



Mark Scheme

April 2017
Results

Pearson LCCI
Certificate in Accounting (VRQ)
(ASE20104)
Level 3

LCCI Qualifications

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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 (6)	Mark																
1(a)	<p>Award 1 mark for identifying each stakeholder (maximum 3) and 1 mark each interest (maximum 3).</p> <table><tr><th>Stakeholder</th><th>Interest</th></tr><tr><td><i>Suppliers</i></td><td><i>To ensure that they will receive payment for goods supplied.</i></td></tr><tr><td>Investors</td><td>To identify the return/dividend on their investment (1).</td></tr><tr><td>Customers</td><td>To ensure continuity of supply (1).</td></tr><tr><td>Employees</td><td>To confirm the security of their employment/bonus/pay rise (1).</td></tr><tr><td>Government(1)</td><td>To ensure the correct amount of tax is paid (1).</td></tr><tr><td>Bank/ Providers of external finance (1)</td><td>To assess a loan application (1).</td></tr><tr><td>Competitors(1)</td><td>To assess the performance of a rival business (1).</td></tr></table>	Stakeholder	Interest	<i>Suppliers</i>	<i>To ensure that they will receive payment for goods supplied.</i>	Investors	To identify the return/dividend on their investment (1).	Customers	To ensure continuity of supply (1).	Employees	To confirm the security of their employment/bonus/pay rise (1).	Government(1)	To ensure the correct amount of tax is paid (1).	Bank/ Providers of external finance (1)	To assess a loan application (1).	Competitors(1)	To assess the performance of a rival business (1).	
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Competitors(1)	To assess the performance of a rival business (1).																	
		(6)																

Question Number	Answer AO3(4)	Mark
1(b)	<p>Award up to 2 Marks explaining each concept and its application.</p> <p>E.g.</p> <ul style="list-style-type: none"> Consistency concept (1) - same rate and method of depreciation are used over the years (1). Accrual concept (1) - the cost of the non-current asset is spread over its useful economic life (1). 	(4)

Question Number	Answer AO1(2)	Mark
1(c)	<p>1 Mark for each purpose identified (maximum 2).</p> <p>The purpose of the partnership agreement is to:</p> <ul style="list-style-type: none"> agree to the roles and responsibilities of all the partners (1) state how profits or losses will be shared among the partners (1) state how the partners will be rewarded for their investment (1). <p>Accept other valid responses.</p>	(2)

Question Number	Answer AO1(3)	Mark
1 (d)	<p>Award 1 mark for each advantage.</p> <p>E.g.</p> <ul style="list-style-type: none"> Liability of the shareholders is limited to the amount invested (1). A private limited company may find it easier to raise finance (1). A private limited company can attract investors through the issue of shares whereas a sole trader is unable to do so and has to raise its own funds (1). <p>Accept other valid responses.</p>	(3)

