



Mark Scheme

April 2017
Results

Pearson LCCI
Certificate in Bookkeeping and
Accounting (VRQ)
(ASE20093)
Level 2

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General Marking Guidance

- 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.

Abbreviations

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	Answer (AO2) 6 marks	Mark														
1(a)(i)	<p>Award marks as indicated. Award 6 marks for correct answer only \$142 400 Labels not required.</p> <table><tr><td></td><td>\$</td></tr><tr><td>Opening receivables April 1 2016</td><td>(13 420) (1)</td></tr><tr><td>Received –bank</td><td>122 400 (1)</td></tr><tr><td>Closing receivables March 31 2017</td><td>14 850 (1)</td></tr><tr><td>Credit sales</td><td>123 830</td></tr><tr><td>Cash sales W1</td><td>18 570 (2)</td></tr><tr><td>Total Sales</td><td>142 400 (1of)</td></tr></table> <p>W1 17 375 (1) + (520+675) (1) = 18 570</p>		\$	Opening receivables April 1 2016	(13 420) (1)	Received –bank	122 400 (1)	Closing receivables March 31 2017	14 850 (1)	Credit sales	123 830	Cash sales W1	18 570 (2)	Total Sales	142 400 (1of)	(6)
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Total Sales	142 400 (1of)															

Question Number	Answer (AO2) 6 marks	Mark																
1(a)(ii)	<p>Award marks as indicated. Award 6 marks for correct answer only \$70 855 Labels not required.</p> <table><tr><td></td><td>\$</td></tr><tr><td>Opening payables April 1 2016</td><td>(15 600) (1)</td></tr><tr><td>Payments –bank</td><td>67 500(1)</td></tr><tr><td>Cash discounts</td><td>1 410(1)</td></tr><tr><td>Closing payables March 31 2017</td><td>16 870(1)</td></tr><tr><td>Credit purchases</td><td>70 180</td></tr><tr><td>Cash purchases</td><td>675(1)</td></tr><tr><td>Total purchases</td><td>70 855 (1of)</td></tr></table>		\$	Opening payables April 1 2016	(15 600) (1)	Payments –bank	67 500 (1)	Cash discounts	1 410 (1)	Closing payables March 31 2017	16 870 (1)	Credit purchases	70 180	Cash purchases	675 (1)	Total purchases	70 855 (1of)	(6)
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Question Number	Answer (AO2) 4 marks	Mark																																				
1(b) (i)	<p>Award marks for date, details and amounts in combination.</p> <p style="text-align: center;">General Expenses Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>1 April 2016</td><td>Balance b/f</td><td>590 (1)</td><td>31 March 2017</td><td>Income statement</td><td>13 560 (1of)</td></tr><tr><td>31 March 2017</td><td>Bank/ Cash</td><td>13 130</td><td></td><td>Balance c/d</td><td>680</td></tr><tr><td></td><td>Cash</td><td>520 (1 for both)</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>14 240</u></td><td></td><td></td><td><u>14 240</u></td></tr><tr><td>1 April 2017</td><td>Balance b/d</td><td>680 (1 for both)</td><td></td><td></td><td></td></tr></table>	Date	Details	\$	Date	Details	\$	1 April 2016	Balance b/f	590 (1)	31 March 2017	Income statement	13 560 (1of)	31 March 2017	Bank/ Cash	13 130		Balance c/d	680		Cash	520 (1 for both)						<u>14 240</u>			<u>14 240</u>	1 April 2017	Balance b/d	680 (1 for both)				(4)
