



Mark Scheme

March 2017
Results

Pearson LCCI Level 3 Certificate in
Accounting
(ASE20104)

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Publication code: 54335_ms

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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	Answer (AO1)1	Mark
1(a)(i)	Award mark as indicated Accruals/Matching (1)	(1)

Question Number	Answer (AO1)2	Mark
1(a)(ii)	Award marks as indicated Statement of profit or loss Deducted from expenses/Added to income (1) Statement of financial position Recorded in current assets (1)	(2)

Question Number	Answer (AO1) 1(AO3) 1	Mark														
1(b)	<p>1 mark for each identified characteristic, (max 2) and 1 mark for each description, (max 2).</p> <table><tr><th>Characteristic</th><th>Description</th></tr><tr><td>Relevance (1)</td><td>relevant to make decisions by users (1)</td></tr><tr><td>Faithful representation (1)</td><td>must be neutral/unbiased, complete and free from errors (1)</td></tr><tr><td>Timeliness (1)</td><td>must be in time to make decisions (1)</td></tr><tr><td>Understandability (1)</td><td>presented in a clear and concise manner (1)</td></tr><tr><td>Verifiability (1)</td><td>should have supporting evidence (1)</td></tr><tr><td>Comparability (1)</td><td>can be compared with previous years (1)</td></tr></table>	Characteristic	Description	Relevance (1)	relevant to make decisions by users (1)	Faithful representation (1)	must be neutral/unbiased, complete and free from errors (1)	Timeliness (1)	must be in time to make decisions (1)	Understandability (1)	presented in a clear and concise manner (1)	Verifiability (1)	should have supporting evidence (1)	Comparability (1)	can be compared with previous years (1)	(2)
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Understandability (1)	presented in a clear and concise manner (1)															
Verifiability (1)	should have supporting evidence (1)															
Comparability (1)	can be compared with previous years (1)															

Question Number	Answer (AO1) 2	Mark
1(c)(i)	1 mark for each point. Cost is the purchase price (1) , plus any other costs (1)	(2)

Question Number	Answer (AO1) 2	Mark
1(c)(ii)	1 mark for each point. The selling price (1) less any additional costs to get the product into saleable condition (1)	(2)

Question Number	Answer (AO1) 5	Mark
1(d)	1 mark for each point, must not be duplicated. Maximum 5 marks. For example: Depreciation (1) Profit or loss on disposal of non-current assets (1) Change in Inventories (1) Change in Trade receivables (1) Change in Trade payables (1) Taxation paid (1) Interest paid (1) Accept any other valid response	(5)

Question Number	Answer (AO1) 2	Mark
1(e)	1 mark for effect on ordinary shares and 1 mark for effect on reserves. Share capital will increase (1) and reserves/retained earnings will decrease (1)	(2)

Question Number	Answer (AO1) 2	Mark
1(f)	1 mark for each disadvantage. e.g <ul style="list-style-type: none"> • Has to follow the set model (1) • Pay commission (1) • May require large initial investment (1) • Potential damage to reputation due to bad publicity of brand (1) 	(2)

(Total for Question 1 = 18 marks)

