



Mark Scheme

March 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.

Question Number	Answer AO1 (4)	Mark						
1(a)	Award marks as indicated.							
	<table><tr><th>Error</th><th>Type of error</th></tr><tr><td>A (1)</td><td>Commission (1)</td></tr><tr><td>C (1)</td><td>Omission (1)</td></tr></table>	Error	Type of error	A (1)	Commission (1)	C (1)	Omission (1)	(4)
Error	Type of error							
A (1)	Commission (1)							
C (1)	Omission (1)							

Question Number	Answer (AO2) 11	Mark																																				
1(b)	Award marks for each correct details and amount in combination. <table border="1"> <thead> <tr> <th>Account</th><th>Debit \$</th><th>Credit \$</th></tr> </thead> <tbody> <tr> <td>Gayle</td><td>360 (1)</td><td></td></tr> <tr> <td>Gail</td><td></td><td>360 (1)</td></tr> <tr> <td>Sales</td><td>100 (1)</td><td></td></tr> <tr> <td>Suspense</td><td></td><td>100 (1)</td></tr> <tr> <td>Purchases</td><td>485 (1)</td><td></td></tr> <tr> <td>George</td><td></td><td>485 (1)</td></tr> <tr> <td>Bank</td><td>1 640 (1)</td><td></td></tr> <tr> <td>Suspense</td><td></td><td>1 640 (1)</td></tr> <tr> <td>Suspense</td><td>172 (1)</td><td></td></tr> <tr> <td>Interest paid</td><td></td><td>86 (1)</td></tr> <tr> <td>Interest received</td><td></td><td>86 (1)</td></tr> </tbody> </table>	Account	Debit \$	Credit \$	Gayle	360 (1)		Gail		360 (1)	Sales	100 (1)		Suspense		100 (1)	Purchases	485 (1)		George		485 (1)	Bank	1 640 (1)		Suspense		1 640 (1)	Suspense	172 (1)		Interest paid		86 (1)	Interest received		86 (1)	(11)
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Question Number	Answer AO2 (5)	Mark																				
1(c)	<p>Award marks for each correct detail and amount in combination.</p> <p style="text-align: center;">Suspense Account</p> <table><tr><td></td><td style="text-align: center;">\$</td><td></td><td style="text-align: center;">\$</td></tr><tr><td>Balance b/d</td><td style="text-align: center;">1 568 (1of)</td><td>Sales</td><td style="text-align: center;">100 (1)</td></tr><tr><td>Interest paid</td><td style="text-align: center;">86 (1)</td><td>Bank</td><td style="text-align: center;">1 640 (1)</td></tr><tr><td>Interest received</td><td style="text-align: center;">86 (1)</td><td></td><td></td></tr><tr><td></td><td style="text-align: center;">1 740</td><td></td><td style="text-align: center;">1740</td></tr></table>		\$		\$	Balance b/d	1 568 (1of)	Sales	100 (1)	Interest paid	86 (1)	Bank	1 640 (1)	Interest received	86 (1)				1 740		1740	(5)
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Interest received	86 (1)																					
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TOTAL FOR QUESTION 1 – 20 MARKS

Question Number	Answer (AO2) 9	Mark																														
2(a)	<p>Award marks for all correct elements in combination.</p> <p style="text-align: center;">Tete Ltd Statement of changes in equity for the year ended 31 January 2017</p> <table><tr><th></th><th>Share capital \$</th><th>Share premium \$</th><th>Retained earnings \$</th><th>Total \$</th></tr><tr><td>Balance at 1 February 2016</td><td>85 000</td><td></td><td>87 370</td><td>172 370 (1)</td></tr><tr><td>Profit for the year</td><td></td><td></td><td>121 400 (1)</td><td>121 400</td></tr><tr><td>Dividends</td><td></td><td></td><td>(6 850) (1)</td><td>(6 850)</td></tr><tr><td>Issue of share capital</td><td>10 000 (1)</td><td>5 000 (1)</td><td></td><td>15 000</td></tr><tr><td>Balance at 31 January 2017</td><td>95 000 (1)</td><td>5 000 (1)</td><td>201 920 (1)</td><td>301 920 (1of)</td></tr></table>		Share capital \$	Share premium \$	Retained earnings \$	Total \$	Balance at 1 February 2016	85 000		87 370	172 370 (1)	Profit for the year			121 400 (1)	121 400	Dividends			(6 850) (1)	(6 850)	Issue of share capital	10 000 (1)	5 000 (1)		15 000	Balance at 31 January 2017	95 000 (1)	5 000 (1)	201 920 (1)	301 920 (1of)	(9)
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Question Number	Answer (AO3) 2	Mark
2(b)	<p>Award up to 2 marks for explanation.</p> <p>The company is a separate legal entity from its owners (1). The maximum amount of a shareholders liability is the amount of money they have invested (1).</p>	(2)

