

LCCI Level 3 Certificate in Accounting – Learning outcome 1

5 questions – students to be given 3 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (Total of 4 marks available – 1 mark per correct answer shown in blue text and square brackets)

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

Use the drag and drop options provided to identify which characteristic is being described below.

Description	Characteristic
Financial information is capable of making a difference to the decisions of users.	[Relevance]
This provides assurance to the users that the financial information is both credible and reliable.	[Verifiability]
Financial information should be complete, neutral and free from error.	[Faithful representation]
This characteristic can be facilitated through appropriate classification, characterisation and presentation of information.	[Understandability]

Drag and drop options:

Faithful representation

Relevance

Verifiability

Comparability

Understandability

Timeliness

DRAG AND DROP

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

Identify which ethical principle is being described in each statement below using the drag and drop options provided.

Description	Ethical principle
Not allowing bias, conflict of interest or undue influence of others to override professional or business judgements.	[Objectivity]
Being compliant with relevant laws and regulations.	[Professional behaviour]
Being straight forward and honest in all professional and business relationships.	[Integrity]
Maintaining professional knowledge and skill at the level required and acting diligently and in accordance with standards.	[Professional competence and due care]

Drag and drop options:

Integrity
Objectivity
Confidentiality
Professional behaviour
Professional competence and due care

DRAG AND DROP

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

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

Needs/expectations	Stakeholder
Pay, working conditions and job security	[Employees]
Dividends and capital growth	[Shareholders]
Provision of taxes and jobs, compliance with legislation	[Government]
Value for money products and services	[Customers]

Drag and drop options:

Shareholders
Customers
Government
Employees

DRAG AND DROP

Question 4 (2 marks)

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

	✓
Statement of Profit or Loss using format as dictated by accounting standards and company law.	[✓]
Analysis of profit by cost centre.	
Cash flow forecasts.	
Cost per unit calculation.	

MCQ

Question 5 (2 marks)

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

Statement 1 – Both public and private limited companies are allowed to sell shares to the public.

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

Statement 3 – Public limited companies have access to a wider pool of finance than partnerships or sole traders.

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

MCQ**LCCI Level 3 Certificate in Accounting – Learning outcome 2**

8 questions – students to be given 5 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

XT Co purchased an asset for \$32000 on 1 January 20X2. At that time the asset was deemed to have a useful life of 10 years and a residual value of \$3500.

On 1 January 20X6 it was decided that the asset had a remaining useful life of 4 years and the estimated residual value was revised to \$2000.

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

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

\$(4650)

INSERT VALUE**Question 2 (4 marks)**

GH Co values inventories in accordance with IAS 2 Inventories. At the year end of 31 December 20X4, it has the following information relating to inventories:

Product	Quantity (units)	Cost per unit (\$)	Net realisable value (\$)
AB2	50	12	15
AB3	100	24	17
AB4	80	8	14

What is the closing inventory valuation of GH Co as at 31 December 20X4?

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

[\$2940]

INSERT VALUE

Question 3 (4 marks – 2 marks for each correct answer shown in blue text and square brackets)

MT Co has the following four transactions in inventory during the month of June 20X3. The opening balance on the inventory account was 100 units at \$2.40 per unit.

Date	Transaction
4 June 20X3	Received 120 units from a supplier at a cost of \$2.80 per unit
8 June 20X3	Received 80 units from a supplier at a cost of \$3.00 per unit
16 June 20X3	Issued 250 units to production
28 June 20X3	Received 100 units from a supplier at a cost of \$3.10 per unit

Complete the following sentences using the drag and drop options below.

The value of the inventory issued to production on 16 June 20X3 would be valued at \$666 if the [FIFO] method of inventory valuation is used.

The value of closing inventory at the end of June 20X3 would be \$446 if the [AVCO] method of inventory valuation is used.

Drag and drop options:

FIFO

LIFO

AVCO

DRAG AND DROP

Question 4 (2 marks)

Expand Co is looking to raise finance to purchase a new piece of plant and machinery for its production facility. The plant and machinery is estimated to cost \$500000 which is a significant sum of money for the business.

It is expected to have a useful life in excess of 20 years and will enable the production facility to significantly increase its output and quality compared to the non-current assets it currently owns. It is expected the existing plant can be disposed of if the purchase of the new asset goes ahead.

