



Mark Scheme

April 2017
Results

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

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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.

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(2)	Mark
1(a)	<p>Award 1 mark for each objective (Max 2).</p> <p>E.g.</p> <ul style="list-style-type: none"> • Survival against competition (1) • Growth of sales and market share (1) • Provide good quality goods and services (1) • Developing a skilled workforce (1) <p>Accept any other valid responses.</p>	(2)

Question Number	AO1(4)	Mark
1(b)	<p>Award 1 mark as for each identified error (Max 4).</p> <ul style="list-style-type: none"> • Error of principle (1) • Error of commission (1) • Error of omission (1) • Error of original entry (1) • Error of reversal entry (1) • Error of compensation (1) 	(4)

Question Number	AO1(2)	Mark
1(c)	<p>Award marks as indicated.</p> <p>Inventory is valued at lower of cost and net realisable value (1).</p>	(1)

Question Number	AO3(2)	Mark
1(d)(i)	<p>Award 1 mark for identifying the concept and 1 mark for explaining.</p> <p>The allowance for doubtful debts is an application of prudence concept (1). The allowance for doubtful debts is created as a provision to provide for any anticipated losses (1).</p>	(2)

Question Number	AO2 (2)	Mark
1(d)(ii)	<p>Award marks as indicated</p> <p>Allowance for doubtful debts $= (\\$75\,750 - \\$750 \text{ (1)}) \times 5\% = \\$3\,750 \text{ (1of)}$</p>	(2)

Question Number	AO2 (2)	Mark									
1(d)(iii)	<p>Award 1 mark for combination of account name and amount.</p> <table border="1"> <thead> <tr> <th>Account name</th><th>Debit \$</th><th>Credit \$</th></tr> </thead> <tbody> <tr> <td>Allowance for doubtful debts</td><td>500 (1of)</td><td></td></tr> <tr> <td>Allowance for doubtful debts-adjustments</td><td></td><td>500 (1of)</td></tr> </tbody> </table>	Account name	Debit \$	Credit \$	Allowance for doubtful debts	500 (1of)		Allowance for doubtful debts-adjustments		500 (1of)	(2)
Account name	Debit \$	Credit \$									
Allowance for doubtful debts	500 (1of)										
Allowance for doubtful debts-adjustments		500 (1of)									

Question Number	AO3(2)	Mark
1(e)	<p>Award 1 mark as indicated.</p> <p>Tim's responsibility is to report the company to the authorities (1) as it is not safe to dispose of the chemical waste into a river. Disposing of chemical waste into a river puts the public/environment at a risk according to the concept of public interest (1).</p> <p>Additional Guidance Accept breach of confidentiality to protect public interest. (1)</p>	(2)