Question Number	Answer (AO1) 2	Mark
2(c) (i)	<p>Award marks as shown. 1 mark for each feature (Maximum 2).</p> <p>Voting rights: Preference shareholders generally do not have voting rights (1).</p> <p>Return of capital: In the event of company winding up preference shareholders are paid before ordinary shareholders. (1)</p> <p>Dividends: Preference shareholders generally have a fixed dividend. (1)</p> <p>Accept any other valid responses.</p>	(2)

Question Number	Answer (AO1) 2	Mark
2(c) (ii)	<p>Award marks as shown. 1 mark for each feature (Maximum 2).</p> <p>A plc can offer shares to the general public. (1)</p> <p>A plc must have a minimum authorised share capital. (1)</p> <p>Accept any other valid responses.</p>	(2)

TOTAL FOR QUESTION 2 – 15 MARKS

Question Number	Answer (AO2) 5	Mark																				
3(a)	<p>Award marks for correct details and amounts in combination.</p> <p style="text-align: center;">Revaluation Account</p> <table><tr><td>Inventory</td><td>1 500 (1)</td><td>Property plant and equipment</td><td>51 940 (1)</td></tr><tr><td>Trade receivables</td><td>650 (1)</td><td></td><td></td></tr><tr><td>Capital - Amanda</td><td>24 895 (1of)</td><td></td><td></td></tr><tr><td>Capital - Barry</td><td>24 895 (1of)</td><td></td><td></td></tr><tr><td></td><td>51 940</td><td></td><td>51 940</td></tr></table>	Inventory	1 500 (1)	Property plant and equipment	51 940 (1)	Trade receivables	650 (1)			Capital - Amanda	24 895 (1of)			Capital - Barry	24 895 (1of)				51 940		51 940	(5)
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	51 940		51 940																			

Question Number	Answer (AO2) 8										Mark
3(b)	Award marks for correct details and amounts in combination										
	Capital Account										
	Date	Details	Amanda \$	Barry \$	Charles \$	Date	Details	Amanda \$	Barry \$	Charles \$	
	1 Feb	Goodwill	16 000 (1)	16 000 (1)	8 000 (1)	31 Jan	Balance b/f	50 000	70 000		
	1 Feb	Balance c/d	78 895	98 895	44 300	1 Feb	Revaluation	24 895	24 895	(1of for row)	
						1 Feb	Goodwill	20 000 (1)	20 000 (1)		
						1 Feb	Bank			30 000	
						1 Feb	Bank goodwill			8 000	
						1 Feb	Motor vehicle			14 300	
			78 895	98 895	52 300			78 895	98 895	52 300	
						2 Feb	Balance b/d	78 895	98 895	44 300 (1 mark for both)	
										(8)	