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Question Number	Answer (AO2) 4 marks	Mark																														
1(b)(ii)	<p>Award marks for date, details and amounts in combination.</p> <p style="text-align: center;">Wages Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>31 March 2017</td><td>Bank/ Cash</td><td>18 220 (1)</td><td>1 April 2016</td><td>Balance b/f</td><td>1 345 (1)</td></tr><tr><td></td><td>Balance c/d</td><td>1 605</td><td>31 March 2017</td><td>Income statement</td><td>18 480 (1of)</td></tr><tr><td></td><td></td><td><u>19 825</u></td><td></td><td></td><td><u>19 825</u></td></tr><tr><td></td><td></td><td></td><td>1 April 2017</td><td>Balance b/d</td><td>1 605 (1 for both)</td></tr></table>	Date	Details	\$	Date	Details	\$	31 March 2017	Bank/ Cash	18 220 (1)	1 April 2016	Balance b/f	1 345 (1)		Balance c/d	1 605	31 March 2017	Income statement	18 480 (1of)			<u>19 825</u>			<u>19 825</u>				1 April 2017	Balance b/d	1 605 (1 for both)	(4)
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Question Number	Answer (AO2) 10 marks	Mark																																										
1(c)	<p>Award marks for all correct elements in combination.</p> <p style="text-align: center;">Katie</p> <p>Income statement for the year ended 31 March 2017</p> <table border="1"> <thead> <tr> <th></th><th style="text-align: center;">\$</th><th style="text-align: center;">\$</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">142 400 (1of)</td></tr> <tr> <td>Cost of sales</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">26 800 (1)</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">70 855 (1of)</td><td></td></tr> <tr> <td></td><td style="text-align: right;">97 655</td><td></td></tr> <tr> <td>Closing inventory</td><td style="text-align: right;">12 215 (1of)</td><td></td></tr> <tr> <td>Cost of Sales</td><td></td><td style="text-align: right;">85 440 (1of)</td></tr> <tr> <td>Gross Profit W1</td><td></td><td style="text-align: right;">56 960 (1of)</td></tr> <tr> <td>Discount received</td><td></td><td style="text-align: right;">1 410 (1)</td></tr> <tr> <td>Less expenses:</td><td></td><td></td></tr> <tr> <td>General expenses</td><td style="text-align: right;">13 560 (1of)</td><td></td></tr> <tr> <td>Wages</td><td style="text-align: right;">18 480 (1of)</td><td style="text-align: right;">32 040</td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;">26 330 (1of)</td></tr> </tbody> </table> <p>W1 40%x (own figure revenue) = (1of)</p>		\$	\$	Revenue		142 400 (1of)	Cost of sales			Opening inventory	26 800 (1)		Purchases	70 855 (1of)			97 655		Closing inventory	12 215 (1of)		Cost of Sales		85 440 (1of)	Gross Profit W1		56 960 (1of)	Discount received		1 410 (1)	Less expenses:			General expenses	13 560 (1of)		Wages	18 480 (1of)	32 040	Profit for the year		26 330 (1of)	(10)
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TOTAL FOR QUESTION 1 – 30 MARKS