TOTAL FOR QUESTION 1 – 15 MARKS

Question Number	AO2(3)	Mark																				
2(a)(i)	<p>Award marks as indicated in combination of details and figure.</p> <p style="text-align: center;">Trade Receivables Control Account</p> <table><tr><th>Details</th><th>\$</th><th>Details</th><th>\$</th></tr><tr><td>Balance b/d</td><td>4 550</td><td>Bank</td><td>114 450 (1)</td></tr><tr><td>Credit sales</td><td>116 000 (1)</td><td>Balance c/d</td><td>6 100</td></tr><tr><td></td><td>120 550</td><td></td><td>120550</td></tr><tr><td>Balance b/d</td><td>6 100 (1 for both)</td><td></td><td></td></tr></table>	Details	\$	Details	\$	Balance b/d	4 550	Bank	114 450 (1)	Credit sales	116 000 (1)	Balance c/d	6 100		120 550		120550	Balance b/d	6 100 (1 for both)			<div>(3)</div>
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Question Number	AO2(3)	Mark																				
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Question Number	AO2(4)	Mark																																				
2(a)(iii)	<p>Award marks as indicated in combination of details and figure.</p> <p style="text-align: center;">Cash Account</p> <table><tr><th>Details</th><th>\$</th><th>Details</th><th>\$</th></tr><tr><td>Balance b/d</td><td>720</td><td>Bank</td><td>11 540</td></tr><tr><td>Cash sales</td><td>29 000 (1)</td><td>Wages</td><td>2 400</td></tr><tr><td></td><td></td><td>Purchases</td><td>3 600</td></tr><tr><td></td><td></td><td>Drawings</td><td>5 200</td></tr><tr><td></td><td></td><td>Cash stolen (Balancing figure)</td><td>6 500 (1of)</td></tr><tr><td></td><td></td><td>Balance c/d</td><td>480</td></tr><tr><td></td><td>29 720</td><td></td><td>29 720</td></tr><tr><td>Balance b/d</td><td>480 (1 for both)</td><td></td><td></td></tr></table>	Details	\$	Details	\$	Balance b/d	720	Bank	11 540	Cash sales	29 000 (1)	Wages	2 400			Purchases	3 600			Drawings	5 200			Cash stolen (Balancing figure)	6 500 (1of)			Balance c/d	480		29 720		29 720	Balance b/d	480 (1 for both)			(4)
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2(b)	<p>Award marks for correct figure with understandable labels.</p> <table> <tr> <th colspan="3"> Tamana Statement of profit or loss for the year ended 31 March 2017 </th></tr> <tr> <th></th><th>\$</th><th>\$</th></tr> <tr> <td>Revenue</td><td></td><td>W1145 000 (2of)</td></tr> <tr> <td>Less Cost of sales</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td>8 000</td><td></td></tr> <tr> <td>Purchases</td><td>W2124 510 (1)</td><td></td></tr> <tr> <td>Drawings</td><td>(510) (1)</td><td></td></tr> <tr> <td>Closing inventory</td><td>(16 000)</td><td></td></tr> <tr> <td></td><td></td><td>(116 000)</td></tr> <tr> <td>Gross profit</td><td></td><td>29 000 (1of with label)</td></tr> <tr> <td>Less expenses</td><td></td><td></td></tr> <tr> <td>Rent W3</td><td>7 750 (2)</td><td></td></tr> <tr> <td>Electricity W4</td><td>1 870 (2)</td><td></td></tr> <tr> <td>Wages and salaries W5</td><td>19 900 (1)</td><td></td></tr> <tr> <td>Depreciation charge: Fixtures and fittings W6</td><td>1 500 (1)</td><td></td></tr> <tr> <td>Motor vehicle W7</td><td>2 000 (1)</td><td></td></tr> <tr> <td>Motor van expenses</td><td>3 500</td><td rowspan="3">(1for all three)</td></tr> <tr> <td>General expenses</td><td>7 500</td></tr> <tr> <td>Insurance</td><td>5 500</td></tr> <tr> <td>Cash stolen</td><td>6 500 (1of)</td><td></td></tr> <tr> <td>Loss on disposal of computers W8</td><td>1 050 (1)</td><td></td></tr> <tr> <td></td><td></td><td>(57 070)</td></tr> <tr> <td>Loss for the year</td><td></td><td>28 070 (1of with label)</td></tr> </table>	Tamana Statement of profit or loss for the year ended 31 March 2017				\$	\$	Revenue		W1145 000 (2of)	Less Cost of sales			Opening inventory	8 000		Purchases	W2124 510 (1)		Drawings	(510) (1)		Closing inventory	(16 000)				(116 000)	Gross profit		29 000 (1of with label)	Less expenses			Rent W3	7 750 (2)		Electricity W4	1 870 (2)		Wages and salaries W5	19 900 (1)		Depreciation charge: Fixtures and fittings W6	1 500 (1)		Motor vehicle W7	2 000 (1)		Motor van expenses	3 500	(1for all three)	General expenses	7 500	Insurance	5 500	Cash stolen	6 500 (1of)		Loss on disposal of computers W8	1 050 (1)				(57 070)	Loss for the year		28 070 (1of with label)	
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	<p>W1 \$116 000(1) + \$29 000(1) Or \$116 000 (1) x 100/80 (1)</p> <p>W2 \$120 910 (1) + \$3 600 (1)</p> <p>W3 \$7 500 (1) + 700 - 450=7 750(1of)</p> <p>W4 \$2 240 (1) – 600 + 230=1 870(1of)</p> <p>W5 \$17 500 + \$2 400 = \$19 900 (1)</p> <p>W6 \$13 500 – \$12 000 = \$1 500 (1)</p> <p>W7 \$20 000 – \$18 000 = \$2 000 (1)</p> <p>W8 \$14 000 – \$12 950 = \$1 050 (1)</p>	(17)
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TOTAL FOR QUESTION 2 – 27 MARKS

