54203]

INSERT VALUE

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

WPF Co is in the process of preparing an extended trial balance for the year ending 31 March 20X4.

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

Question	Answer
Closing inventory has not yet been entered into the extended trial balance. On which side of the Statement of Financial Position will this appear on the extended trial balance?	[Debit] [Credit]
A prepayment for rent needs to be accounted for. What impact will this have on the amount shown in the Statement of Profit or Loss for rent in the extended trial balance?	[Decrease] [Increase]
If the business has made a profit for the year, on which side will this appear in the Statement of Financial Position on the extended trial balance?	[Credit] [Debit]
Depreciation for the year needs to be entered in the extended trial balance. On which side of the adjustment column will this appear when updating the accumulated depreciation account?	[Credit] [Debit]

Drop-down options to be available in each box shown above. Correct answer in blue. Incorrect answers in red.

DROP-DOWN OPTIONS

Question 3 (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
Accrued income	[Debit – Statement of Financial Position]
Closing inventory (cost of sales)	[Credit – Statement of Profit or Loss]
Discounts allowed	[Debit – Statement of Profit or Loss]
Allowance for doubtful debts	[Credit – Statement of Financial Position]

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 4 (4 marks)

You have been provided with the following abbreviated extended trial balance for the first year of trade for Hold Co Ltd.

Account	Statement of profit or loss		Statement of financial position	
	Debit (\$)	Credit (\$)	Debit (\$)	Credit (\$)
Accruals				1200
Admin expenses	6850			
Advertising	1200			
Bank			15430	
Capital				12000
Drawings			8000	
Vehicles at cost			18000	
Purchases	18750			
Sales		68955		
Wages and salaries	10150			

Closing inventory has yet to be entered into the extended trial balance. The value of closing inventory is \$1450.

What amount would show as the profit for the year once the closing inventory has been taken into account?

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

\$(33455)

INSERT VALUE

April 25 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)

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

	31.12.X3 \$	31.12.X2 \$
Non-current assets (carrying value)	51600	42300

During the year ended 31 December 20X3, non-current assets with a carrying value of \$6500 were disposed of and depreciation of \$4200 was provided for.

What amount would appear in the Statement of Cash Flows for the purchase of non-current assets for the year ended 31 December 20X3?

	✓
\$20000	[✓]
\$7000	
\$1400	
\$15800	

MCQ

Question 2 (2 marks)

Which one of the following statements regarding accounting for groups of companies is true?

	✓
The pre-acquisition profits are included in the goodwill calculation as part of the net assets acquired of the subsidiary company	[✓]
Goodwill is calculated as the excess of the purchase consideration over the carrying value of the non-current assets of the subsidiary	
If a parent company has one subsidiary company, then two sets of financial statements will be prepared, one for the parent company and one for the group	
The non-controlling interest balance will appear as a negative balance in the equity section of the Statement of Financial Position.	

MCQ

Question 3 (2 marks)

Samir and Lee trade as a partnership sharing profits and loss equally. The financial year end is 31 December.

William joins the partnership on 1 July 20X3 and the profit-sharing ratio has been revised as follows:

3 : 2 : 1 (Samir, Lee and William respectively)

The profit available for distribution for the year ending 31 December 20X3 has been calculated at \$36000.

Which one of the following statements is true?

	✓
Lee's share of profits for the year ending 31 December 20X3 will be \$15000	[✓]
There is no need to account for goodwill in this scenario as Samir's share of profits remains the same	
If the three partners are contributing an equal amount capital to the business then the profit sharing ratio should be shared equally	
William's share of profits for the year ending 31 December 20X3 will be \$6000	

MCQ

April 25 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)

FP Co's Statement of Financial Position shows capital and reserves for the year ended 31.12.X4 and 31.12.X5 as follows:

	31.12.X5 \$	31.12.X4 \$
Ordinary share capital	75000	50000
Share premium	12500	10000
Retained earnings	89400	67800

Dividends of \$12000 were paid during the year ended 31.12.X5.

What was FP Co's profit for the year ending 31.12.X5?

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

\$(33600)

INSERT VALUE

Question 2 (4 marks)

The following balances appear in the Statement of Financial Position for Wish Ltd.