TOTAL FOR QUESTION 1 –15 MARKS

Question Number	Answer A02(5)	Mark																																				
2(a) (i)	<p>Award 1 mark for correct figures with 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 Feb 2016</td><td>Balance b/d</td><td>40 000 (1)</td><td>30 Jun 2016</td><td>Disposal</td><td>40 000 (1)</td></tr><tr><td>30 Jun 2016</td><td>Disposal</td><td>6 500 (1)</td><td>31 Jan 2017</td><td>Balance c/d</td><td>50 000</td></tr><tr><td></td><td>Bank</td><td>43 500 (1)</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>90 000</td><td></td><td></td><td>90 000</td></tr><tr><td>1 Feb 2017</td><td>Balance b/d</td><td>50 000 (1)</td><td></td><td></td><td></td></tr></table>	Date	Details	\$	Date	Details	\$	1 Feb 2016	Balance b/d	40 000 (1)	30 Jun 2016	Disposal	40 000 (1)	30 Jun 2016	Disposal	6 500 (1)	31 Jan 2017	Balance c/d	50 000		Bank	43 500 (1)						90 000			90 000	1 Feb 2017	Balance b/d	50 000 (1)				(5)
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Question Number	Answer A02(7)	Mark																														
2(a)(ii)	<p>Award 1 mark for correct figures with 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>30 Jun 2016</td><td>disposal</td><td>34 816 (1of)</td><td>1 Feb 2016</td><td>Balance b/d</td><td>34 816 (4) W1</td></tr><tr><td>31 Jan 2017</td><td>Balance c/d</td><td>20 000</td><td>31 Jan 2017</td><td>Depreciation charge</td><td>20 000 (1)</td></tr><tr><td></td><td></td><td>54 816</td><td></td><td></td><td>54 816</td></tr><tr><td></td><td></td><td></td><td>1 Feb 2017</td><td>Balance b/d</td><td>20 000 (1of)</td></tr></table> <p>W1</p> <p>16 000(1) + 9 600(1) + 5 760 (1) + 3 456 (1) = 34 816</p>	Date	Details	\$	Date	Details	\$	30 Jun 2016	disposal	34 816 (1of)	1 Feb 2016	Balance b/d	34 816 (4) W1	31 Jan 2017	Balance c/d	20 000	31 Jan 2017	Depreciation charge	20 000 (1)			54 816			54 816				1 Feb 2017	Balance b/d	20 000 (1of)	(7)
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Question Number	Answer A02(4)	Mark																								
2(a)(iii)	<p>Award 1 mark for correct figures with understandable labels.</p> <p style="text-align: center;">Disposal Account</p> <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>30 Jun 2016</td><td>Machinery cost</td><td>40 000 (1)</td><td>30 Jun 2016</td><td>Accumulated depreciation</td><td>34 816 (1of)</td></tr><tr><td>31 Jan 2017</td><td>SOPL (Profit on disposal)</td><td>1 316 (1of)</td><td></td><td>Bank</td><td>6 500 (1)</td></tr><tr><td></td><td></td><td>41 316</td><td></td><td></td><td>41 316</td></tr></table>	Date	Details	\$	Date	Details	\$	30 Jun 2016	Machinery cost	40 000 (1)	30 Jun 2016	Accumulated depreciation	34 816 (1of)	31 Jan 2017	SOPL (Profit on disposal)	1 316 (1of)		Bank	6 500 (1)			41 316			41 316	(4)
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Question Number	Answer AO2(4)	Mark																				
2(b)(i)	<p>Award marks as indicated.</p> <table><tr><th>Number of bunches</th><th>Cost per bunch \$</th><th>Net realisable value per bunch \$</th><th>Total valuation \$</th></tr><tr><td>60</td><td>12</td><td>20</td><td>720(1)</td></tr><tr><td>40</td><td>12</td><td>15</td><td>480(1)</td></tr><tr><td>50</td><td>12</td><td>10</td><td>500(1)</td></tr><tr><td colspan="3">Total inventory valuation</td><td>1 700 (1of)</td></tr></table>	Number of bunches	Cost per bunch \$	Net realisable value per bunch \$	Total valuation \$	60	12	20	720 (1)	40	12	15	480 (1)	50	12	10	500 (1)	Total inventory valuation			1 700 (1of)	<p>(4)</p>
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Total inventory valuation			1 700 (1of)																			

Question Number	Answer A02(2)	Mark
2(b)(ii)	<p>Award marks as indicated.</p> <p>As the closing inventory decreased the cost of sales will increase (1of) and the gross profit will decrease (1of).</p>	(2)

Question Number	Answer AO2(8)	Mark																																																						
2(c)	<p>Award marks as indicated.</p> <table><tr><th colspan="5">Rahim Extract of extended trial balance at 31 January 2017</th></tr><tr><th rowspan="2">Ledgers</th><th colspan="2">Trial balance</th><th colspan="2">Adjustments</th></tr><tr><th>Debit \$</th><th>Credit \$</th><th>Debit \$</th><th>Credit \$</th></tr><tr><td>Allowance for doubtful debts</td><td></td><td>2 850</td><td></td><td>270 (1)</td></tr><tr><td>Insurance</td><td>4 875</td><td></td><td>300 (1)</td><td></td></tr><tr><td>Rent</td><td>14 000</td><td></td><td></td><td>1 000 (1)</td></tr><tr><td>Trade receivables</td><td>40 350</td><td></td><td></td><td>1 350 (1)</td></tr><tr><td>Irrecoverable debts</td><td></td><td></td><td>1 350 (1)</td><td></td></tr><tr><td>Allowance for doubtful debts - adjustment</td><td></td><td></td><td>270 (1)</td><td></td></tr><tr><td>Other receivables-rent prepaid</td><td></td><td></td><td>1 000 (1)</td><td></td></tr><tr><td>Other payables-insurance</td><td></td><td></td><td></td><td>300 (1)</td></tr></table>	Rahim Extract of extended trial balance at 31 January 2017					Ledgers	Trial balance		Adjustments		Debit \$	Credit \$	Debit \$	Credit \$	Allowance for doubtful debts		2 850		270 (1)	Insurance	4 875		300 (1)		Rent	14 000			1 000 (1)	Trade receivables	40 350			1 350 (1)	Irrecoverable debts			1 350 (1)		Allowance for doubtful debts - adjustment			270 (1)		Other receivables-rent prepaid			1 000 (1)		Other payables-insurance				300 (1)	(8)
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TOTAL FOR QUESTION 2 – 30 MARKS