Question Number	Answer (AO2) 10	Mark																																																																											
3(c)	<p>Award marks for all correct elements in combination.</p> <p style="text-align: center;">Amanda, Barry and Charles Statement of financial position at 1 February 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>Assets</td><td></td><td></td></tr> <tr> <td>Non – current assets</td><td></td><td>Carrying value</td></tr> <tr> <td>Property plant and equipment</td><td></td><td>195 000</td></tr> <tr> <td>Motor Vehicles</td><td></td><td><u>14 300</u></td></tr> <tr> <td></td><td></td><td>209 300(1)</td></tr> <tr> <td>Current Assets</td><td></td><td></td></tr> <tr> <td>Inventory</td><td>17 463(1)</td><td></td></tr> <tr> <td>Trade receivables</td><td>28 794(2)</td><td></td></tr> <tr> <td>Cash and cash equivalents</td><td><u>52 119(3)</u></td><td></td></tr> <tr> <td></td><td></td><td><u>98 376</u></td></tr> <tr> <td>Total Assets</td><td></td><td><u>307 676</u>(of)</td></tr> <tr> <td>Equity and Liabilities</td><td></td><td></td></tr> <tr> <td>Capital accounts:</td><td></td><td></td></tr> <tr> <td>Amanda</td><td>78 895</td><td></td></tr> <tr> <td>Barry</td><td>98 895</td><td></td></tr> <tr> <td>Charles</td><td><u>44 300</u></td><td></td></tr> <tr> <td></td><td>(1 of for all)</td><td>222 090</td></tr> <tr> <td>Current accounts:</td><td></td><td></td></tr> <tr> <td>Amanda</td><td>15 840</td><td></td></tr> <tr> <td>Barry</td><td><u>16 910</u></td><td></td></tr> <tr> <td></td><td>(1 for all)</td><td>32 750</td></tr> <tr> <td>Current Liabilities</td><td></td><td></td></tr> <tr> <td>Trade payables</td><td></td><td><u>52 836(1)</u></td></tr> <tr> <td>Total equity and liabilities</td><td></td><td><u>307 676</u>(of)</td></tr> </tbody> </table> <p>Workings:</p> <p>29 444 (1) – 650 = 28 794 (1)</p> <p>14 119 (1) + 30 000 (1) + 8 000 (1) = 52 119</p>		\$	\$	Assets			Non – current assets		Carrying value	Property plant and equipment		195 000	Motor Vehicles		<u>14 300</u>			209 300 (1)	Current Assets			Inventory	17 463 (1)		Trade receivables	28 794 (2)		Cash and cash equivalents	<u>52 119(3)</u>				<u>98 376</u>	Total Assets		<u>307 676</u> (of)	Equity and Liabilities			Capital accounts:			Amanda	78 895		Barry	98 895		Charles	<u>44 300</u>			(1 of for all)	222 090	Current accounts:			Amanda	15 840		Barry	<u>16 910</u>			(1 for all)	32 750	Current Liabilities			Trade payables		<u>52 836(1)</u>	Total equity and liabilities		<u>307 676</u> (of)	(10)
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Question Number	Answer (AO1) 3	Mark
3(d)	<p>Award 1 mark for each up to maximum of 3 marks.</p> <p>E.g.</p> <ul style="list-style-type: none"> • No interest allowed on capital • Profits/losses shared equally • No salaries • Loans/advances, beyond original capital invested, and entitled to interest of 5% per annum. • No interest charged on drawings 	(3)

Question Number	Answer (AO3) 4	Mark
3(e)	<p>Award marks as shown.</p> <p>Interest on drawing is charged to discourage partners from taking money out of the business (1) which could be used for other purposes (1).</p> <p>In the appropriation account the interest on drawings is added onto profit for the year (1). In the individual partners current account it is recorded as a debit entry (1).</p>	(4)

TOTAL FOR QUESTION 3 – 30 MARKS

Question Number	Answer (AO2) 4	Mark																																	
4(a)	<p>Award marks for all correct elements in combination.</p> <p style="text-align: center;">Restormel golf club Clubhouse income statement for the year ended 31 January 2017</p> <table border="1"> <thead> <tr> <th></th><th style="text-align: right;">\$</th><th style="text-align: right;">\$</th></tr> </thead> <tbody> <tr> <td>Income</td><td></td><td style="text-align: right;">103 824</td></tr> <tr> <td>Cost of sales</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">18 160</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">68 630 (2)</td><td></td></tr> <tr> <td></td><td style="text-align: right;">86 790</td><td></td></tr> <tr> <td>Closing inventory</td><td style="text-align: right;">16 450</td><td style="text-align: right;">70 340</td></tr> <tr> <td>Gross Profit</td><td></td><td style="text-align: right;">33 484 (1of)</td></tr> <tr> <td>Less expenses:</td><td></td><td></td></tr> <tr> <td>Clubhouse staff wages</td><td></td><td style="text-align: right;">21 195</td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;">12 289 (1of)</td></tr> </tbody> </table> <p>Workings: 68 400 (1) + 6 150 – 5 920 = 68 630 (1)</p>		\$	\$	Income		103 824	Cost of sales			Opening inventory	18 160		Purchases	68 630 (2)			86 790		Closing inventory	16 450	70 340	Gross Profit		33 484 (1of)	Less expenses:			Clubhouse staff wages		21 195	Profit for the year		12 289 (1of)	(4)
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Question Number	Answer (AO2) 6						Mark
4(b)	Award marks for correct details and amounts in combination.						
	Subscriptions Account						
	1 Feb 16	Balance b/f	4 200 (1)	1 Feb 16	Balance b/f	4 950 (1)	
	31 Jan 17	Income and expenditure account	126 850 (1of)	31 Jan 17	Bank	124 550 (1)	
	31 Jan 17	Balance c/d	2 300	31 Jan 17	Balance c/d	3 850	
			<u>133 350</u>			<u>133 350</u>	
	1 Feb 17	Balance b/d	3 850 (1 mark for both bal c/d and bal b/d entry being the same)	1 Feb 17	Balance b/d	2 300 (1 mark for both bal c/d and bal b/d entry being the same)	
							(6)