Question Number	AO2(11)	Mark																																													
3(a)	<p>Award marks as indicated.</p> <table border="1"> <thead> <tr> <th colspan="3">Roma, Sam and Tyla Appropriation account for the year ended 30 June 2016</th> </tr> </thead> <tbody> <tr> <td></td><td></td><td>\$</td></tr> <tr> <td>Profit for the year</td><td></td><td>84 000 (1)</td></tr> <tr> <td>Interest on capital</td><td></td><td></td></tr> <tr> <td>Roma</td><td></td><td>(18 000) (1)</td></tr> <tr> <td>Sam</td><td></td><td>(12 000) (1)</td></tr> <tr> <td>Tyla</td><td></td><td>(6 000) (1)</td></tr> <tr> <td>Salaries</td><td></td><td></td></tr> <tr> <td>Roma</td><td></td><td>(24 000)</td></tr> <tr> <td>Sam</td><td>(1 for all three)</td><td>(24 000)</td></tr> <tr> <td>Tyla</td><td></td><td>(24 000)</td></tr> <tr> <td>Loss available for distribution</td><td></td><td>(24 000)</td></tr> <tr> <td>Roma</td><td></td><td>(12 000) (1of)</td></tr> <tr> <td>Sam</td><td></td><td>(6 000) (1of)</td></tr> <tr> <td>Tyla</td><td></td><td>(6 000) (1of)</td></tr> </tbody> </table>	Roma, Sam and Tyla Appropriation account for the year ended 30 June 2016					\$	Profit for the year		84 000 (1)	Interest on capital			Roma		(18 000) (1)	Sam		(12 000) (1)	Tyla		(6 000) (1)	Salaries			Roma		(24 000)	Sam	(1 for all three)	(24 000)	Tyla		(24 000)	Loss available for distribution		(24 000)	Roma		(12 000) (1of)	Sam		(6 000) (1of)	Tyla		(6 000) (1of)	(8)
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Question Number	AO1(1)& AO2(6)							Mark	
3(b)(i)	Award marks as indicated in combination of details and figure.								
	Current Accounts								
	Details	Roma \$	Sam \$	Tyla \$	Details	Roma \$	Sam \$		Tyla \$
	Drawings(1 for all three)	25 000	14 000	17 000	Balance b/d (1 for all three)	15 000	4 000		3 000
	Loss share(1of for all three)	12 000	6 000	6 000	Interest on capital(1of for all three)	18 000	12 000		6 000
	Capital account	20 000 (1)			Salaries(1of for all three)	24 000	24 000		24 000
	Balance c/d		20 000	10 000					
		57 000	40 000	33 000		57 000	40 000		33 000
					Balance b/d(1of for both)		20 000		10 000
									(7)

Question Number	AO1(1)& AO2(7)							Mark	
3(b)(ii)	Award marks as indicated in combination of details and figure.								
	Capital Accounts								
		Roma \$	Sam \$	Tyla \$		Roma \$	Sam \$		Tyla \$
	Goodwill		15 000 (1)	15 000 (1)	Balance b/d (1 for all three)	150 000	100 000		50 000
	Loan	100 000 (1)			Goodwill	15 000 (1)	7 500 (1)		7 500 (1)
	Bank	107 000 (1of)			Profit on revaluation (1 for all three)	22 000	11 000		11 000
	Balance c/d		103 500	53 500	Current account	20 000 (1of)			
		207 000	118 500	68 500		207 000	118 500		68 500
					Balance b/d (1of for both)		103 500		53 500
								(11)	

TOTAL FOR QUESTION 3 – 26 MARKS

Question Number	AO2(3)	Mark																
4(a)	<p>Award marks as indicated.</p> <table><tr><td></td><td>31 December 2016</td></tr><tr><td></td><td>\$000</td></tr><tr><td>Land and building- cost</td><td>30 250</td></tr><tr><td>Land and buildings - accumulated depreciation</td><td>4 025 (1)</td></tr><tr><td>Machinery-cost</td><td>7 400</td></tr><tr><td>Machinery-accumulated depreciation</td><td>5 195 (1)</td></tr><tr><td>Motor vehicles-cost</td><td>2 000</td></tr><tr><td>Motor vehicles -accumulated depreciation</td><td>880 (1)</td></tr></table>		31 December 2016		\$000	Land and building- cost	30 250	Land and buildings - accumulated depreciation	4 025 (1)	Machinery-cost	7 400	Machinery-accumulated depreciation	5 195 (1)	Motor vehicles-cost	2 000	Motor vehicles -accumulated depreciation	880 (1)	
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(3)

Question Number	AO1(6)	Mark
4(b)	<p>Award marks as indicated.</p> <p>E.g.</p> <ul style="list-style-type: none"> • Depreciation charge for the year (1) • Profit/Loss on disposal (1) • Change in inventory (1) • Change in trade receivables (1) • Change in trade payables (1) • Interest paid (1) • Tax paid (1) <p>Accept other valid responses.</p>	(6)