Question Number	Answer AO2(16)	Mark																									
3(a)	<p>Award marks as indicated.</p> <p style="text-align: center;">Nanodeas Ltd Reconciliation of profit for the year to net cash from operating activities for the year ended 31 December 2016</p> <table><tr><td></td><td></td><td style="text-align: right;">\$</td></tr><tr><td>Profit for the year</td><td></td><td style="text-align: right;">25 300 (1)</td></tr><tr><td>Depreciation charge for the year W1</td><td></td><td style="text-align: right;">24 220 (6)</td></tr><tr><td>Loss on disposal of equipment W2</td><td></td><td style="text-align: right;">5 980 (6)</td></tr><tr><td>Profit on disposal of machine W3</td><td></td><td style="text-align: right;">(50) (1)</td></tr><tr><td>Decrease in inventory</td><td rowspan="3">(1mark for all three)</td><td style="text-align: right;">4 250</td></tr><tr><td>Increase in trade receivables</td><td style="text-align: right;">(11 450)</td></tr><tr><td>Increase in trade payables</td><td style="text-align: right;">4 450</td></tr><tr><td>Net cash from operating activities</td><td></td><td style="text-align: right;">52 700 (1of)</td></tr></table> <p>Notes W1 Depreciation charge for the year=\$ ((339 500+ 120 000 (1)+ 100 000 (1))-(24 950 (1)+ 20480 (1)+ 489 850 (1for both balances))= \$24 220 (1) W2 Loss on disposal of equipment=\$(40 000 (1))-(8 000 (1)+ 6400 (1)+5 120 (1))-14 500 (1)= \$ 5 980 (1) W3 Profit on disposal of machine=\$(25 000-24 950) =\$50(1)</p>			\$	Profit for the year		25 300 (1)	Depreciation charge for the year W1		24 220 (6)	Loss on disposal of equipment W2		5 980 (6)	Profit on disposal of machine W3		(50) (1)	Decrease in inventory	(1mark for all three)	4 250	Increase in trade receivables	(11 450)	Increase in trade payables	4 450	Net cash from operating activities		52 700 (1of)	
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(16)

Question Number	Answer AO2(9)	Mark																																										
3 (b)	<p>Award marks as indicated.</p> <p style="text-align: center;">Nanodeas Ltd Statement of cash flows for the year ended 31 December 2016</p> <table border="1"> <thead> <tr> <th></th><th>\$</th><th>\$</th></tr> </thead> <tbody> <tr> <td>Net cash from operating activities</td><td></td><td>52 700 (1of)</td></tr> <tr> <td>Investing activities</td><td></td><td></td></tr> <tr> <td>Acquisition of machine</td><td>(95 000) (1)</td><td></td></tr> <tr> <td>Disposal of equipment</td><td>14 500 (1)</td><td></td></tr> <tr> <td>Net cash used in investing activities</td><td></td><td>(80 500) (1of)</td></tr> <tr> <td>Financing activities</td><td></td><td></td></tr> <tr> <td>Issue of shares</td><td>60 000 (1)</td><td></td></tr> <tr> <td>Repayment of loan</td><td>(30 000) (1)</td><td></td></tr> <tr> <td>Payment of dividend</td><td>(15 000) (1)</td><td></td></tr> <tr> <td>Net cash from financing activities</td><td></td><td>15 000 (1of)</td></tr> <tr> <td>Net decrease of cash and cash equivalents</td><td></td><td>(12 800)</td></tr> <tr> <td>Cash and cash equivalents at the beginning of the year</td><td></td><td>4 200</td></tr> <tr> <td>Cash and cash equivalents at the end of the year</td><td></td><td>(8 600)</td></tr> </tbody> </table>		\$	\$	Net cash from operating activities		52 700 (1of)	Investing activities			Acquisition of machine	(95 000) (1)		Disposal of equipment	14 500 (1)		Net cash used in investing activities		(80 500) (1of)	Financing activities			Issue of shares	60 000 (1)		Repayment of loan	(30 000) (1)		Payment of dividend	(15 000) (1)		Net cash from financing activities		15 000 (1of)	Net decrease of cash and cash equivalents		(12 800)	Cash and cash equivalents at the beginning of the year		4 200	Cash and cash equivalents at the end of the year		(8 600)	(9)
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TOTAL FOR QUESTION 3 – 25 MARKS

