



**L3**

# **Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ) (ASE20097)**

## **SAMPLE ASSESSMENT MATERIALS**

Issue 3

First teaching from September 2015

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# Pearson LCCI

## Certificate in Financial Accounting (VRQ) Level 3

Sample assessment material for first teaching  
May 2017

**Time: 3 hours**

Paper Reference

**ASE20097**

**Complete the details below in block capitals.**

Candidate name

Centre Code

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Candidate Number

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Candidate ID Number

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**You must have:**

Resource Booklet (enclosed)

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*
- Answers should be given to an appropriate degree of accuracy.

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

### Advice

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

Turn over ►

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S 5 8 2 8 2 A 0 1 1 6



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

You will need to use the data on **page 2** in the Resource Booklet to answer parts (d).

- 1** (a) State the accounting equation.

(1)

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Relevance and Timeliness are two qualitative characteristics of financial reporting under the International Accounting Standards Board (IASB) framework.

- (b) State **two** other qualitative characteristics.

(2)

1 .....

2 .....

- (c) State the purpose of depreciating non-current assets.

(1)

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- (d) (i) Complete the non-current assets register for all the transactions for the year ended 31 December 2016 on **page 3**.

(7)

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## An extract from the non-current assets register

Description	Year ended	Acquisition date	Cost \$	Depreciation charge \$	Carrying amount \$	Funding method	Disposal proceeds \$	Disposal date
Machine SMX	31 December 2014	1 January 2014	35 000	3 500	31 500	Bank		
	31 December 2015			3 150	28 350			
	31 December 2016							
Machine BMX	31 December 2014	1 July 2014	15 000	1 500	13 500	Bank		
	31 December 2015			13 50	12 150			
	31 December 2016							
Machine TMX	31 December 2016							

(ii) Prepare the disposal account to show profit or loss on disposal.

(5)

**Disposal Account**

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(iii) State **two** accounting concepts that Luke has applied to charge depreciation on non-current assets.

(2)

1 .....

2 .....

(iv) State **two** reasons why a business would use the reducing (diminishing) balance method to charge depreciation on non-current assets.

(2)

1 .....

2 .....

**(Total for Question 1 = 20 marks)**

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You will need to use the data on **page 3** in the Resource Booklet to answer parts (b) (i) and (b) (ii).

**2** (a) State **one** limitation of a trial balance.

(1)

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(b) (i) Calculate the value of the inventory at 31 March 2017.

(2)

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(ii) Complete the adjustment columns of the extended trial balance at 31 March 2017.

(15)

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**Chang Lee - extended trial balance at 31 March 2017**

	Trial balance		Adjustments	
	Debit \$	Credit \$	Debit \$	Credit \$
Bank	2 350			
Bank loan		75 000		
Depreciation charge	12 065			
Discount allowed	4 500			
Discount received		8 530		
Drawings	23 710			
Equity		235 000		
Motor vehicle accumulated depreciation		19 165		
Motor vehicle cost	95 650			
Office equipment accumulated depreciation		5 000		
Office equipment cost	25 000			
Office expenses	74 250			
Opening inventory	72 850			
Purchases	589 250			
Rent	45 250			
Repairs	1 520			
Revenue		794 520		
Trade payables		59 750		
Trade receivables	75 000			
Wages and salaries	175 840			
Suspense		270		
Irrecoverable debts				
Allowance for doubtful debts				
Allowance for doubtful debts adjustment				
Other receivables				
Other payables				
Closing inventory-statement of financial position				
Closing inventory-statement of profit or loss				
Total	1 197 235	1 197 235		

**(Total for Question 2 = 18 marks)**

You will need to use the data on **page 4** in the Resource Booklet to answer parts (b) (i) and (b) (ii).

**3** (a) (i) Calculate Chloe's share of goodwill.

(1)

(ii) Prepare the revaluation account.

(4)

### Revaluation Account

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(b) Prepare the partnership appropriation account for the **three-month period** ended 30 June 2016.

(6)

**Space for your workings.**

**Anna, Bobby and Chloe**  
**Partnership appropriation account for the period ended 30 June 2016.**

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(c) (i) Prepare Chloe's capital account at 30 June 2016.