The business currently has \$100000 which it can access without causing a cash flow issues to the business but is looking for alternative ways to finance the asset.

Which one of the following is likely to be the most suitable funding method for Expand Co to use?

	✓
Part-exchange the existing asset and use hire purchase to fund the balance.	[✓]
Use the \$100000 resources and finance the balance using the company bank overdraft facility.	
Use the \$100000 resources and take out a bank loan for the balance needed over a period of 30 years.	
Look to reduce the working capital of the business to raise the finance needed.	

MCQ

Question 5 (4 marks – 1 mark for each correct answer in blue text and square brackets)

Excel Trading purchased an asset for \$18,600 on 1 December 20X2 and depreciated the asset using the straight-line method at a rate of 20% on a month-by-month basis. The asset was sold on 1 June 20X4 for \$6500.

Fill in the blanks in the following sentences by using the drag and drop options 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 \$18600.

The entry in the accumulated depreciation account will be a [**debit**] entry for the value of [**\$5580**].

The proceeds of \$6500 will appear as a debit entry in the bank account and a credit entry in the [**disposal**] account.

Drag and drop options:

asset at cost

disposal

debit

credit

\$5580

\$7440

\$3720

DRAG AND DROP

Question 6 (4 marks – 1 mark for each correct entry shown in blue text and square brackets)

Wilkes has opening balances on two accounts as follows:

- motor vehicles at cost of \$42200, and
- accumulated depreciation on motor vehicles of \$18800.

Wilkes has a policy of depreciating motor vehicles using the reducing (diminishing) balance basis at a rate of 30% 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	[Motor vehicles depreciation expense account]
Credit to this account	[Motor vehicles accumulated depreciation account]
Amount to post for each entry	[\$7020]
Revised carrying amount of motor vehicles at the end of the year	[\$16380]

Drag and drop options:

Motor vehicles accumulated depreciation account

Disposal account

Motor vehicles at cost account

Motor vehicles depreciation expense account

\$18800

\$16380

\$7020

\$25820

\$23400

DRAG AND DROP

Question 7 (2 marks)

Which one of the following should be accounted for as asset expenditure?

	✓
Legal fees incurred on the purchase of a building	[✓]
The cost of painting a building	
The replacement of broken windows in a building	
The purchase of a car by a car dealer for re-sale	

MCQ

Question 8 (4 marks)

MD Co purchased a motor vehicle for \$12000 on 1 April 20X2 which has been depreciated at 20% each year using the straight line method, assuming no residual value. MD Co's policy is to charge a full year's depreciation in the year of purchase and no depreciation in the year of sale.

The motor vehicle was traded in for a replacement vehicle on 1 August 20X5 for an agreed figure of \$5000.

What was the profit or loss on the disposal of the vehicle for the year ended 31 December 20X5?

Use a minus sign (-) to indicate a loss on disposal. For example, to show a \$1000 profit enter 1000 and to show a \$1000 loss enter -1000

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

[\$200]

INSERT VALUE

LCCI Level 3 Certificate in Accounting – Learning outcome 3

5 questions – students to be given 3 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks – 1 mark for each correct entry shown in square brackets)

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 2% of receivables
2. A prepayment for insurance expenses amounting to \$450 is to be made

Account	\$
Prepayments	3200
Motor vehicles	12500
Receivables	16000
Allowance for doubtful receivables	240
Depreciation charge for the year	2400
Payables	13280

Drawings	12000
Insurance	3600

Complete the following sentences regarding the adjustments by filling in the blanks.

All answers must be shown in whole \$ only and do not use any commas (,) full stops(.) or the currency symbol, for example an entry of \$100 should be entered as 100

Adjustment number 1 would require a debit entry for the value of \$[80] in the allowance for doubtful debts adjustment account. The balance on the allowance for doubtful debts account after this adjustment is done would be \$[320].

Adjustment number 2 would require a debit entry in the prepayment account and a credit entry in the insurance account for \$[450]. The balance on the insurance account after this adjustment is done would be \$[3150].

FILL IN BLANKS

Question 2 (2 marks)

The debit side of a trial balance totals \$500 more than the credit side.

Which one of the following could be the cause of this?