	31.03.X3 \$	31.03.X2 \$
Non-current assets at cost	94650	63280
Current assets	22450	18750
Current liabilities	11350	9760

During the year ended 31 March 20X3, non-current assets with a cost of \$18000 were disposed of, and a property was revalued upwards by \$20000.

What amount would appear in the Statement of Cash Flows for the purchase of non-current assets for the year ended 31 March 20X3?

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

\$(29370)

INSERT VALUE

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

April and Amelia trade as a partnership under the name The Gift of Blooms – a flower shop.

The trial balance has been prepared, and all the necessary year end adjustments have been made except the transfer of the profit for the year to the partners' current accounts. April and Amelia share profits and losses 3:2 with April taking the largest share.

The current account balances prior to the transfer of the profit for the year were:

- April - \$900 credit balance
- Amelia - \$680 debit balance

The profit for the year was \$31970.

Calculate the partner's current account balances after sharing profits complete the table below.

	\$	Debit or credit
April	[20082] [13688] [11888] [18282]	[Credit] [Debit]
Amelia	[12108] [13468] [19862] [18502]	[Credit] [Debit]

Drop-down options to be available shown in the boxes above. Correct answers in blue. Incorrect answers in red.

DROP-DOWN OPTIONS

Question 4 (4 marks)

At 1 January 20X2, JC Co had a balance of accrued interest payable amounting to \$6000.

During the year ended 31 December 20X2, JC Co charged interest payable of \$31000 in the Statement of Profit or Loss.

The closing balance on the accrued interest payable account as at 31 December 20X2 was \$7500.

How much interest paid should JC Co show on its Statement of Cash Flows for the year ended 31 December 20X2?

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

\$(29500)

INSERT VALUE

Question 5 (4 marks)

Hi Ziz Co acquired 60% of the share capital of NM Co for \$75000 on 1 April 20X5. At that date the fair value of the non-current assets (property, plant and equipment) of NM Co exceeded the carrying amount by \$13,000 and the retained earnings were \$54260.

Extracts from the Statements of Financial Position of the two companies for the year ended 31 March 20X6 are provided below.

	Hi Ziz Co \$	NM Co \$
Non-current assets (PPE)	163000	36000
Current assets	38640	42130
Equity and liabilities		
Equity		
Share capital (\$1 shares)	75000	20000
Retained earnings	163080	68760

What amount would appear in the Consolidated Statement of Financial Position as goodwill for the year ending 31 March 20X6?

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

\$(22644)

INSERT VALUE

April 25 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 mark up of 30%?

	✓
Sales of \$2418 Cost of sales \$1860	[✓]
Sales of \$2500 Profit of \$750	
Sales of \$1800 Cost of sales \$1260	
Sales of \$2200 Profit of \$660	

MCQ

Question 2 (2 marks)

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

Rex contributed capital at the start of the year of \$10000.

During the year ending 31 December 20X2, Rex had taken drawings amounting to \$8000.

The assets at the year end were \$37000 and liabilities were \$12000.

Which of the following correctly identifies the profit for the year ending 31 December 20X2?

	✓
\$23000	[✓]
\$7000	
\$31000	
\$39000	

MCQ

Question 3 (2 marks)

Pete is the owner of PP Computer Services and has provided the following information about the business.

	\$
Opening payables	3460
Closing payables	4280
Payments to suppliers in the period	24320
Discounts received	1500

Assuming all purchases were made on credit, which one of the following identifies the amount of purchases for the period?

	✓
\$26640	[✓]
\$22000	
\$23640	
\$25140	

MCQ

April 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)

Alex runs a small plumbing business as a sole trader.

The inventory at the beginning of the year was \$1680 however, his entire closing inventory was stolen from his workshop.

He has provided the following information:

	\$
Sales for the year	67600
Purchases	32620
Sales are made at a margin of:	60%

What was the value of the inventory that stolen?

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

\$[7260]

INSERT VALUE

Question 2 (4 marks)

You have been provided with the following information relating to BLK Co.