Question Number	Answer (AO3) 4	Mark
2(a)	<p>Award 1 mark for identification and 1 mark for development</p> <p>E.g.</p> <ul style="list-style-type: none"> increase expertise (1) as each partner specialises in different areas of business (1) More working capital (1) which will provide additional opportunities for expansion (1) <p>Accept other valid responses</p>	(4)

Question Number	Answer (AO2) 9 marks	Mark																																																															
2(b)	<p>Award marks for all correct elements in combination.</p> <p style="text-align: center;">Stokes, Morgan and Ruhee Appropriation account for the year ended 31 March 2017</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th><th style="text-align: center;">\$</th><th style="text-align: center;">\$</th></tr> </thead> <tbody> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;">191 085 (1)</td></tr> <tr> <td>Interest on drawings:</td><td></td><td></td></tr> <tr> <td>Stokes</td><td style="text-align: right;">1 825(1)</td><td></td></tr> <tr> <td>Morgan</td><td style="text-align: right;">1 910(1)</td><td></td></tr> <tr> <td>Ruhee</td><td style="text-align: right;">1 430(1)</td><td style="text-align: right;">5 165</td></tr> <tr> <td></td><td></td><td style="text-align: right;">196 250</td></tr> <tr> <td>Salary:</td><td></td><td></td></tr> <tr> <td>Stokes</td><td style="text-align: right;">32 000</td><td></td></tr> <tr> <td>Ruhee</td><td style="text-align: right;">24 000</td><td style="text-align: right;">(56 000)(1)</td></tr> <tr> <td></td><td></td><td></td></tr> <tr> <td>Interest on capital:</td><td></td><td></td></tr> <tr> <td>Stokes</td><td style="text-align: right;">3 250</td><td></td></tr> <tr> <td>Morgan</td><td style="text-align: right;">3 250</td><td></td></tr> <tr> <td>Ruhee</td><td style="text-align: right;">3 250</td><td style="text-align: right;">(9 750)(1)</td></tr> <tr> <td></td><td></td><td style="text-align: right;">130 500</td></tr> <tr> <td>Share of profit:</td><td></td><td></td></tr> <tr> <td>Stokes 40%</td><td></td><td style="text-align: right;">52 200(1of)</td></tr> <tr> <td>Morgan 40%</td><td></td><td style="text-align: right;">52 200(1of)</td></tr> <tr> <td>Ruhee 20%</td><td></td><td style="text-align: right;">26 100(1of)</td></tr> <tr> <td></td><td></td><td style="text-align: right;">130 500</td></tr> </tbody> </table>		\$	\$	Profit for the year		191 085 (1)	Interest on drawings:			Stokes	1 825 (1)		Morgan	1 910 (1)		Ruhee	1 430 (1)	5 165			196 250	Salary:			Stokes	32 000		Ruhee	24 000	(56 000) (1)				Interest on capital:			Stokes	3 250		Morgan	3 250		Ruhee	3 250	(9 750) (1)			130 500	Share of profit:			Stokes 40%		52 200 (1of)	Morgan 40%		52 200 (1of)	Ruhee 20%		26 100 (1of)			130 500	(9)
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Question Number	Answer (AO2) 7 marks	Mark																																										
2(c)	<p>Award marks for correct figures as indicated. Award 1 mark for all correct dates and narratives.</p> <p style="text-align: center;">Ruhee Current Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>31 March 2017</td><td>Drawings</td><td>28 600 (1)</td><td>1 April 2016</td><td>Balance b/f</td><td>17 640</td></tr><tr><td></td><td>Interest on drawings</td><td>1 430 (1of)</td><td>31 March 2017</td><td>Interest on capital</td><td>3 250 (1of)</td></tr><tr><td></td><td>Balance c/d</td><td>40 960</td><td></td><td>Salary</td><td>24 000 (1)</td></tr><tr><td></td><td></td><td></td><td></td><td>Share of profit</td><td>26 100 (1of)</td></tr><tr><td></td><td></td><td><u>70 990</u></td><td></td><td></td><td><u>70 990</u></td></tr><tr><td></td><td></td><td></td><td>1 April 2017</td><td>Balance b/d</td><td>40 960 (1of for both)</td></tr></table>	Date	Details	\$	Date	Details	\$	31 March 2017	Drawings	28 600 (1)	1 April 2016	Balance b/f	17 640		Interest on drawings	1 430 (1of)	31 March 2017	Interest on capital	3 250 (1of)		Balance c/d	40 960		Salary	24 000 (1)					Share of profit	26 100 (1of)			<u>70 990</u>			<u>70 990</u>				1 April 2017	Balance b/d	40 960 (1of for both)	(7)
Date	Details	\$	Date	Details	\$																																							
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TOTAL FOR QUESTION 2 – 20 MARKS

Question Number	Answer (AO1) 4	Mark															
3(a)	Award 1 mark for each correct answer. <table border="1"> <thead> <tr> <th>Item of expenditure</th><th>Direct</th><th>Indirect</th></tr> </thead> <tbody> <tr> <td>Carriage inwards</td><td>✓</td><td></td></tr> <tr> <td>Delivery vehicle depreciation</td><td></td><td>✓</td></tr> <tr> <td>Factory supervisor's salary</td><td></td><td>✓</td></tr> <tr> <td>Production staff wages</td><td>✓</td><td></td></tr> </tbody> </table>	Item of expenditure	Direct	Indirect	Carriage inwards	✓		Delivery vehicle depreciation		✓	Factory supervisor's salary		✓	Production staff wages	✓		(4)
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Carriage inwards	✓																
Delivery vehicle depreciation		✓															
Factory supervisor's salary		✓															
Production staff wages	✓																