	✓
A purchase of goods for \$500 being omitted from the payables account	[✓]
An invoice for \$250 for electricity being credited to the electricity account	
A receipt for \$500 from a receivable being omitted from the cash book	
A sale of goods for \$500 being omitted from the receivables account	

MCQ**Question 3 (4 marks – 2 marks for each correct entry as shown below in square brackets)**

You have been provided with the following abbreviated extended trial balance.

Account	Statement of profit or loss		Statement of financial position	
	Debit (\$)	Credit (\$)	Debit (\$)	Credit (\$)
Accruals				1200
Capital				3000
Wages and salaries	2400			
Receivables			11000	
Drawings			5000	
Admin expenses	6200			
Bank				
Sales		48000		
Purchases	24300			
General expenses	3460			
Payables				4210

Complete the following sentences by filling in the blanks.

All answers must be shown in whole \$ only and do not use any commas (,) full stops(.) or the currency symbol, for example an entry of \$1000 should be entered as 1000

The profit or loss for the year is \$[11640].

The balance on the bank account is \$[4050].

FILL IN THE BLANKS

Question 4 (4 marks – 1 mark for each correct entry shown in blue text and square brackets)

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

Account	Initial trial balance		Adjustments	
	Debit (\$)	Credit (\$)	Debit (\$)	Credit (\$)
Sales		48600		
Sales returns	210		190	
Depreciation expense	2100			
Wages and salaries	3860		1380	
Admin expenses	2040			310
Closing inventory			1400	1400
Rent	6600		600	

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

Closing inventory of \$1400 would appear on the [**credit**] side of the Statement of Profit or Loss.

The admin expenses shown in the Statement of Profit or Loss would amount to [**\$1730**].

The rent expense shown in the Statement of Profit or Loss would amount to [**\$7200**].

The wages and salaries expense shown in the Statement of Profit or Loss would amount to [**\$5240**].

Drag and drop options:

- \$2040
- \$1730
- \$2350
- debit
- credit
- \$6600
- \$7200
- \$6000
- \$3860
- \$5240
- \$2480

DRAG AND DROP

Question 5 (2 marks)

When extending the trial balance, if the debit column of the Statement of Profit or Loss is \$86400 and the credit column is \$102800, what entry would be required?

	✓
Debit: Statement of Profit or Loss \$16400 Credit: Statement of Financial Position \$16400	[✓]
No entry is required	
Debit: Statement of Profit or Loss \$16400	
Debit: Statement of Financial Position \$16400 Credit: Statement of Profit or Loss \$16400	

MCQ**LCCI Level 3 Certificate in Accounting – Learning outcome 4**

9 questions – students to be given 6 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

XY Co's Statement of Financial Position shows capital and reserves for the year ended 31.12.X2 and 31.12.X3 as follows:

	31.12.X3 \$	31.12.X2 \$
Ordinary share capital	60000	40000
Share premium	8000	3000
Retained earnings	67200	46500

Dividends of \$12000 were paid during the year ended 31.12.X3.

What was XY Co's profit for the year ending 31.12.X3?

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

#[32700]

INSERT VALUE**Question 2 (2 marks)**

James and Jemina trade as a partnership sharing profits and losses in the ratio of 3:2.

Jemina receives a salary of \$14000 per annum.

Which one of the following correctly identifies how the salary is accounted for?

	✓
Credited to Jemina's current account	[✓]
Charged as an expense in the Statement of Profit or Loss	
Debited to Jemina's current account	

Credited to Jemina's capital account	
--------------------------------------	--

MCQ

Question 3 (4 marks)

On 1st January 20X7, Green Co acquired 60% of the 10000 \$1 shares of Wood Ltd. At that date Wood Ltd had retained earnings of \$40000.

At 31st December 20X7, the reserves of Green Co were \$210000 and Wood Ltd were \$62000.

What amount would appear in the Consolidated Statement of Financial Position for the year ended 31 December 20X7 for the non-controlling interest?

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

#[28800]

INSERT VALUE

Question 4 (4 marks)

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

	31.03.X4 \$	31.03.X3 \$
Non-current assets at cost	96800	53900
Current assets	32690	24320

During the year ended 31 March 20X4, non-current assets with a cost of \$23000 were disposed of, and a property was revalued upwards by \$50000.

What amount would appear in the Statement of Cash Flows for the purchase of non-current assets for the year ended 31 March 20X4?

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

#[15900]

INSERT VALUE

Question 5 (4 marks)

The following balances appear in the Statement of Financial Position of Plan Co.