	\$
Trade receivables as at 1 October 20X5	6750
Credit sales	72390
Bank receipts from customers	68940
Contra offset between payables and receivables	600

BLK Co have also provided information regarding discounts in the year which have not been included in the information above:

- Discounts allowed \$890
- Discounts received \$720

What was the closing balance as at 30 September 20X6 on the trade receivables account? Enter your answers in whole \$ only and do not use any commas (,) or full stops(.).

\$[8710]

INSERT VALUES

Question 3 (4 marks)

During the year ended 30 September 20X7, Taylor, a sole trader made sales of \$128000 and made a sales margin of 25% on these.

Taylor made purchases of \$97020 during the year ended 30 September 20X7 and inventory was valued at \$9810 at the period end.

What was the value of inventory at 1 October 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(.).

\$[8790]

INSERT VALUE

April 25 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)

A business has calculated the gross profit margin calculation and has noticed an increase from 36% to 43% in recent months. There has not been any change in the sales price of the goods and services offered by the business.

Which one of the following could be an explanation for this movement?

	✓
An increase in the value of closing inventories at the end of the period	[✓]
A decrease in the distribution costs	
Better control of the operating expenses of the business	
Negotiating a reduction in the rent expense for the business with the landlord	

MCQ

Question 2 (2 marks)

The quick ratio result (acid test) for a business over a two-year period has decreased from 1.1:1 to 0.9:1.

Which one of the following would not be a valid explanation for the results of the ratio changing?

	✓
A decrease in the closing inventories between the two years only	[✓]
A decrease in the receivables balance between the two years only	
A decrease in the bank account balance due to repaying a bank loan (non-current liability) in the second year only	
A decrease in the current liabilities in the second year only	

MCQ

Question 3 (2 marks)

Which one of the following ratios is used as a measure of liquidity?

	✓
Current ratio	[✓]
Gross profit percentage	
Return on capital employed	
Asset turnover	

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 31st March 20X3.

	\$
Revenue	168000
Cost of sales	<u>42000</u>
Gross profit	126000
Administrative expenses	36200
Distribution costs	<u>29800</u>
Operating profit	60000

	\$
Current assets	
Inventory	4373
Receivables	18872
Cash and cash equivalents	<u>32650</u>
	55895
Current liabilities	
Payables	5524

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

Payables payment period in days	[48]
Receivables collection period in days	[41]

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 20X6.

	\$
Revenue	112050
Cost of sales	<u>61851</u>
Gross profit	50199
Less expenses	<u>12967</u>
Profit from operations	37232

	\$
Non-current assets	267000
Current assets	
Inventory	21035
Receivables	3490
Cash and cash equivalents	<u>7430</u>
	31955
Current liabilities	13650

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

Quick ratio (acid test)	[0.8] : 1
Gross profit margin (%)	[44.8] %

INSERT VALUE

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

You have been asked to show the effect on accounting ratios of two transactions to demonstrate the impact day to day transactions can have.

Complete the table below to show the effect on the result of each ratio using the drop-down options provided.

	Asset turnover (non-current assets)	Current ratio
Purchased a vehicle and paid via bank transfer	[Decrease]	[Decrease]
Sold goods on credit	[Increase]	[Increase]

Drop down options to be available in all four boxes:

Increase

Decrease

No effect

DROP DOWN

April 25 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 have been provided with the following data:

Budget data	January 20X3 (\$)	February 20X3 (\$)	March 20X3(\$)
Invoiced sales	5500	5800	6900
Purchases	2840	3160	3250
Wages	1150	1200	1200
Capital expenditure	-	3000	-

Further information:

- 60% of invoiced sales are paid in the month following sale with the remainder paying two months after sale.
- Sales in November 20X2 were \$4800 and in December 20X2 were \$6100.
- Purchases and wages and 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 \$2620, 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(.).

\$(**3820**)

INSERT VALUE

Question 2 (4 marks)

The sales budget for West Co is 13000 units in January, 13500 units in February and 15000 units in March.

The company policy is for the month end inventory to equal 25% of the following month's sales demand.

If the opening inventory was 3250 units at the beginning of January, how many units would West Co need to produce in February?