(8)

### Chloe's capital account

(ii) Calculate how much loan interest Chloe would receive for the year ended 31 March 2017.

(2)

**(Total for Question 3 = 21 marks)**

You will need to use the data on **page 5** in the Resource Booklet to answer parts (b) and (c).

- 4** (a) **State three** external stakeholders who may be interested in the statement of cash flows.

(3)

1 .....

2 .....

3 .....

- (b) Prepare the statement to reconcile profit for the year to the net cash from operating activities for the year ended 31 March 2017.

(7)

**Space for your workings.**

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(c) Prepare the statement of cash flows for the year ended 31 March 2017.

(9)

**Lewson Ltd**  
**Statement of cash flows for the year ended 31 March 2017.**

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(d) Give **two** ways Lewson Ltd has financed the acquisition of non-current property, plant and equipment.

(2)

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**(Total for Question 4 = 21 marks)**

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(5)

Sonaj is interested in forming a partnership.

(c) Discuss whether Sonaj should form a partnership. (You must justify your decision).

(5)

Sandeep and John, another two clients, are two sole traders in a similar business.  
Each has provided the profitability ratios for their businesses.

(d) Evaluate the performance of Sandeep and John.

(5)

Ming shared Sandeep and John's business information with Sonaj.

(e) Explain which principle of professional ethics has been compromised.

(2)

**(Total for Question 5 = 20 marks)**

**TOTAL FOR PAPER = 100 MARKS**

**Pearson LCCI**

# **Certificate in Financial Accounting (VRQ)**

**Level 3**

Sample assessment material for first teaching  
May 2017  
**Resource Booklet**

Paper Reference

**ASE20097**

**Do not return this Resource Booklet with the question paper.**

*Turn over* ►

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**Pearson**

**Resource for Question 1 – Parts (d) (i) and (d) (ii)**

Luke, a sole trader, has provided you with the following information.

- On 1 April 2016, he sold a machine BMX for \$9 500 as a trade-in allowance for a new machine TMX costing \$25 000. The balance was paid by cheque.
- Depreciation is charged at 10% per annum on the reducing (diminishing) balance method.
- The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

## **Resource for Question 2 – Parts (b) (i) and (b) (ii)**

### **Additional information as of 31 March 2017.**

On 31 March 2017 Chang Lee valued his inventory at \$78 400

This included damaged inventory costing \$15 000

The damaged inventory can be repaired costing \$4 500 and can then be sold for \$10 500.

- Irrecoverable debts of \$2 500 to be written off.
- An allowance for doubtful debts of \$3625 is to be created.
- Repairs were overstated by \$270
- Goods costing \$250 were taken by Chang for his personal use.
- Office expenses included insurance of \$1 500 paid in advance for next year.
- Rent of \$1 800 for the year is outstanding.

### Resource for Question 3

Anna, Bobby and Chloe were in partnership, sharing profit and losses in the ratio of 3:1:1. Interest on capital was paid at 12% per annum. Chloe received an annual salary of \$12 000

The partners provided the following information.

On 1 April 2016:

Partners	Capital \$	Current \$
Anna	100 000	15 000
Bobby	75 000	12 000
Chloe	50 000	5 550 Dr

On 30 June 2016, Chloe decided to leave the partnership.

- Partners revalued the following assets:
  - value of the premises increased by \$50 000
  - value of machinery decreased by \$20 000
- Goodwill was valued at \$90 000. Partners decided not to retain goodwill in the partnership books of account.
- The partners agreed to settle Chloe's account by paying \$50 000 by cheque, with the balance being treated as loan to the partnership at 15% interest per annum.
- Profit for the year ended 31 March 2017 was \$68 000. This profit was earned evenly throughout the year.

**Resource for Questions 4 - Part (b) and (c)**

Lewson Ltd provided the following information.