Question Number	AO2(11)	Mark																																																			
4(c)	<p>Award marks for correct figures with understandable labels.</p> <table border="1"> <thead> <tr> <th colspan="3">Toon Ltd</th> </tr> <tr> <th colspan="3">Statement of cash flows for the year ended 31 December 2016.</th> </tr> <tr> <th></th><th>\$'000</th><th>\$'000</th></tr> </thead> <tbody> <tr> <td>Net cash from operating activities</td><td></td><td>1 100</td></tr> <tr> <td>Investing activities</td><td></td><td></td></tr> <tr> <td>Acquisition of land and buildings W1</td><td>(2 750) (3of)</td><td></td></tr> <tr> <td>Acquisition of motor vehicles W2</td><td>(500) (1)</td><td></td></tr> <tr> <td>Disposal of machinery</td><td>375 (1)</td><td></td></tr> <tr> <td>Net cash used in investing activities</td><td></td><td>(2 875) (1)</td></tr> <tr> <td>Financing activities</td><td></td><td></td></tr> <tr> <td>Issue of shares</td><td>2 200 (1)</td><td></td></tr> <tr> <td>Repayment of loan</td><td>(25) (1)</td><td></td></tr> <tr> <td>Dividend paid</td><td>(500) (1)</td><td></td></tr> <tr> <td>Net cash from financing activities</td><td></td><td>1 675 (1)</td></tr> <tr> <td>Net decrease in cash and cash equivalents during the year</td><td></td><td>(100)</td></tr> <tr> <td>Cash and cash equivalents at the beginning of the year</td><td></td><td>78</td></tr> <tr> <td>Cash and cash equivalents at the end of the year</td><td></td><td>(22)</td></tr> </tbody> </table> <p>W1 Acquisition land and buildings $= \\$((30\,250 \text{ (1)} - 22\,500 = 7\,750) \text{ (1)} - 5\,000 = \\$2\,750 \text{ (1of)})$ Or $29\,550 - 23\,200 = 6\,350 \text{ (1)} + 350 \text{ (1)} + 1\,550 \text{ (1)} - 5\,000 = 3\,250 \text{ (1of)}$ Or</p>	Toon Ltd			Statement of cash flows for the year ended 31 December 2016.				\$'000	\$'000	Net cash from operating activities		1 100	Investing activities			Acquisition of land and buildings W1	(2 750) (3of)		Acquisition of motor vehicles W2	(500) (1)		Disposal of machinery	375 (1)		Net cash used in investing activities		(2 875) (1)	Financing activities			Issue of shares	2 200 (1)		Repayment of loan	(25) (1)		Dividend paid	(500) (1)		Net cash from financing activities		1 675 (1)	Net decrease in cash and cash equivalents during the year		(100)	Cash and cash equivalents at the beginning of the year		78	Cash and cash equivalents at the end of the year		(22)	
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	\$000		\$000
Balance b/d	23 200*	Disposal	350 (1)
Revaluation	5 000	Depreciation Charge	1 550 (1)
Acquisition	3 250 (1of)	Balance c/d	29 550
	31 450		31 450
Balance b/d	29 550* (1 for both)		

W2
Acquisition of motor vehicles=\$ 2 000 000-\$1 500 000=\$500 000**(1)**

Additional Guidance
Award Acquisition 3 250 000 4 marks

(11)

TOTAL FOR QUESTION 4 – 20 MARKS

Question Number	AO1 (3)	Mark												
5(a)	<p>Award 1 mark for correct answer.</p> <table border="1"> <thead> <tr> <th>Stakeholder</th><th>Category of ratio</th><th>Reason</th></tr> </thead> <tbody> <tr> <td>Employee</td><td>Profitability</td><td>To assess whether they are going to get pay rise/bonus (1)</td></tr> <tr> <td>Suppliers</td><td>Liquidity</td><td>To assess the ability of the business to pay their short term debts (1)</td></tr> <tr> <td>Competitors</td><td>Efficiency</td><td>To assess and compare the performance of a rival business to develop strategies (1)</td></tr> </tbody> </table> <p>Accept any other appropriate responses.</p>	Stakeholder	Category of ratio	Reason	Employee	Profitability	To assess whether they are going to get pay rise/bonus (1)	Suppliers	Liquidity	To assess the ability of the business to pay their short term debts (1)	Competitors	Efficiency	To assess and compare the performance of a rival business to develop strategies (1)	(3)
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Competitors	Efficiency	To assess and compare the performance of a rival business to develop strategies (1)												