Question Number	Answer (AO2) 12	Mark																																																																																								
2(a)	<p>Award marks as indicated.</p> <table><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>Revenue (W1)</td><td></td><td>52 200 (4of)</td></tr><tr><td>Less cost of sales</td><td></td><td></td></tr><tr><td>Opening Inventory</td><td>6 160</td><td></td></tr><tr><td>Purchases (W2)</td><td>36 795 (4of)</td><td></td></tr><tr><td>Closing Inventory</td><td>3 805 (1of)</td><td></td></tr><tr><td></td><td></td><td>39 150 (1)</td></tr><tr><td>Gross Profit</td><td></td><td>13 050 (2of) must be 25% of revenue</td></tr></table> <p>W1</p> <table><tr><td></td><td>\$</td></tr><tr><td>Closing balance</td><td>4 060 (1)</td></tr><tr><td>Add Receipts from Trade receivables</td><td>51 570 (1)</td></tr><tr><td>Opening balance</td><td>(34 30) (1)</td></tr><tr><td></td><td></td></tr><tr><td>Revenue</td><td>52 200 (1of)</td></tr></table> <p>Or</p> <table><tr><td>Details</td><td>\$</td><td>Details</td><td>\$</td></tr><tr><td>Balance b/d</td><td>3 430 (1)</td><td>Bank</td><td>51 570 (1)</td></tr><tr><td>Credit Sales</td><td>52 200 (1of)</td><td>Balance c/d</td><td>4 060 (1)</td></tr><tr><td></td><td>55 630</td><td></td><td>55 630</td></tr><tr><td>Balance b/d</td><td>4 060</td><td></td><td></td></tr></table> <p>W2</p> <table><tr><td></td><td>\$</td></tr><tr><td>Closing balance</td><td>1 685 (1)</td></tr><tr><td>Add Payments to Trade payables</td><td>37 685 (1)</td></tr><tr><td>Opening balance</td><td>(2 575) (1)</td></tr><tr><td></td><td></td></tr><tr><td>Purchases</td><td>36 795 (1of)</td></tr></table> <p>Or</p> <table><tr><td>Details</td><td>\$</td><td>Details</td><td>\$</td></tr><tr><td>Bank</td><td>37 685 (1)</td><td>Balance b/d</td><td>2 575 (1)</td></tr><tr><td>Balance c/d</td><td>1 685 (1)</td><td>Credit Purchases</td><td>36 795 (1)</td></tr><tr><td></td><td>39 370</td><td></td><td>39 370</td></tr><tr><td></td><td></td><td>Balance b/d</td><td>1 685</td></tr></table> <p>W3</p> <p>(52 200 x 25%) (1) = 13 050 (1of)</p>		\$	\$	Revenue (W1)		52 200 (4of)	Less cost of sales			Opening Inventory	6 160		Purchases (W2)	36 795 (4of)		Closing Inventory	3 805 (1of)				39 150 (1)	Gross Profit		13 050 (2of) must be 25% of revenue		\$	Closing balance	4 060 (1)	Add Receipts from Trade receivables	51 570 (1)	Opening balance	(34 30) (1)			Revenue	52 200 (1of)	Details	\$	Details	\$	Balance b/d	3 430 (1)	Bank	51 570 (1)	Credit Sales	52 200 (1of)	Balance c/d	4 060 (1)		55 630		55 630	Balance b/d	4 060				\$	Closing balance	1 685 (1)	Add Payments to Trade payables	37 685 (1)	Opening balance	(2 575) (1)			Purchases	36 795 (1of)	Details	\$	Details	\$	Bank	37 685 (1)	Balance b/d	2 575 (1)	Balance c/d	1 685 (1)	Credit Purchases	36 795 (1)		39 370		39 370			Balance b/d	1 685	(12)
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Question Number	Answer (AO2) 3	Mark								
2(b)	<p>Award marks as indicated.</p> <table><tr><td></td><td>\$</td></tr><tr><td>Closing inventory as per trading account</td><td>3 805 (1of from 2a)</td></tr><tr><td>Closing inventory count</td><td>(2 540) (1)</td></tr><tr><td>Value of goods stolen</td><td>1 265 (1of)</td></tr></table>		\$	Closing inventory as per trading account	3 805 (1of from 2a)	Closing inventory count	(2 540) (1)	Value of goods stolen	1 265 (1of)	(3)
	\$									
Closing inventory as per trading account	3 805 (1of from 2a)									
Closing inventory count	(2 540) (1)									
Value of goods stolen	1 265 (1of)									

Question Number	Answer (AO2) 3	Mark
2(c) (i)	Award marks as indicated.	
		\$
	Vehicle Disposal (carrying value) \$15 000x 20%=3 000 12 000x20%=2 400	15 000-3000 (1) -2 400 (1) =9 600
	Selling price	6 000
	Loss on disposal	3 600 (1of)
		(3)

Question Number	Answer (AO2) 3	Mark								
2(c) (ii)	<p>Award marks as indicated.</p> <p>Own figures carried from 2c(i): Vehicle Disposal (carrying value)</p> <table><tr><td></td><td>\$</td></tr><tr><td>Carrying amount \$(31 550 – 9 600of) x 20%</td><td>4 390(1of)</td></tr><tr><td>New Machine \$20 000 x 20%</td><td>4 000 (1)</td></tr><tr><td>Total Depreciation</td><td>8 390 (1of)</td></tr></table> <p>Or</p> <p>31 550 – 9 600of = (21 950(1) + 20 000(1)) x 20% = 8 390 (1of)</p>		\$	Carrying amount \$(31 550 – 9 600of) x 20%	4 390 (1of)	New Machine \$20 000 x 20%	4 000 (1)	Total Depreciation	8 390 (1of)	(3)
	\$									
Carrying amount \$(31 550 – 9 600of) x 20%	4 390 (1of)									
New Machine \$20 000 x 20%	4 000 (1)									
Total Depreciation	8 390 (1of)									