	<b>31 March 2017</b> \$	<b>31 March 2016</b> \$
Bank overdraft	8 750	-
Bank	-	23 500
Bank loan	100 000	125 000
Cash	375	250
Inventory	59 625	45 000
Ordinary shares	500 000	350 000
Property, plant and equipment accumulated depreciation	320 000	280 000
Property, plant and equipment cost	1140 000	825 000
Retained earnings	96 250	49 500
Share premium	200 000	150 000
Short-term investments	-	15 750
Trade payables	175 000	140 000
Trade receivables	200 000	185 000

**During the year**

- Depreciation charge for the year was \$135 500
- A machine was sold for \$35 500 at a loss of \$19 000. The original cost for the machine was \$150 000
- There were no other disposals during the year.
- There was no dividend paid during the year.

### Resource for Questions 5 – Parts (a) and (b)

Ming works as an accounts assistant for a large accountancy business. One of Ming's clients is Sonaj. Sonaj needs Ming's help as some of her business records related to the year end 31 March 2017 have been destroyed.

She was able to provide the following information.

- On 1 April 2016, inventory was valued at \$10 000
- During the year ended 31 March 2017:
  - total sales were \$50 000
  - purchases were \$1 200
- Goods were sold at 25% mark up.
- Trade payables payment period was 45 days.
- On 31 March 2017, trade payables were \$5 400
- Assume one financial year is **360** days.

### Resource for Question 5 – Part (d)

Ratios	Sandeep	John
Gross profit percentage/margin	25%	30%
Net profit percentage/margin	20%	18%
Return on capital employed	12%	10%
Inventory turnover	18 times	14 times



# Mark Scheme

## Sample Assessment Materials

### Pearson LCCI Level 3 Certificate in Financial Accounting (VRQ) (ASE20097)



# General marking guidance

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- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked **unless** the candidate has replaced it with an alternative response.
- Where marks are awarded for own figure answers, these marks can only be awarded if evidence of how the candidate arrived at their values has been provided (their workings).
- If candidate's fail to provide their workings when instructed in the paper, it may not be possible to achieve all marks associated with the question, even if the final answer is correct.
- For calculation questions full marks can be awarded where correct answer is seen with no workings shown, unless question states that candidate must provide workings.

## Abbreviation

**of      Own Figure rule**

Accuracy marks can be awarded where the candidates' answer does not match the mark scheme, though is accurate based on their valid method.

**cao      Correct Answer Only rule**

Accuracy marks will only be awarded if the candidates' answer is correct, and in line with the mark scheme.

Question number	AO1(1)	Mark
<b>1(a)</b>	<b>Award 1 mark for correct answer.</b>  Assets = Equity + liabilities <b>(1)</b>  Accept correct rearrangement of the equation.	<b>(1)</b>

Question number	AO1(2)	Mark
<b>1(b)</b>	<b>Award 1 mark for each correct answer up to a maximum 2 of marks.</b> <ul style="list-style-type: none"> <li>• Faithful representation <b>(1)</b></li> <li>• Understandability <b>(1)</b></li> <li>• Verifiability <b>(1)</b></li> <li>• Comparability <b>(1)</b></li> </ul>	<b>(2)</b>

Question number	AO1(1)	Mark
<b>1(c)</b>	<b>Award 1 mark for correct answer.</b>  To spread the cost over its useful life.	<b>(1)</b>

Question number	AO2(7)	Mark
<b>1(d)(i)</b>	<b>Award 1 mark for figure and date for acquisition.</b> <b>Award 1 mark for funding method.</b> <b>Award 1 mark for figure and date for disposal.</b> <b>Award 1 mark for each entry for depreciation charge up to a maximum of 2 marks.</b> <b>Award 1 mark for each entry for carrying value (of) up to a maximum of 2 marks.</b>	<b>(7)</b>

An extract from the non-current assets register								
Description	Year ended	Acquisition date	Cost \$	Depreciation charge \$	Carrying amount \$	Funding method	Disposal proceeds \$	Disposal date
Machine SMX	31 December 2014	1 January 2014	35 000	3 500	31 500	Bank		
	31 December 2015			3 150	28 350			
	31 December 2016			2 835 (1)	25 515 (1 of)			
Machine BMX	31 December 2014	1 July 2014	15 000	1 500	13 500	Bank		
	31 December 2015			13 50	12 150			
	31 December 2016						9 500	1 April 2016
							1 for both	
Machine TMX	31 December 2016	1 April 2016	25 000	2 500 (1)	22 500 (1 of)	Trade in allowance and bank (1)		
		1 for both						

Completed non-current assets register for 1(d)(i).