Question Number	Answer AO2 (12)	Mark																																																																		
4(a)	<p>Award marks as indicated</p> <p style="text-align: center;">Pan Ltd Group Consolidated statement of financial position at 31 December 2016</p> <table border="1"> <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>560</td><td>(4of)</td></tr> <tr> <td>Property, plant and equipment</td><td>77 300</td><td>(1)</td></tr> <tr> <td></td><td>77 860</td><td></td></tr> <tr> <td>Current assets</td><td></td><td></td></tr> <tr> <td>Inventory</td><td>7 500</td><td></td></tr> <tr> <td>Trade receivables</td><td>20 200</td><td></td></tr> <tr> <td>Cash and cash equivalents</td><td>2 300</td><td></td></tr> <tr> <td></td><td>30 000</td><td></td></tr> <tr> <td>Total assets</td><td>107 860</td><td>(1of)</td></tr> <tr> <td>Equity and liabilities</td><td></td><td></td></tr> <tr> <td>Equity</td><td></td><td></td></tr> <tr> <td>\$1 ordinary share capital</td><td>50 000</td><td></td></tr> <tr> <td>Share premium</td><td>5 000</td><td></td></tr> <tr> <td>General reserve</td><td>7 500</td><td></td></tr> <tr> <td>Retained earnings W2</td><td>8 900</td><td>(3)</td></tr> <tr> <td>Equity attributable to the shareholders of Pan Ltd</td><td>71 400</td><td></td></tr> <tr> <td>Non-controlling interest</td><td>9 960</td><td>(2)</td></tr> <tr> <td>Current liabilities</td><td></td><td></td></tr> <tr> <td>Trade payables</td><td>26 500</td><td></td></tr> <tr> <td>Total equity and liabilities</td><td>107 860</td><td>(1of)</td></tr> </table> <p>Working notes W1 Goodwill=\$ (14 000x1.60 = 22 400) (1)- \$((20 000+2 000+2 500+1 700+ 5 000 = 31 200(1)) x 70%)(1)=\$560(1of)</p> <p>W2 Retained earnings=\$(2 500+5 000 (1) + 1 400 (1))=\$8 900(1)</p> <p>W3 Non-controlling interest=\$33 200 (1) x 30% = \$9 960 (1)</p>	Assets	\$		Non-current assets			Goodwill W1	560	(4of)	Property, plant and equipment	77 300	(1)		77 860		Current assets			Inventory	7 500		Trade receivables	20 200		Cash and cash equivalents	2 300			30 000		Total assets	107 860	(1of)	Equity and liabilities			Equity			\$1 ordinary share capital	50 000		Share premium	5 000		General reserve	7 500		Retained earnings W2	8 900	(3)	Equity attributable to the shareholders of Pan Ltd	71 400		Non-controlling interest	9 960	(2)	Current liabilities			Trade payables	26 500		Total equity and liabilities	107 860	(1of)	(12)
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Question Number	Answer AO1(2)	Mark
4(b)(i)	Award 1 mark for each correctly identified ratio. 1. Current ratio (1) . 2. Quick (acid test) ratio (1) .	(2)

Question Number	Answer AO1(2)	Mark
4(b)(ii)	Award 1 mark for each correctly identified ratio. Max 2. 1. gross profit percentage/margin (1) 2. net profit percentage (1) 3. return on capital employed (1)	(2)