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

[13875] units

INSERT VALUE

Question 3 (4 marks)

HGT Ltd prepared a cash forecast for April 20X4 showing 24360 units being sold at a price of \$8 each. An up to date forecast now shows that the expected sales level is 10% more than expected, however the sales price is 12.5% less than expected. What is the revised income from sales in April 20X4 considering the changes in quantity and price?

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

\$(187572)

INSERT VALUE

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

JKT Ltd has budgeted to make and sell 140000 units in the next year. Each unit takes 1.2 labour hours to make and requires 1.8kg of raw material. The company employs 90 production employees. Each employee works 1750 hours in a year in normal time. Overtime hours can be worked if needed.

JKT Ltd has a contract with their main supplier to provide 180000kg of raw material at a pre-agreed price. Further quantities of raw materials can be sourced but the price is likely to be much higher.

Answer the following questions. Enter your answers in whole numbers only and do not use any commas (,) or full stops(.).

Question	Answer
How many units can be made in the normal labour time that is available?	[131250]
How many hours of overtime will be needed?	[10500]
How many units can be made from the materials available via the contract with the main supplier?	[100000]
How many kg of raw material will need to be purchased from elsewhere?	[72000]

INSERT VALUE

April 25 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)

When calculating a break-even point in units, what are fixed costs divided by to calculate the break-even point?

	✓
Contribution per unit	[✓]
Sales revenue	
Margin of safety	
Variable cost per unit	

MCQ

Question 2 (2 marks)

Which one of the following is not an assumption that is used when using break-even analysis?

	✓
Fixed costs per unit remain constant	[✓]
Variable costs per unit remain constant	
All costs are fixed or variable	
Selling price per unit remains constant	

MCQ

Question 3 (2 marks)

Which one of the following statements regarding long-term decision-making techniques is not true?

	✓
A project which shows a negative net present value should never be undertaken	[✓]
The payback method is often used for liquidity constrained businesses	
Accounting rate of return focuses on the profitability of a project rather than liquidity	
Payback and accounting rate of return techniques do not take into account the time value of money	

MCQ

April 25 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)

LC Co manufactures one product.

Production and sales for the month of March 20X5 are forecast to be 11000 units.

The following budgeted information is available.

	Per unit (\$)
Selling price	36.00
Direct material	19.30
Direct labour	7.50
Variable overhead	3.35

Budgeted fixed overheads are \$698400 per annum.

What is the break even point in units for the month of March 20X5?

Enter your answer in whole units only rounded up to the nearest whole unit and do not use any commas (,) or full stops(.).

[9949] units

INSERT VALUE

Question 2 (4 marks – 1 mark for each correct answer)

Identify whether each of the following statements regarding long term decision making is true or false using the drop-down options provided below.

Statement	True or false
The net present value method focuses on cash flows as opposed to accounting profits.	[True]
When comparing between projects, a business should choose the project with the lowest net present value result.	[False]
The net present value method considers the whole life of the project.	[True]
When the results of investment appraisal techniques give conflicting results, the accounting rate of return is often seen as the overriding technique.	[False]

Drop-down options to be available in all boxes:

True

False

DROP DOWN OPTIONS

Question 3 (4 marks)

Hay & Co Ltd is considering investing \$80000 in an asset which is expected to yield the following cash flows over the next four years.

Year	Cash flow (\$)
1	42000
2	33000
3	16000
4	13000

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

Calculate the net present value of the asset.

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

\$(6331)

INSERT VALUE

Question 4 (4 marks)

A business sells a single product, the X100.

A target profit of \$84000 for the period has been set.

The fixed costs of the business are \$340000.

The product sells for \$620 and provides a contribution of \$400 per unit.

How many units does the business need to sell in order to generate the required target profit?

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

[1060] units

INSERT VALUE

Question 5 (4 marks – 2 marks for each correct answer)

You have been provided with the following information regarding a project LP plc is considering undertaking.

	Project A (\$)
Capital investment required	50000
Annual cash flows generated by each project:	
Year 1	28000
Year 2	18000
Year 3	8000
Year 4	6000
Year 5	5000

Calculate the payback period for the project in years and months and enter this in the table below. Round your answer up to the nearest whole month.

Payback	Years = [2]	Months = [6]
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INSERT VALUE