Question number	AO2(5)	Mark
<b>1(d)(ii)</b>	<b>Award 1 mark for each correct figure. Award 1 mark for correct labels and dates as indicated.</b>	<b>(5)</b>

**Disposal Account**

Date	Details	\$	Date	Details	\$
1 April 2016	Machinery cost	15 000 <b>(1)</b>	1 April 2016	Machinery accumulated depreciation	2 850 <b>(1)</b>
			1 April 2016	Machinery cost	9 500 <b>(1)</b>
			31 December 2016	Statement of profit or loss	2 650 <b>(1of)</b>
		<b><u>15 000</u></b>			<b><u>15 000</u></b>

**Additional guidance**

To award figure marks they must be on the correct side.

Question number	AO1(2)	Mark
<b>1(d)(iii)</b>	<b>Award 1 mark for each correct answer.</b> Accruals <b>(1)</b> Consistency <b>(1)</b>	<b>(2)</b>

Question number	AO1(2)	Mark
<b>1(d)(iv)</b>	<b>Award 1 mark for each correct answer.</b> Higher decrease in the value in earlier years <b>(1)</b> increasing repair costs in later years <b>(1)</b>  <b>Accept any other appropriate responses.</b>	<b>(2)</b>

**Additional guidance**

Do not accept accounting/depreciation policy.

Question number	AO1(1)	Mark
<b>2(a)</b>	<b>Award 1 mark for correct answer.</b>  Not all errors are detected <b>(1)</b>	<b>(1)</b>

Question number	AO2(2)	Mark
<b>2(b)(i)</b>	<b>Award marks as indicated.</b> \$78 400 – \$15 000 + (\$10 500 – \$4 500 = \$6 000) <b>(1)</b> = \$69 400 <b>(1of)</b>	<b>(2)</b>
<b>Additional guidance</b> Correct answer only scores 2 marks. Award <b>of</b> mark only if \$15 000 is deducted from the given value for the inventory (\$78 400).		

Question number	AO2(15)	Mark
<b>2(b)(ii)</b>	<b>Award 1 mark for each correct figures against correct labels as indicated.</b>	<b>(15)</b>

<b>Chang Lee - extended trial balance at 31 March 2017</b>				
	<b>Trial balance</b>		<b>Adjustments</b>	
	<b>Debit \$</b>	<b>Credit \$</b>	<b>Debit \$</b>	<b>Credit \$</b>
Bank	2 350			
Bank loan		75 000		
Depreciation charge	12 065			
Discount allowed	4 500			
Discount received		8 530		
Drawings	23 710		250 <b>(1)</b>	
Equity		235 000		
Motor vehicle accumulated depreciation		19 165		
Motor vehicle cost	95 650			
Office equipment accumulated depreciation		5 000		
Office equipment cost	25 000			
Office expenses	74 250			1 500 <b>(1)</b>
Opening inventory	72 850			
Purchases	589 250			250 <b>(1)</b>
Rent	45 250		1 800 <b>(1)</b>	
Repairs	1 520			270 <b>(1)</b>
Revenue		794 520		
Trade payables		59 750		
Trade receivables	75 000			2 500 <b>(1)</b>
Wages and salaries	175 840			
Suspense		270	270 <b>(1)</b>	
Irrecoverable debts			2 500 <b>(1)</b>	
Allowance for doubtful debts				3 625 <b>(1)</b>
Allowance for doubtful debts adjustment			3 625 <b>(1)</b>	
Other receivables			1 500 <b>(1)</b>	
Other payables				1 800 <b>(1)</b>
Closing inventory-statement of financial position			69 400 <b>(1of)</b>	
Closing inventory-statement of profit or loss				69 400 <b>(1of)</b>
<b>Total</b>	<b>1 197 235</b>	<b>1 197 235</b>	<b>79 345</b>	<b>79 345 (1of for both)</b>

Question number	AO2(1)	Mark
<b>3(a)(i)</b>	$\$90\,000 \times 1/5 = \$18\,000$ <b>(1)</b>	<b>(1)</b>