Question Number	Answer (AO3) 3	Mark
3(b)	Award 1 mark for each item. <p>Finished goods - would be shown as a reduction to cost of sales in the trading account (1).</p> <p>Work in progress - deducted to calculate the production cost of goods completed in the manufacturing account (1).</p> <p>Raw materials – part of prime cost in the manufacturing account (1).</p> <p>Accept other valid answers.</p>	(3)

Question Number	Answer (AO2) 3 marks	Mark																														
3(c)(i)	<p>Award marks for correct figures and understandable labels.</p> <p style="text-align: center;">Machinery Cost Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>1 April 2016</td><td>Balance b/d</td><td>188 500</td><td>1 March 2017</td><td>Disposal</td><td>8 600 (1)</td></tr><tr><td>1 February 2017</td><td>Bank</td><td>3 200 (1)</td><td>31 March 2017</td><td>Balance c/d</td><td>183 100</td></tr><tr><td></td><td></td><td><u>191 700</u></td><td></td><td></td><td><u>191 700</u></td></tr><tr><td>1 April 2017</td><td>Balance b/d</td><td>183 100 (1 for both)</td><td></td><td></td><td></td></tr></table>	Date	Details	\$	Date	Details	\$	1 April 2016	Balance b/d	188 500	1 March 2017	Disposal	8 600 (1)	1 February 2017	Bank	3 200 (1)	31 March 2017	Balance c/d	183 100			<u>191 700</u>			<u>191 700</u>	1 April 2017	Balance b/d	183 100 (1 for both)				(3)
Date	Details	\$	Date	Details	\$																											
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Question Number	Answer (AO2) 4 marks	Mark																								
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Date	Details	\$	Date	Details	\$																					
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Question Number	Answer (AO2) 5 marks	Mark																														
3(c) (iii)	<p>Award marks for correct figures and understandable labels.</p> <p>Machinery Accumulated Depreciation Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>1 March 2017</td><td>Disposal</td><td>2 150 (1)</td><td>1 April 2016</td><td>Balance b/f</td><td>36 150</td></tr><tr><td>31 March 2017</td><td>Balance c/d</td><td>71 275</td><td>31 March 2017</td><td>Depreciation expense</td><td>37 275 (3) W1</td></tr><tr><td></td><td></td><td><u>73 425</u></td><td></td><td></td><td><u>73 425</u></td></tr><tr><td></td><td></td><td></td><td>1 April 2017</td><td>Balance b/d</td><td>71 275 (1 of for both)</td></tr></table> <p>W1</p> <p>(183 100 (1) - 34 000(1)) x 25% = 37 275 (1)</p>	Date	Details	\$	Date	Details	\$	1 March 2017	Disposal	2 150 (1)	1 April 2016	Balance b/f	36 150	31 March 2017	Balance c/d	71 275	31 March 2017	Depreciation expense	37 275 (3) W1			<u>73 425</u>			<u>73 425</u>				1 April 2017	Balance b/d	71 275 (1 of for both)	(5)
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Question Number	Answer (AO2) 1 mark	Mark
3(d)	<p>Award mark for answer. Own figure from (c).</p> <p>111 825</p>	(1)

TOTAL FOR QUESTION 3 – 20 MARKS

Question Number	Answer (AO3) 4	Mark
4(a)(i)	<p>Award up to 4 marks for explanation.</p> <p>E.g.</p> <p>By maintaining an allowance for doubtful debts Ewa is recognising, based upon knowledge and experience, that not all trade receivables will pay (1) it will provide a realistic net trade receivables balance (1) and an accurate profit (1). It will ensure that financial statements reflect a true and fair position of the business (1).</p>	(4)

Question Number	Answer (AO1) 1	Mark
4(a)(ii)	<p>Award marks as indicated.</p> <p>Prudence (1)</p>	(1)