Question Number	Answer (AO2) 8	Mark																																				
2(d)	<p>Award marks as indicated.</p> <p style="text-align: center;">Realisation Account</p> <table><tr><th>Date</th><th>Detail</th><th>Amount</th><th>Date</th><th>Detail</th><th>Amount</th></tr><tr><td>Jan 1</td><td>Motor vehicle (W1)</td><td>33 560 (4of)</td><td>Jan 1</td><td>Trade payable</td><td>1 685 (1)</td></tr><tr><td></td><td>Inventory</td><td>2 540</td><td></td><td>Bank</td><td>34 105</td></tr><tr><td></td><td>Trade receivable</td><td>4 060 (1)</td><td></td><td>Capital Kymi</td><td>2 185 (1of)</td></tr><tr><td></td><td></td><td></td><td></td><td>Capital Jami</td><td>2 185 (1of)</td></tr><tr><td></td><td></td><td>40 160</td><td></td><td></td><td>40 160</td></tr></table> <p>Working 1 (W1) – 31 550 – 9 600(1of) + 20 000(1) – 8 390(1of) = 33 560(1of)</p> <p>Or</p> <p>(31 550 – 9 600(1of) + 20 000(1)) x 80% (1) = 33 560(1of)</p>	Date	Detail	Amount	Date	Detail	Amount	Jan 1	Motor vehicle (W1)	33 560 (4of)	Jan 1	Trade payable	1 685 (1)		Inventory	2 540		Bank	34 105		Trade receivable	4 060 (1)		Capital Kymi	2 185 (1of)					Capital Jami	2 185 (1of)			40 160			40 160	(8)
Date	Detail	Amount	Date	Detail	Amount																																	
Jan 1	Motor vehicle (W1)	33 560 (4of)	Jan 1	Trade payable	1 685 (1)																																	
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				Capital Jami	2 185 (1of)																																	
		40 160			40 160																																	

(Total for Question 2 = 29 marks)

Question Number	Answer (AO2) 20	Mark																																																																																	
3	<p>Award marks as indicated for correct label and figure</p> <p>Zxylex plc</p> <p>Consolidated statement of financial position</p> <p>at 31 March 2016</p> <table><tr><td></td><td>\$000</td><td>\$000</td></tr><tr><td>Assets</td><td></td><td></td></tr><tr><td>Non-current assets</td><td></td><td></td></tr><tr><td>Goodwill – W1</td><td></td><td>2 711 (3)</td></tr><tr><td>Property, plant and equipment W2</td><td></td><td>100 275 (2)</td></tr><tr><td></td><td></td><td>102 986</td></tr><tr><td>Current assets</td><td></td><td></td></tr><tr><td>Inventories</td><td>33 839 (1)</td><td></td></tr><tr><td>Trade receivables</td><td>16 662 (1)</td><td></td></tr><tr><td>Cash and cash equivalents</td><td>2 214 (1)</td><td></td></tr><tr><td></td><td></td><td>52715</td></tr><tr><td>Total assets</td><td></td><td>155 701 (1)</td></tr><tr><td>Equity and liabilities</td><td></td><td></td></tr><tr><td>Equity</td><td></td><td></td></tr><tr><td>Share capital</td><td></td><td>25 000 (1)</td></tr><tr><td>Share premium</td><td></td><td>12 000 (1)</td></tr><tr><td>Retained earnings W3</td><td></td><td>59 401 (3)</td></tr><tr><td>Equity attributable to holders of parent</td><td></td><td>96 401 (1)</td></tr><tr><td>Non-controlling interest W4</td><td></td><td>9 023 (1)</td></tr><tr><td>Non-current liabilities</td><td></td><td></td></tr><tr><td>Bank loan</td><td></td><td>29 000 (1)</td></tr><tr><td>Current liabilities</td><td></td><td></td></tr><tr><td>Trade payables</td><td>15 029 (1)</td><td></td></tr><tr><td>Tax liabilities</td><td>6 248 (1)</td><td></td></tr><tr><td></td><td></td><td>21 277</td></tr><tr><td>Total liabilities</td><td></td><td>50 277</td></tr><tr><td>Total equity and liabilities</td><td></td><td>155 701(1)</td></tr></table> <p>The marks awarded for workings are carried forward into the consolidated statement of financial position as at 31 March 2016.</p>		\$000	\$000	Assets			Non-current assets			Goodwill – W1		2 711 (3)	Property, plant and equipment W2		100 275 (2)			102 986	Current assets			Inventories	33 839 (1)		Trade receivables	16 662 (1)		Cash and cash equivalents	2 214 (1)				52715	Total assets		155 701 (1)	Equity and liabilities			Equity			Share capital		25 000 (1)	Share premium		12 000 (1)	Retained earnings W3		59 401 (3)	Equity attributable to holders of parent		96 401 (1)	Non-controlling interest W4		9 023 (1)	Non-current liabilities			Bank loan		29 000 (1)	Current liabilities			Trade payables	15 029 (1)		Tax liabilities	6 248 (1)				21 277	Total liabilities		50 277	Total equity and liabilities		155 701(1)	(20)
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Workings:																																																																																			
Parent holding Subsidiary = 75% Non-controlling interest = 25%																																																																																			
W1		\$'000																																																																																	
Purchase consideration		26 000 (1)																																																																																	
Less 75% x net assets at acquisition 31 052		23 289 (1)																																																																																	
Goodwill		2 711(1of)																																																																																	
W2		\$'000																																																																																	
Property plan and equipment		97 275 (1) + 3 000 (1) = 100 275																																																																																	
W3		\$'000																																																																																	
100% of parents retained earnings		55 621 (1)																																																																																	
Parent's share of subsidiary's retained		3 780(1)																																																																																	