Question number	AO2(4)	Mark
<b>3(a)(ii)</b>	<b>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct labels and dates.</b>	<b>(4)</b>

#### Revaluation Account

Date	Details	\$		Date	Details	\$	
30 June 2016	Machinery	20 000	<b>(1)</b>	30 June 2016	Premises	50 000	<b>(1)</b>
	Anna's capital	18 000	<b>(1 for all three)</b>				
	Bobby's capital	6 000					
	Chloe's capital	6 000					
		50 000				50 000	

Question number	AO2(6)	Mark
<b>3(b)</b>	<b>Award 1 mark for each correct figure with understandable label as indicated.</b>	<b>(6)</b>

	<b>\$</b>	
Profit for the period	17 000	<b>(1)</b>
<b>Interest on capital</b>		
Anna	(3 000)	<b>(1)</b>
Bobby	(2 250)	<b>(1)</b>
Chloe	(1 500)	<b>(1)</b>
<b>Salaries</b>		
Chloe	(3 000)	<b>(1)</b>
<b>Profit</b> available for distribution	7 250	
<b>Partners share</b>		
Anna	4 350	<b>(1of for all)</b>
Bobby	1 450	
Chloe	1 450	

Question number	AO2(8)	Mark
<b>3 (c)(i)</b>	<b>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct dates and labels as indicated.</b>	<b>(8)</b>

### Chloe's Capital Account

Date	Details	\$	Date	Details	\$
30 June 2016	Bank	50 000 <b>(1)</b>	1 April 2016	Balance b/d	50 000 <b>(1)</b>
30 June 2016	Loan	24 400 <b>(1of)</b>	30 June 2016	Goodwill	18 000 <b>(1of)</b>
			30 June 2016	Revaluation- (profit on revaluation)	6 000 <b>(1of)</b>
			30 June 2016	Current account <b>W1</b>	400 <b>(2of)</b>
		74 400			74 400
(\$5 550 Debit <b>(1)</b> - \$1 500 - \$1 450 - \$3 000) = \$400 Credit <b>(1of)</b>					

#### **Additional guidance**

To award figure marks they must be on the correct side.

If you see \$5 550 debit award 1 mark.

If you see \$400 credit award 2 marks.

Question number	AO2(2)	Mark
<b>3(c)(ii)</b>	$\$24\,400 \text{ of (from c i)} \times 15\% =$ $\$3\,660 \text{ (1of)} \times 9/12 = \$2\,745 \text{ (1of)}$	<b>(2)</b>

#### **Additional guidance**

Correct answer only scores 2 marks.

Question number	AO1(3)	Mark
<b>4(a)</b>	<b>Award 1 mark for each correct answer.</b> Supplier <b>(1)</b> Providers of external finance/bank <b>(1)</b> Potential investors <b>(1)</b>  <b>Accept any other appropriate responses.</b>	<b>(3)</b>

Question number	AO2(7)	Mark																				
4(b)	<p><b>Award marks for both figures and appropriate narrative as indicated.</b></p> <table><tr><th colspan="2"><b>Lewson Ltd</b></th></tr><tr><th colspan="2"><b>Reconciliation of profit of the year to net cash flows from operating activities for the year ended 31 March 2017</b></th></tr><tr><td></td><td><b>\$</b></td></tr><tr><td>Profit for the year</td><td>46 750 <b>(1)</b></td></tr><tr><td>Depreciation charge for the year</td><td>135 500 <b>(1)</b></td></tr><tr><td>Loss on disposal of machinery</td><td>19 000 <b>(1)</b></td></tr><tr><td>Increase in inventory</td><td>(14 625) <b>(1)</b></td></tr><tr><td>Increase in trade receivables</td><td>(15 000) <b>(1)</b></td></tr><tr><td>Inrease in trade payables</td><td>35 000 <b>(1)</b></td></tr><tr><td>Net cash from operating activities</td><td>206 625 <b>(1of)</b></td></tr></table>	<b>Lewson Ltd</b>		<b>Reconciliation of profit of the year to net cash flows from operating activities for the year ended 31 March 2017</b>			<b>\$</b>	Profit for the year	46 750 <b>(1)</b>	Depreciation charge for the year	135 500 <b>(1)</b>	Loss on disposal of machinery	19 000 <b>(1)</b>	Increase in inventory	(14 625) <b>(1)</b>	Increase in trade receivables	(15 000) <b>(1)</b>	Inrease in trade payables	35 000 <b>(1)</b>	Net cash from operating activities	206 625 <b>(1of)</b>	<b>(7)</b>
<b>Lewson Ltd</b>																						
<b>Reconciliation of profit of the year to net cash flows from operating activities for the year ended 31 March 2017</b>																						
	<b>\$</b>																					
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Increase in inventory	(14 625) <b>(1)</b>																					
Increase in trade receivables	(15 000) <b>(1)</b>																					
Inrease in trade payables	35 000 <b>(1)</b>																					
Net cash from operating activities	206 625 <b>(1of)</b>																					