Question Number	Answer (AO2) 8	Mark																																				
4(c)	<p>Award marks for all correct elements in combination.</p> <p style="text-align: center;">Restormel golf club Income and expenditure account for the year ended 31 January 2017</p> <table border="1"> <thead> <tr> <th></th><th>\$</th><th>\$</th></tr> </thead> <tbody> <tr> <td>Income:</td><td></td><td></td></tr> <tr> <td>Subscriptions</td><td></td><td>126 850</td></tr> <tr> <td>Clubhouse profit</td><td></td><td>12 289</td></tr> <tr> <td></td><td></td><td>139 139 (1of)</td></tr> <tr> <td>Less expenditure:</td><td></td><td></td></tr> <tr> <td>Depreciation</td><td>13 276 (3)</td><td></td></tr> <tr> <td>General expenses</td><td>61 415</td><td></td></tr> <tr> <td>Light and heat</td><td>3 960 (2)</td><td></td></tr> <tr> <td>Loss on disposal</td><td>820 (1)</td><td></td></tr> <tr> <td>Wages groundsmen</td><td>24 240</td><td>103 711</td></tr> <tr> <td>Surplus of income over expenditure</td><td></td><td>35 428 (1of)</td></tr> </tbody> </table> <p>Workings:</p> <p>Light and heat: 3 840 (1) – 590 + 710 (1) = 3 960</p> <p>Depreciation: [(59 200 – 2 120) (1) + 9 300 (1)] x 20% = 13 276 (1of) (91 300 – 27 300) (1) x 20% = 12 800 (1) 91 300 x 20% = 18 260 (1)</p>		\$	\$	Income:			Subscriptions		126 850	Clubhouse profit		12 289			139 139 (1of)	Less expenditure:			Depreciation	13 276 (3)		General expenses	61 415		Light and heat	3 960 (2)		Loss on disposal	820 (1)		Wages groundsmen	24 240	103 711	Surplus of income over expenditure		35 428 (1of)	(8)
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Question Number	Answer (AO3) 2	Mark
4(d)	<p>Award up to 2 marks for explanation.</p> <p>Subscriptions in advance are shown for in the statement of financial position as a current liability (1) whereas subscription in arrears are shown as a current asset (1).</p>	(2)

TOTAL FOR QUESTION 4 – 20 MARKS

Question Number	Answer (AO2) 6 marks	Mark												
5(a)	<p>Award one mark for each correct figure as indicated (up to a maximum of 6).</p> <table border="1"> <thead> <tr> <th></th><th>2015</th><th>2016</th></tr> </thead> <tbody> <tr> <td>Gross profit as a percentage of revenue (margin)</td><td>128 400/191 000 =67.23% (1)</td><td>154 040/244 000 =63.13% (1)</td></tr> <tr> <td>Net profit as a percentage of revenue</td><td>63 260/191 000 =33.12% (1)</td><td>66 750/244 000 =27.36% (1)</td></tr> <tr> <td>Return on capital employed</td><td>63 260/ 124 000 =51.02% (1)</td><td>66 750/ 191 000 = 34.95% (1)</td></tr> </tbody> </table>		2015	2016	Gross profit as a percentage of revenue (margin)	128 400/191 000 =67.23% (1)	154 040/244 000 =63.13% (1)	Net profit as a percentage of revenue	63 260/191 000 =33.12% (1)	66 750/244 000 =27.36% (1)	Return on capital employed	63 260/ 124 000 =51.02% (1)	66 750/ 191 000 = 34.95% (1)	(6)
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Return on capital employed	63 260/ 124 000 =51.02% (1)	66 750/ 191 000 = 34.95% (1)												

Question Number	Answer (AO3) 6	Mark
5(b)	<p>Award up to 2 marks for analysing each ratio(up to maximum of 6)</p> <p>Gross profit percentage has worsened from 2015 to 2016. This may be due to decrease in the selling price (1) without a similar decrease in the cost price (1).</p> <p>Net profit margin has worsened significantly in 2016 when compared to 2015. This could be caused by the company not keeping control over its overhead expenditure (1) without a subsequent increase in the selling price (1).</p> <p>Return on capital employed has decreased. This decrease could be due to an increase in non-current liabilities / an increase in equity (1) without a corresponding increase in profit for the year (1).</p>	(6)

Question Number	Answer (AO1) 3	Mark
5(c)	<p>Award 1 mark for each correct liquidity ratio up to a maximum of 3 marks.</p> <ul style="list-style-type: none"> • Current (working capital) ratio • Liquid (acid test) ratio • Accounts receivables collection period • Accounts payable payment period • Rate of inventory turnover 	(3)

TOTAL FOR QUESTION 5 – 15 MARKS