	31.12.X4 \$	31.12.X3 \$
Share capital	70000	50000
Share premium	10000	5000
Non-current liabilities – loan	2000	12000
Revaluation reserve	40000	10000

What figure would appear as the net cash flows from financing activities in a Statement of Cash Flows for the year ending 31 December 20X4?

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

[\$[15000]

INSERT VALUE

Question 6 (4 marks – 1 mark for each correct entry shown in square brackets and blue text)

The following descriptions regards shares have been made. Using the drag and drop options, identify the term being described.

	Term
An issue of shares where the number of shares increases but the shareholder does not pay for the shares.	[Bonus issue of shares]
A type of share which cannot be sold back and are ideal for long-term investors.	[Irredeemable shares]
A type of share which a company has agreed it will or may buy back at a future date.	[Redeemable shares]
An issue of shares to existing shareholders made at a discounted market rate	[Rights issue of shares]

Drag and drop options to select from:

Bonus issue of shares

Redeemable shares

Rights issue of shares

Irredeemable shares

DRAG AND DROP

Question 7 (4 marks – 1 mark for each correct entry shown in square brackets)

Complete the following sentences regarding groups of companies by filling in the gaps using the drag and drop options provided below.

If a parent company acquires more than 50% of the ordinary shares of another entity, the parent has a [**subsidiary**] company and is said to have [**control**] over the entity.

The difference between the price paid and the [**fair value of net assets**] is goodwill.

The element not controlled by the parent company is called a [**non-controlling interest**] and the balance for this will appear in the equity section of the Consolidated Statement of Financial Position.

Drag and drop options:

control

fair value of net assets

non-controlling interest

associate

investment

subsidiary

book value of net assets

significant influence

DRAG AND DROP

Question 8 (4 marks)

GT Ltd acquired 60% of the share capital of HZ Ltd for \$50000 on 1 April 20X4. At that date the fair value of the non-current assets of HZ Ltd exceeded the carrying amount by \$13,000.

Extracts from the Statements of Financial Position of the two companies for the year ended 31 March 20X5 are provided below.

	GT Ltd \$	HZ Ltd \$
Non-current assets	180000	49000
Current assets	54300	28600
Equity and liabilities		
Equity		
Share capital (\$1 shares)	50,000	10000
Retained earnings	249875	38976

What amount would appear in the Consolidated Statement of Financial Position for non-current assets for the year ending 31 March 20X5?

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

[\$**242000**]

INSERT VALUE

LCCI Level 3 Certificate in Accounting – Learning outcome 5

5 questions – students to be given 3 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

The balance on the payables account of IT Support Co was \$43800 at 1 January 20X2. The Statement of Profit or Loss showed credit purchases were \$485450 during the year ending 31 December 20X2.

The trade payables payment period was 45 days at the year end 31 December 20X2.

Assume purchases occur evenly throughout the year and that all balances outstanding at 1 January 20X2 have been paid.

How much cash did IT Support Co pay to its suppliers during the year to 31 December 20X2?

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

[\$**469400**]

INSERT VALUE

Question 2 (4 marks)

Maxine runs a small catering business. All her closing inventory was destroyed at the end of the year when her kitchen was flooded.

The following information for the year is available:

Sales	\$62340
Purchases	\$37440
Opening inventory	\$3480
Margin	40%

What was the value of the closing inventory destroyed by the flood?

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

[\$3516]

INSERT VALUE

Question 3 (2 marks)

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

	✓
Sales of \$3780 Cost of sales \$2700	[✓]
Sales of \$3780 Profit of \$1512	
Sales of \$2700 Cost of sales \$1620	
Sales of \$4032 Profit of \$1512	

MCQ

Question 4 (4 marks)

You have been provided with the following information relating to Oak Ltd.

	\$
Trade receivables as at 1 April 20X4	22640
Discounts received	450
Credit sales	176500
Sales returns	8660
Bank receipts from customers	162660
Contra offset between payables and receivables	3200

What was the closing balance as at 31 March 20X5 on the trade receivables account?

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

[\$**24620**]

INSERT VALUE

Question 5 (4 marks)

Jude is a sole trader who does not keep proper accounting records. You have been provided with the following information:

Sales in the year were \$24850 and purchases were \$17450.

Goods at a mark-up on cost of 40%.

The inventory at the beginning of the year was \$1800.