Question number	AO2(9)	Mark																																												
<b>4(c)</b>	<p><b>Award marks for correct figures with understandable label as indicated.</b></p> <table border="1"> <thead> <tr> <th colspan="3"><b>Lewson Ltd</b></th> </tr> <tr> <th colspan="3">Statement of cash flows for the year ended 31 March 2017</th> </tr> <tr> <th></th><th><b>\$</b></th><th><b>\$</b></th> </tr> </thead> <tbody> <tr> <td>Net cash from operating activities</td><td></td><td>206 625</td> </tr> <tr> <td colspan="3"><b>Investing activities</b></td> </tr> <tr> <td>Acquisition of property, plant and equipment <b>(W1)</b></td><td>(465 000) <b>(3)</b></td><td></td> </tr> <tr> <td>Disposal of machinery</td><td>35 500</td><td></td> </tr> <tr> <td>Net cash used in investing activities</td><td></td><td>(429 500) <b>(1of)</b></td> </tr> <tr> <td colspan="3"><b>Financing activities</b></td> </tr> <tr> <td>Issue of shares</td><td>200 000</td><td rowspan="2"><b>(1 for both)</b></td> </tr> <tr> <td>Repayment of loan</td><td>(25 000)</td> </tr> <tr> <td>Net cash used in financing activities</td><td></td><td>175 000 <b>(1of)</b></td> </tr> <tr> <td>Net decrease in cash and cash equivalents</td><td></td><td>(47 875) <b>(1)</b></td> </tr> <tr> <td>Cash and cash equivalents at the beginning of the year</td><td></td><td>39 500 <b>(1)</b></td> </tr> <tr> <td>Cash and cash equivalents at the end of the year</td><td></td><td>(8 375) <b>(1)</b></td> </tr> </tbody> </table> <p><b>W1:</b> (1140 000 – 825 000) = 315 000 <b>(1)</b> + 150 000 <b>(1)</b> = 465 000 <b>(1)</b></p>	<b>Lewson Ltd</b>			Statement of cash flows for the year ended 31 March 2017				<b>\$</b>	<b>\$</b>	Net cash from operating activities		206 625	<b>Investing activities</b>			Acquisition of property, plant and equipment <b>(W1)</b>	(465 000) <b>(3)</b>		Disposal of machinery	35 500		Net cash used in investing activities		(429 500) <b>(1of)</b>	<b>Financing activities</b>			Issue of shares	200 000	<b>(1 for both)</b>	Repayment of loan	(25 000)	Net cash used in financing activities		175 000 <b>(1of)</b>	Net decrease in cash and cash equivalents		(47 875) <b>(1)</b>	Cash and cash equivalents at the beginning of the year		39 500 <b>(1)</b>	Cash and cash equivalents at the end of the year		(8 375) <b>(1)</b>	<b>(9)</b>
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Question number	A03(2)	Mark
<b>4(d)</b>	<p><b>Award 1 mark for each correct answer up to a maximum of 2 marks.</b></p> <p>The issue of shares <b>(1)</b>  Sale proceeds of non-current assets <b>(1)</b>  Cash generated from operations <b>(1)</b></p> <p><b>Accept any other appropriate responses.</b></p>	<b>(2)</b>
<b>Additional guidance</b> Do not accept bank overdrafts.		