Question Number	Answer (AO2) 3	Mark																								
4(b)	<p>Award marks for correct figures and understandable labels.</p> <p style="text-align: center;">James Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>1 January 2016</td><td>Balance b/f</td><td>2 200</td><td>31 December 2016</td><td>Cashbook</td><td>600 (1 for both)</td></tr><tr><td>31 December 2016</td><td>Cashbook</td><td>600 (1)</td><td>31 December 2016</td><td>Irrecoverable debts</td><td>2 200 (1)</td></tr><tr><td></td><td></td><td><u>2 800</u></td><td></td><td></td><td><u>2 800</u></td></tr></table>	Date	Details	\$	Date	Details	\$	1 January 2016	Balance b/f	2 200	31 December 2016	Cashbook	600 (1 for both)	31 December 2016	Cashbook	600 (1)	31 December 2016	Irrecoverable debts	2 200 (1)			<u>2 800</u>			<u>2 800</u>	(3)
Date	Details	\$	Date	Details	\$																					
1 January 2016	Balance b/f	2 200	31 December 2016	Cashbook	600 (1 for both)																					
31 December 2016	Cashbook	600 (1)	31 December 2016	Irrecoverable debts	2 200 (1)																					
		<u>2 800</u>			<u>2 800</u>																					

Question Number	Answer (AO2) 6 marks	Mark																																																
4(c)(i)	<p>Award marks for correct figures and understandable labels.</p> <p style="text-align: center;">Trade Receivables Ledger Control Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>1 January 2016</td><td>Balance b/f</td><td>66 800</td><td>31 December 2016</td><td>Journal</td><td>2 200 (1)</td></tr><tr><td>31 December 2016</td><td>Sales daybook</td><td>180 950 (1)</td><td></td><td>Cashbook</td><td>186 160 (1 for both)</td></tr><tr><td></td><td>Cashbook</td><td>600 (1)</td><td></td><td>Cashbook</td><td>4 750</td></tr><tr><td></td><td></td><td></td><td></td><td>Journal</td><td>1 840 (1)</td></tr><tr><td></td><td></td><td></td><td></td><td>Balance c/d</td><td>53 400</td></tr><tr><td></td><td></td><td><u>248 350</u></td><td></td><td></td><td><u>248 350</u></td></tr><tr><td>1 January 2017</td><td>Balance b/d</td><td>53 400 (1 of for both)</td><td></td><td></td><td></td></tr></table>	Date	Details	\$	Date	Details	\$	1 January 2016	Balance b/f	66 800	31 December 2016	Journal	2 200 (1)	31 December 2016	Sales daybook	180 950 (1)		Cashbook	186 160 (1 for both)		Cashbook	600 (1)		Cashbook	4 750					Journal	1 840 (1)					Balance c/d	53 400			<u>248 350</u>			<u>248 350</u>	1 January 2017	Balance b/d	53 400 (1 of for both)				
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			<u>248 350</u>			<u>248 350</u>																																												
	1 January 2017	Balance b/d	53 400 (1 of for both)																																															
			(6)																																															

Question Number	Answer (AO2) 2	Mark												
4(c)(ii)	<p>Award marks for correct figures and understandable labels.</p> <p style="text-align: center;">Irrecoverable Debts Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>31 December 2016</td><td>James</td><td><u>2 200</u> (1)</td><td>31 December 2016</td><td>Income statement</td><td><u>2 200</u> (1)</td></tr></table>	Date	Details	\$	Date	Details	\$	31 December 2016	James	<u>2 200</u> (1)	31 December 2016	Income statement	<u>2 200</u> (1)	(2)
Date	Details	\$	Date	Details	\$									
31 December 2016	James	<u>2 200</u> (1)	31 December 2016	Income statement	<u>2 200</u> (1)									