Question Number	AO2(12)	Mark																											
5(b)	<p>Award marks as indicated for each ratio.</p> <table border="1"> <thead> <tr> <th>Ratios</th><th>Timola</th><th>Jamini</th></tr> </thead> <tbody> <tr> <td>Gross profit percentage (margin)</td><td>11.11%</td><td>$\\$(160\,000 - (95\,000 + 120\,000 - 75\,000))$ (1) = 20 000 (1) / 160 000) x 100 = 12.50% (1)</td></tr> <tr> <td>Net profit percentage (margin)</td><td>8.33%</td><td>$\\$(10\,000$ (1) / 160 000) x 100 = 6.25% (1)</td></tr> <tr> <td>Return on capital employed</td><td>26.32%</td><td>$\\$(10\,000 / (40\,000 + 10\,000 - 5\,000))$ (1) x 100 = 22.22% (1) Or $(10\,000 / 40\,000)$ (1) x 100 = 25% (1)</td></tr> <tr> <td>Current ratio</td><td>5.10:1</td><td>$\\$(145\,000 / 15\,000)$ = 9.67:1 (1)</td></tr> <tr> <td>Quick (acid test) ratio</td><td>2.30:1</td><td>$\\$(70\,000 / 15\,000)$ = 4.67:1 (1)</td></tr> <tr> <td>Trade receivable collection period</td><td>102 days</td><td>$\\$(60\,000 / 160\,000) \times 365$ = 137 days (1)</td></tr> <tr> <td>Trade payable payment period</td><td>61 days</td><td>$\\$(15\,000 / 120\,000) \times 365$ = 46 days (1)</td></tr> <tr> <td>Inventory turnover</td><td>2.13 times</td><td>$\\$(140\,000 / (95\,000 + 75\,000) / 2)$ = 1.65 times (1)</td></tr> </tbody> </table>	Ratios	Timola	Jamini	Gross profit percentage (margin)	11.11%	$\$(160\,000 - (95\,000 + 120\,000 - 75\,000))$ (1) = 20 000 (1) / 160 000) x 100 = 12.50% (1)	Net profit percentage (margin)	8.33%	$\$(10\,000$ (1) / 160 000) x 100 = 6.25% (1)	Return on capital employed	26.32%	$\$(10\,000 / (40\,000 + 10\,000 - 5\,000))$ (1) x 100 = 22.22% (1) Or $(10\,000 / 40\,000)$ (1) x 100 = 25% (1)	Current ratio	5.10:1	$\$(145\,000 / 15\,000)$ = 9.67:1 (1)	Quick (acid test) ratio	2.30:1	$\$(70\,000 / 15\,000)$ = 4.67:1 (1)	Trade receivable collection period	102 days	$\$(60\,000 / 160\,000) \times 365$ = 137 days (1)	Trade payable payment period	61 days	$\$(15\,000 / 120\,000) \times 365$ = 46 days (1)	Inventory turnover	2.13 times	$\$(140\,000 / (95\,000 + 75\,000) / 2)$ = 1.65 times (1)	(12)
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Question Number	AO4(2) AO5 (1)	Mark
5(c)(i)	<p>1 mark for evaluation and 2 marks for analysis of each category. E.g.</p> <p>Profitability of Timola's business is better despite the fact that gross profit was lower compared to Jamini's business (1).</p> <ul style="list-style-type: none"> • The change from gross profit to net profit is lower in the Timola's business (2.78% compared to Jamini's 6.25%) indicating that the expenses were better controlled (1). • Timola's business also had better return on capital employed compared to Jamini's business (1). 	(9)

Question Number	AO4(2) AO5 (1)	Mark
5(c)(ii)	<p>1 mark for evaluation and 2 marks for analysis of each category. E.g.</p> <p>Liquidity of both businesses is good as both businesses' are able to pay their short term debts from their liquid assets (1).</p> <ul style="list-style-type: none"> • Jamini has a better liquidity position than Timola, as her ratios are almost twice that of Timola's. (1). • It needs to be noted that this may not be a good thing, as it could mean that resources are not properly utilised/ there is too much idle inventory, whereas the excess liquid able assets can be used for better investment (1). 	(3)

Question Number	AO4(2) AO5 (1)	Mark
5(c)(iii)	<p>1 mark for evaluation and 2 marks for analysis of each category.</p> <p>E.g.</p> <p>Efficiency for Timola's business is better as it utilises its resources efficiently (1).</p> <ul style="list-style-type: none"> • Timola converted her inventory into sales faster than Jamini (1) • She is utilising the full credit period offered by the suppliers (1). 	(3)

Question Number	AO1 (3)	Mark
5(d)	<p>Award 1 mark for each advantage.</p> <p>E.g.</p> <ul style="list-style-type: none"> • They can share workload • Cover for illness or holidays • Increase capital • Share ideas/knowledge/skills • Increase market share <p>Accept other valid responses</p>	(3)

TOTAL FOR QUESTION 5 – 27 MARKS