TOTAL FOR QUESTION 4 – 16 MARKS

Question Number	Answer AO2(5)	Mark																																		
5(a)(i)	<p>Award marks as indicated.</p> <table border="1"> <thead> <tr> <th>Details</th><th>Option 2</th><th></th></tr> </thead> <tbody> <tr> <td></td><td>\$</td><td></td></tr> <tr> <td>Selling price</td><td>30</td><td></td></tr> <tr> <td>Less Variable costs</td><td></td><td></td></tr> <tr> <td>Materials</td><td>7</td><td rowspan="3">(1 for all three elements)</td></tr> <tr> <td>Labour cost</td><td>9</td></tr> <tr> <td>Variable overheads</td><td>5</td></tr> <tr> <td>Contribution</td><td>9</td><td>(1of)</td></tr> <tr> <td>For the year</td><td>\$</td><td></td></tr> <tr> <td>Total contribution for the year</td><td>9x1 000x12= 108 000</td><td>(1of)</td></tr> <tr> <td>Less fixed overheads</td><td>97 200</td><td>(1of)</td></tr> <tr> <td>Profit for the year</td><td>10 800</td><td>(1of)</td></tr> </tbody> </table>	Details	Option 2			\$		Selling price	30		Less Variable costs			Materials	7	(1 for all three elements)	Labour cost	9	Variable overheads	5	Contribution	9	(1of)	For the year	\$		Total contribution for the year	9x1 000x12= 108 000	(1of)	Less fixed overheads	97 200	(1of)	Profit for the year	10 800	(1of)	(5)
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Question Number	Answer AO4(4) & A05(2)	Mark
5 (a)(ii)	<p>Award 1 mark for stating the correct option Award up to 5 marks for justification.</p> <p>E.g. The production should be done with option 1 (1) because it gives you the better breakeven dresses to be sold as it is lower (1) even though the profit for the year is same (1of) for both options. The lower breakeven point (1) provides increased safety (1) in case the sales are not as expected (1).</p>	(6)

Question Number	Answer A02(14)							Mark
5 (b) (i)	Award 1 mark as indicated.							
			Machine A			Machine B		
		Discounting factor	Net Cash flows	Present value		Cash flows	Present value	
			\$	\$		\$	\$	
	Initial investment	1	(75 000)	(75 000)		(100 000)	(100 000)	
	Cash inflows							
	Year 1	0.870	40 800 (1)	35 496 (1of)		54 000 (1)	46 980 (1of)	
	Year 2	0.756	18 000 (1)	13 608 (1of)		32 400 (1)	24 494 (1of)	
	Year 3	0.658	43 000 (1 for both)	28 294 (1of for both)		35 200 (1 for both)	23 162 (1of for both)	
	Residual value at the end of 3 years	0.658	5 000	3 290		15 000	9 870	
	Net present value	(80 688-75 000)		5 688 (1of)	(104 506-100 000)	4 506 (1of)		
	Workings for net cash inflows:							
Machine A (Selling price-Variable overheads)x number of units-(fixed overheads)								
Year 1 \$(30-(8+10+7)) x 13 200-\$(25 200)=\$(66 000-25 200)=\$40 800(1)								
Year 2 \$(30-(9+11+7)) x 14 400-\$(25 200)=\$ (43 200-25 200)=\$18 000(1)								
Year 3 \$(35-(10+12+8.50)) x 15 600-\$(27 200)=\$ (70 200-27 200)=\$43 000(1)								
Machine B (Selling price-Variable overheads)x number of units-(fixed overheads)								
Year 1 \$(30-(8+10+6)) x 13 200-\$(25 200)=\$(79 200-25 200)=\$54 000(1)								
Year 2 \$(30-(9+11+6)) x 14 400-\$(25 200)=\$ (57 600-25 200)=\$32 400(1)								
Year 3 \$(35-(10+12+9)) x 15 600-\$(27 200)=\$ (62 400-27 200)=\$35 200(1)								

(14)

Question Number	Answer AO1(3)	Mark
5 (b) (ii)	Award 1 mark for each reason. E.g. <ol style="list-style-type: none"> 1. The net present value considers cash flows which are not subjective as profit used for accounting rate of return (1). 2. The net present value takes into account all the cash flows/ (cash flows after the payback period as well) during the life of the asset (1). 3. The net present value takes into account the timing value of money (1). 	(3)

Question Number	Answer AO1(1)	Mark
5 (b) (iii)	Award 1 mark for stating a method. Payback period (1) or Accounting rate of return (1)	(1)

TOTAL FOR QUESTION 5 – 29 MARKS

TOTAL FOR PAPER = 115 MARKS