What was the value of the closing inventory at the end of the year?

[\$**1500**]

INSERT VALUE

LCCI Level 3 Certificate in Accounting – Learning outcome 6

6 questions – students to be given 3 random questions from this bank of questions. Type of question highlighted in yellow.

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

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

	\$
Sales	131620
Cost of sales	68790
Gross profit	62830
Less expenses	24580
Net profit for the period	38250

	\$
Non-current assets	340000
Current assets	
Inventories	13840
Receivables	14320
Bank	42100
	70260
Current liabilities	49650

Calculate the following ratios and show your answers to **1 decimal place for both ratios**. Do not use any commas and a full stop should be used to separate the decimal point.

Quick ratio (acid test) :1	[1.1] :1
Trade receivables collection period	[39.7] days

INSERT VALUE

Question 2 (4 marks – 1 mark for each correct entry. Correct answers shown in blue text and square brackets)

A business calculated accounting ratios for the year ending 31 March 20X5 and compared the results to the previous year as shown below.

	31.03.X5	31.03.X4
Trade receivables collection period	38 days	43 days
Gross profit margin	39%	44%
Profit for the year as a % of revenue	20%	18%
Quick ratio (acid test)	0.7 : 1	1.1 : 1

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

The trade receivables collection period has decreased from 43 days to 38 days. The means cash is coming into the business [**faster**] than the previous year.

The gross profit margin has decreased from 44% to 39% and the profit for the year % has increased from 18% to 20% indicating [**the business has managed to control expenses**] during the year.

The quick ratio has [**deteriorated**] over the two years and could indicate the business may [**have difficulty paying debts as and when they fall due**].

Options to pick from:

- improved
- deteriorated
- the business has managed to control expenses
- have difficulty paying debts as and when they fall due
- faster
- sufficient working capital for the foreseeable future
- the business has not controlled expenses
- slower

DRAG AND DROP

Question 3 (4 marks – 2 marks for each correct answer shown in blue text and square brackets)

You have been provided with the following extracts from the financial statements for a limited company for the year ending 31 January 20X4.

	\$
Profit from operations	167350
Finance costs	2650
Profit before tax	164700
Tax	32940
Net profit for the period	131760

	\$
Current assets	93450
Equity	
Share capital	150000
Retained earnings	501250
	651250
Non-current liabilities	50000
Current liabilities	56870

Calculate the following ratios and show your answers to **1 decimal place for both ratios**. Do not use any commas and a full stop should be used to separate the decimal point.

Return on capital employed (%)	[23.9] %
Current ratio	[1.6] : 1

INSERT VALUE

Question 4 (2 marks)

Which one of the following could explain an improvement in the gross profit margin?

	✓
Placing orders with suppliers to obtain a bulk buy discount.	[✓]
A reduction in fuel costs which reduces petrol costs for delivery vans.	
A reduction in the selling price resulting in greater sales volumes.	
Negotiating longer payment terms with suppliers.	

MCQ

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

A business has calculated the trade receivable collection period and has noticed an increase from 44 days to 52 days in recent months.

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

	✓
An increase in the credit terms offered to customers.	[✓]
A decrease in the level of prompt payment discount to customers.	[✓]
The launch of a new products.	
An increase in the price of goods sold.	

MRQ

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

You have been provided with the following extracts from the financial statements for a limited company for the year ending 30 November 20X4.

	\$
Sales	131620
Cost of sales	68790
Gross profit	62830
Less expenses	24580
Net profit for the period	38250

	\$
Non-current assets	340000
Current assets	
Inventories	13840
Receivables	14320
Bank	42100
	70260
Current liabilities	49650

Calculate the following ratios and show your answers to **1 decimal place for both ratios**, for example an answer of 2 should be entered as 2.0 and do not use any commas. A full stop should be used to separate the decimal point.

Inventory turnover	[5.0] times
Gross profit margin	[47.7] %

INSERT VALUE

LCCI Level 3 Certificate in Accounting – Learning outcome 7

5 questions – students to be given 3 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

You have been provided with the following data:

Budget data	June (\$)	July (\$)	August (\$)
Invoiced sales	7300	8100	7800
Purchases	3450	3180	3800
Wages	1950	2000	1910
Capital expenditure	-	4500	1900

Further information:

- 60% of invoiced sales are paid in the month following sale with the remainder paying two months after sale.
- 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 August was \$1320, what is the expected closing cash balance at the end of August?