earnings 75% * 5 040		
Total retained earnings	59 401 (1of)	
W4	\$'000	
Non-controlling interest 25% * 36 092	9 023(1)	

(Total for Question 3 = 20 marks)

Question Number	Answer (AO2) 15	Mark																																																												
4(a)	<p>1 mark for each item as indicated, allow OF only if all elements are present.</p> <p>Accept relevant labels.</p> <p>If the purchases and overheads shown combined award marks.</p> <p>If the opening balance is included in the receipts, award of marks for receipts, provided all elements for receipts are present.</p> <p style="text-align: center;">Bob</p> <p style="text-align: center;">Cash budget for 1 June to 31 August 2017</p> <table><tr><th></th><th>June</th><th>July</th><th>August</th></tr><tr><th>Detail</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>Cash Inflows</td><td></td><td></td><td></td></tr><tr><td>Trade receivable</td><td>23 200</td><td>19 200</td><td>16 400</td></tr><tr><td>Loan receipt</td><td>24 000</td><td></td><td></td></tr><tr><td>(Total Cash Inflow)</td><td>47 200 (1)</td><td>19 200 (1)</td><td>16 400 (1)</td></tr><tr><td>Cash Outflows</td><td></td><td></td><td></td></tr><tr><td>Purchases</td><td>11 125(1)</td><td>10 308(1)</td><td>10 558(1)</td></tr><tr><td>Overheads</td><td>5 807(1)</td><td>5 236(1)</td><td>4 554(1)</td></tr><tr><td>Drawings</td><td>900</td><td>800</td><td>1 000</td></tr><tr><td>Loan repayment</td><td>0</td><td>1 250</td><td>1 250</td></tr><tr><td>Non-current asset</td><td>6 800</td><td></td><td></td></tr><tr><td>(Total Cash outflow)</td><td>24 632 (1)</td><td>17 594 (1)</td><td>17 362 (1)</td></tr><tr><td>Opening balance</td><td>(23 000)</td><td>(432)</td><td>1 174</td></tr><tr><td>Closing balance</td><td>(432) (1 OF)</td><td>1 174 (1 OF)</td><td>212 (1 OF)</td></tr></table>		June	July	August	Detail	\$	\$	\$	Cash Inflows				Trade receivable	23 200	19 200	16 400	Loan receipt	24 000			(Total Cash Inflow)	47 200 (1)	19 200 (1)	16 400 (1)	Cash Outflows				Purchases	11 125(1)	10 308(1)	10 558(1)	Overheads	5 807(1)	5 236(1)	4 554(1)	Drawings	900	800	1 000	Loan repayment	0	1 250	1 250	Non-current asset	6 800			(Total Cash outflow)	24 632 (1)	17 594 (1)	17 362 (1)	Opening balance	(23 000)	(432)	1 174	Closing balance	(432) (1 OF)	1 174 (1 OF)	212 (1 OF)	(15)
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Opening balance	(23 000)	(432)	1 174																																																											
Closing balance	(432) (1 OF)	1 174 (1 OF)	212 (1 OF)																																																											

Question Number	Answer (AO3)4	Mark
4(b)	<p>1 mark for each suggestion (max 2) and 1 mark for development (max 2)</p> <ul style="list-style-type: none"> • Bob could negotiate with customers to pay in the same month as sale. (1) • He could do this by offering early payment discounts. (1) • Bob could pay for the non-current asset in instalments or hire it. (1) • This will smoothen out the expense over a longer period improving its cash flow at the end of the month. (1) <p>Accept any other valid responses</p>	(4)