Question number	A02(3)	Mark
<b>5(a)</b>	<p><b>Award marks as indicated.</b></p> <p>Credit purchases = \$5 400 <b>(1)</b> × 360  ÷ 45 <b>(1)</b>  = \$43 200 <b>(1of)</b></p>	<b>(3)</b>
<b>Additional guidance</b> Correct answer only award 3 marks.		

Question number	AO2(5)	Mark																
5(b)	<p><b>Award 1 mark for each correct figure with understandable labels as indicated.</b></p> <table><tr><td colspan="2">Sonaj Statement of profit or loss for year ended 31 March 2017</td></tr><tr><td>Revenue</td><td>50 000 <b>(1)</b></td></tr><tr><td>Less cost of sales</td><td></td></tr><tr><td>Opening inventory</td><td>10 000</td></tr><tr><td>Purchases (43 200 + 1 200)</td><td>44 400 <b>(1of)</b></td></tr><tr><td>Closing inventory (Bal Fig)</td><td>(14 400) <b>(1of)</b></td></tr><tr><td>Gross profit</td><td><u>40 000</u> <b>(1)</b></td></tr><tr><td></td><td>10 000 <b>(1)</b></td></tr></table>	Sonaj Statement of profit or loss for year ended 31 March 2017		Revenue	50 000 <b>(1)</b>	Less cost of sales		Opening inventory	10 000	Purchases (43 200 + 1 200)	44 400 <b>(1of)</b>	Closing inventory (Bal Fig)	(14 400) <b>(1of)</b>	Gross profit	<u>40 000</u> <b>(1)</b>		10 000 <b>(1)</b>	(5)
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Question number	AO3(4) and AO5(1)	Mark
<b>5(c)</b>	<p><b>Maximum 4 marks for discussion of advantages and disadvantages.</b>  <b>Award 1 mark for decision.</b>  Decision mark can be awarded only if at least one advantage and one disadvantage is given.</p> <p><b>Advantages (maximum 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Reduced responsibility/workload will be shared <b>(1)</b></li> <li>• Possibility to expand business/ introduce new skills/ knowledge ideas <b>(1)</b></li> <li>• New partner will bring in additional capital <b>(1)</b></li> </ul> <p><b>Disadvantages (maximum 3 marks)</b></p> <ul style="list-style-type: none"> <li>• She will have reduced profits/profits will be shared <b>(1)</b></li> <li>• The business only has a gross profit of \$ 10 000 <b>(1)</b></li> <li>• Loss of overall control/all decisions have to be agreed with other partner <b>(1)</b></li> </ul> <p>Any supported decision <b>(1)</b></p> <p><b>Accept any other reasonable responses.</b></p>	<b>(5)</b>

Question number	AO4(4) and AO5 (1)	Mark
<b>5(d)</b>	<p><b>Award 1 mark for analysis of each ratio up to a maximum of 4 marks.</b>  <b>Award 1 mark for evaluation of overall performance.</b>  Evaluation mark can be awarded only if at least two ratios are analysed.</p> <p>Sandeep has lower selling price or higher purchase price <b>(1)</b></p> <p>Although Sandeep's gross profit percentage/margin was lower, he has better control over operating expenses <b>(1)</b></p> <p>Sandeep has better utilisation of the resources to yield higher return on the amount invested <b>(1)</b></p> <p>Sandeep's business has converted inventory into sales faster <b>(1)</b></p> <p>The increase in inventory turnover could be due to a cheaper selling price <b>(1)</b></p> <p>Overall, Sandeep's business is better than John's business <b>(1)</b>.</p> <p><b>Accept any other reasonable responses.</b></p>	<b>(5)</b>
<p><b>Additional guidance</b>  Award additional mark if the impact of one ratio on another is explained.  Accept the reverse argument for John.</p>		

Question number	AO3(2)	Mark
<b>5(e)</b>	<p><b>Award 1 mark for identification of the principle of professional ethics and 1 marks for linked justification/reasoning.</b></p> <p>Principle of confidentiality <b>(1)</b> as you should not share business and professional information with third parties without consent <b>(1)</b></p>	<b>(2)</b>



May 2017

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