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

[\$1490]

INSERT VALUE

Question 2 (2 marks)

Which one of the following would **not** appear in a cash budget?

	✓
Provision for bad debt	[✓]
Receipt of a loan	
Cash sales	
Dividend payment	

MCQ

Question 3 (4 marks – 2 marks for each answer as shown below in blue text and square brackets)

The sales budget for MKL Co is 6000 units in January and 7400 units in February.

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

The opening inventory at the start of January was 3000 units.

Answer the following questions by entering the number of units (using whole numbers only). Do not use any commas (,) or full stops(.).

The closing inventory at the end of January would be [3700] units.

The number of units to produce in January would be [6700] units.

INSERT VALUE

Question 4 (4 marks)

Quinn Co trades as a retailer. During the month of October, the cost of sales was \$86400, trade payables decreased by \$8700 and inventory increased by \$12100.

What was the amount paid to payables in the month of October?

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

[\$107200]

INSERT VALUE

Question 5 (2 marks)

Clifton Co prepared a cash forecast for March 20X6 showing 12800 units being sold at a price of \$6 each.

An up to date forecast now shows that the expected sales level is 10% less than expected, however the sales price is 5% more than expected.

What is the revised income from sales in March 20X6 considering the changes in quantity and price?

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

[\$72576]

INSERT VALUE

LCCI Level 3 Certificate in Accounting – Learning outcome 8

7 questions – students to be given 4 random questions from this bank of questions. Type of question highlighted in yellow.

Question 1 (4 marks)

A business sells a single product.

It has budgeted sales of 4000 units. A target profit of \$65000 for the period has been set.

The fixed costs of the business are \$47840. The product sells for \$90 and provides a contribution of \$62 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(.

[1820] units

INSERT VALUE

Question 2 (2 marks)

The following statements regarding marginal costing have been made:

1. The contribution per unit will be constant if the sales volume increases.
2. There is no under or over absorption of overheads.
3. Marginal costing does not provide useful information for decision making.

Which of these statements are true with regards to marginal costing

	✓
Statements 1 and 2	[✓]
Statements 2 and 3	
Statements 1 and 3	
All three statements	

MCQ

Question 3 (4 marks)

A business sells a single product and has budgeted sales of 3000 units for the next period.

The selling price per unit is \$150 and the variable costs of production are \$45.

The fixed costs of the business are \$262500.

What is the break-even point in units?

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

[2500] units

INSERT VALUE

Question 4 (4 marks – 2 marks for each correct answer shown in square brackets and 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 drag and drop options provided below.

Description	Method
This method uses profit rather than cash flow in the calculation	[Accounting rate of return]
This method does not take into account the entire life of the investment	[Payback period]

Drag and drop options to select from:

Payback period

Accounting rate of return

Net present value

DRAG AND DROP

Question 5 (4 marks – 1 mark for each blank correctly answered. Correct options shown in blue text in square brackets.)

Complete the following sentences about the advantages of the net present value method of investment appraisal using the drag and drop options provided below.

The net present value method focuses on [cash flows] which are more useful for decision makers when compared to [accounting profits].

The net present value method considers the whole life of a project [and takes into account the time value of money].

When comparing between projects, a business should choose the project with the [highest] net present value result.

Options to pick from:

and takes into account the time value of money

but does not take into account the time value of money

highest

cash flows

lowest

accounting profits

DRAG AND DROP

Question 6 (4 marks – 2 marks for each answer as shown below. Correct answers shown in blue text in square brackets)

You have been provided with the following information regarding a project under consideration by a business.

	\$
Capital investment required	70000
Annual cash flows:	
Year 1	32000
Year 2	24000
Year 3	10000
Year 4	12000
Year 5	12000

Calculate the payback period for each project in years and months (rounded up to the nearest whole month) and complete the table below. Enter whole figures only.

Project A	[3] (2)	Years	[4] (2)	Months
-----------	---------	-------	---------	--------

INSERT VALUE

Question 7 (4 marks)

West Co is considering investing \$60000 in an asset which is expected to yield the following cash flows over the next five years.

Year	Cash flow (\$)
1	25000
2	22000
3	17000
4	12000
5	5000

At the end of its life, the asset is expected to be sold for \$2000.

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

[\$6207]

INSERT VALUE