Question Number	Answer (AO2) 4 marks	Mark																														
4(c)(iii)	<p>Award marks for correct figures and understandable labels.</p> <p style="text-align: center;">Allowance For Doubtful Debts Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>31 December 2016</td><td>Income statement</td><td>268 (1of)</td><td>1 January 2016</td><td>Balance b/f (66 800x 2%)</td><td>1 336 (1)</td></tr><tr><td></td><td>Balance c/d</td><td>1 068</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>1 336</u></td><td></td><td></td><td><u>1 336</u></td></tr><tr><td></td><td></td><td></td><td>1 January 2017</td><td>Balance b/d</td><td>1 068 (2/1of for both)</td></tr></table>	Date	Details	\$	Date	Details	\$	31 December 2016	Income statement	268 (1of)	1 January 2016	Balance b/f (66 800x 2%)	1 336 (1)		Balance c/d	1 068						<u>1 336</u>			<u>1 336</u>				1 January 2017	Balance b/d	1 068 (2/1of for both)	(4)
Date	Details	\$	Date	Details	\$																											
31 December 2016	Income statement	268 (1of)	1 January 2016	Balance b/f (66 800x 2%)	1 336 (1)																											
	Balance c/d	1 068																														
		<u>1 336</u>			<u>1 336</u>																											
			1 January 2017	Balance b/d	1 068 (2/1of for both)																											

TOTAL FOR QUESTION 4 – 20 MARKS

Question Number	Answer (AO1) 2	Mark
5(a)	Award 1 mark for each ratio identified <ul style="list-style-type: none"> Gross profit as a percentage of revenue (margin) Gross profit as a percentage of cost of goods sold (mark up) Net profit as a percentage of revenue Return on capital employed (ROCE) 	(2)

Question Number	Answer (AO1) 4	Mark										
5(b)	<p>Award marks as indicated.</p> <table><tr><th>Ratio</th><th>Formula</th></tr><tr><td>Liquid(Acid test)</td><td>Current assets less inventory: Current liabilities (1)</td></tr><tr><td>Accounts payables payments period</td><td>$\frac{\text{Trade payables}}{\text{Cost of sales}} \times 365$ (1)</td></tr><tr><td>Accounts receivables collection period</td><td>$\frac{\text{Trade receivables}}{\text{Revenue}} \times 365$ (1)</td></tr><tr><td>Current (working capital)</td><td>Current assets: Current liabilities (1)</td></tr></table>	Ratio	Formula	Liquid(Acid test)	Current assets less inventory: Current liabilities (1)	Accounts payables payments period	$\frac{\text{Trade payables}}{\text{Cost of sales}} \times 365$ (1)	Accounts receivables collection period	$\frac{\text{Trade receivables}}{\text{Revenue}} \times 365$ (1)	Current (working capital)	Current assets: Current liabilities (1)	(4)
Ratio	Formula											
Liquid(Acid test)	Current assets less inventory: Current liabilities (1)											
Accounts payables payments period	$\frac{\text{Trade payables}}{\text{Cost of sales}} \times 365$ (1)											
Accounts receivables collection period	$\frac{\text{Trade receivables}}{\text{Revenue}} \times 365$ (1)											
Current (working capital)	Current assets: Current liabilities (1)											

Question Number	Answer (AO4) 2	Mark
5(c)	Award up to 1 marks for analysing each ratio(up to maximum of 2) <p>Current (working capital) ratio- The current (working capital) ratio will worsen/decrease (1) as the value of current assets will fall.</p> <p>Liquid (acid test) ratio- It will have no effect (1) on the liquid (acid test) ratio as inventory is not included in current assets used in the calculation of the ratio.</p>	(2)

Question Number	Answer (AO4) 2	Mark
5(d)	<p>Award 1 mark for identification and 1 for justification up to a maximum of 2 marks.</p> <p>The decrease in the company's bank balance may be because the accounts receivables collection period has increased (1) so the company is not receiving money as quickly as previously (1).</p> <p>The accounts payables payments period has decreased (1) which means that the company is paying their payables earlier, so money from the bank is leaving faster (1).</p> <p>Accept any other valid responses.</p>	(2)

TOTAL FOR QUESTION 5 – 10 MARKS