Question Number	Answer (AO3)1	Mark
4(c)	<p>Award marks as indicated</p> <p>To ensure the monthly repayments can be made on time. (1)</p>	(1)

Question Number	Answer (AO2) 6	Mark
4(d)	<p>Award marks as indicated.</p> <p>Accept 90 days.</p> <p>Total credit sales = 18 000 + 16 000 + 20 000 = 54 000 (1)</p> <p>Trade receivables = 16 000x20% (1) + 20 000 (1) = 23 200</p> <p>(23 200/54 000) (1of) x 92 days (1) = 39.53days=40 days (1of)</p>	(6)

(Total for Question 4 = 26 marks)

Question Number	Answer (AO2) 2	Mark
5(a) (i)	$= \$25\,000 / \$4.00 \textbf{(1)} = 6\,250 \textbf{(1)}$	(2)

Question Number	Answer (AO2) 2	Mark
5(a) (ii)	2 marks for correct calculations $= \$ (25\,000 + 5\,000) \textbf{(1)} / \$4.00 = 7\,500 \textbf{(1)}$	(2)

Question Number	Answer (AO2)8	Mark																												
5(b) (i)	<div>1 mark for each item indicated</div> <table><tr><th>Year</th><th>Net cash flow</th><th>Discount factor</th><th>Discounted Cash flow \$</th></tr><tr><td>Year 0</td><td>(350 000)</td><td>1</td><td>(350 000) (1)</td></tr><tr><td>Year 1</td><td>95 000 (1)W1</td><td>0.909</td><td>86 355 (1)</td></tr><tr><td>Year 2</td><td>95 000</td><td>0.826</td><td>78 470 (1)</td></tr><tr><td>Year 3</td><td>92 500 (1)W2</td><td>0.751</td><td>69 468 (1)</td></tr><tr><td>Year 4</td><td>92 500</td><td>0.683</td><td>63 178 (1)</td></tr><tr><td colspan="3">Net present value</td><td>(52 529) (1of)</td></tr></table> <div>W1 30 000 x \$4 = \$120 000 - \$25 000 = \$95 000 (1) W2 30 000 x \$4 = \$120 000 - \$27 500 = \$92 500 (1)</div>	Year	Net cash flow	Discount factor	Discounted Cash flow \$	Year 0	(350 000)	1	(350 000) (1)	Year 1	95 000 (1)W1	0.909	86 355 (1)	Year 2	95 000	0.826	78 470 (1)	Year 3	92 500 (1)W2	0.751	69 468 (1)	Year 4	92 500	0.683	63 178 (1)	Net present value			(52 529) (1of)	(8)
Year	Net cash flow	Discount factor	Discounted Cash flow \$																											
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Net present value			(52 529) (1of)																											

Question Number	Answer (AO4) 6	Mark
5(b) (ii)	<p>Award up to a maximum of 3 marks for each option.</p> <p>Option 1 The net cash flow over the life of Option 1 is positive (1) (\$375 000 - \$350 000 = \$25 000).</p> <p>However, the replacement machine has a negative net present value (1) over 4 years and therefore the sum of the future net cash flows does not cover the initial cost of investment. (1)</p> <p>Option 2 The rent will cost \$84 000 per year which is a cost of \$336 000 over the 4 years, which is \$14 000 cheaper than the original cost of Option 1 (1).</p> <p>This would have to be discounted to give a like with like comparison (1). However, the business is getting the benefit of maintenance cover without extra cost (1).</p> <p>However, there will be reduced revenue as this option produces 2000 units less than option 1 at \$16 each = \$32 000 per year/\$128 000 for four years (1).</p> <p>Accept any other valid responses.</p>	(6)

Question Number	Answer (AO5) 4	Mark
5(b) (iii)	<p>Award up to 4 marks for evidence for the chosen option with clear recommendations.</p> <p>Llade should buy the machine because (1)</p> <ul style="list-style-type: none"> • Cash flow may be generated by selling the machine at the end of the life of the machine (1) • It has a higher capacity to produce more units per year hence generate more revenue (1) • Fixed cost per unit will decrease (1) <p>Or</p> <p>Llade should rent the machine because (1)</p> <ul style="list-style-type: none"> • You do not have to pay for additional maintenance costs (1) • No initial large outlay of capital (1) • The net present value of purchasing a machine (option 1) is negative (1) <p>Accept any valid answer</p>	(4)

(Total for Question 5 = 22 marks)

(Total for Exam Paper = 115 mark)