



Mark Scheme

January 2017
Results

Pearson LCCI
Certificate in Accounting (VRQ)
(20104)
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) 4	Mark
1(a)	<p>Award 1 mark for each method of funding the acquisition of non-current assets, (max 4).</p> <p>E.g.</p> <ul style="list-style-type: none"> • Issue of shares (1) • Issue of debentures (1) • Bank loan (1) • Hire purchase (1) • Leasing (1) • Trade in allowance (1) • Sale proceeds from the disposal of existing non-current assets (1) • Use of existing cash and cash equivalents (1) 	(4)

Question Number	AO3(4) AO5(2)	Mark
1(b)	<p>Award 1 mark for identification for each situation (maximum 2) and up to 2 marks for development for each situation (max 4).</p> <p>E.g.</p> <p>Situation 1 Chang should not disclose this information (1) due to the principle of professional ethics of confidentiality (1) which states that individuals should not disclose the confidential information you acquire as a result of your profession or business knowledge (1).</p> <p>Situation 2 Chang should not pretend to be a prospective customer (1)</p> <ul style="list-style-type: none"> • due to the principle of professional ethics of integrity (1) which states that individuals must be straightforward and honest in all business and professional dealings (1). <p>OR</p> <ul style="list-style-type: none"> • due to the principle of professional ethics of honesty (1) which states that individuals must have fair dealings and truthfulness in all business and professional dealings (1). 	(6)

Question Number	AO1(2)	Mark
1(c)(i)	<p>Award maximum 2 marks for definition.</p> <p>E.g. The absorption costing takes into account both variable costs and the fixed costs of the product (1). In absorption costing the fixed overheads incurred are taken to the next period in the form of closing inventory (1).</p>	(2)

Question Number	AO1(2)	Mark
1(c)(ii)	<p>Award maximum 2 marks for definition.</p> <p>E.g. Marginal costing takes into account the variable cost (1) only. In marginal costing the fixed overheads are taken as period cost (1).</p>	(2)

Question Number	AO1(1) & AO3(2)	Mark
1(d)	<p>Award 1 mark for identifying the disadvantage and 2 marks for further development.</p> <p>E.g.</p> <ul style="list-style-type: none"> It will be time consuming /costly (1) as the partnership now has to submit annual returns at the Companies House /follow the rules and regulations of being a limited liability company (1). The partners and the company have to pay and file separate taxation returns (1). <p>Accept other valid responses.</p>	(3)

Question Number	AO1(6)	Mark
1 (e)	<p>Award 1 mark for each stakeholder (max 3) and 1 mark for each interest (max 3).</p> <p>E.g.</p> <ul style="list-style-type: none"> • Customers (1) would be interested to see whether the business be able to provide the products and services in the near future (1). • Suppliers (1) would be interested to know whether the business will be able to make the payments on due date for the goods supplied (1). • Government (1) would be interested to ensure that the business is paying the right amount of tax (1). • Banks/providers of external finance (1) would be interested to know whether the business will be able to service the finance provided and repay the finance provided (1). • Local community (1) would be interested to know how the business is contributing towards the community in terms of job opportunities etc (1). • Potential investors (1) would be interested to know whether the business would be able to provide the return on their investment or not (1). • Competitors (1) would be interested the strategy of the business (1). • Trade unions (1) would be interested to know the company policy for the welfare of their members (1). 	(6)

TOTAL FOR QUESTION 1 –23 MARKS

Question Number	(AO2)25	Mark																														
2	<p>Award marks as indicated. Allow expenses listed individually.</p> <p style="text-align: center;">Southern Products Ltd Statement of Profit or Loss for the year ended 31 December 2016</p> <table border="1"> <thead> <tr> <th></th><th>\$</th><th>\$</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td>674 000 (1)</td></tr> <tr> <td>Cost of sales W1</td><td></td><td>397 800 (6of)</td></tr> <tr> <td>Gross profit</td><td></td><td>276 200 (1of)</td></tr> <tr> <td>Expenses</td><td></td><td></td></tr> <tr> <td>Administrative expenses W2</td><td>105 622 (8)</td><td></td></tr> <tr> <td>Distribution costs W3</td><td>44 138 (5)</td><td>149 760 (1of)</td></tr> <tr> <td>Profit from operations</td><td></td><td>126 440 (1of)</td></tr> <tr> <td>Finance costs</td><td></td><td>2 000 (1)</td></tr> <tr> <td>Profit for the year</td><td></td><td>124 440 (1of)</td></tr> </tbody> </table> <p>W1 \$</p> <p>Opening inventory 22 700 (1)</p> <p>Purchases 420 000 (1)</p> <p>Closing inventory</p> <p>= \$(45 950-4 500(1) +</p> <p>(4 200-750) (1))= \$ 44 900(1) (44 900) (3of)</p> <p style="text-align: right;">397 800 (1of)</p> <p>W2 \$</p> <p>Administrative expenses 23 700 (1)</p> <p>Irrecoverable debts 5 100 (1)</p> <p>Discount received (4 670) (1)</p> <p>Directors fee 40 800 (1)</p> <p>Wages and salaries 28 392 (1)</p> <p>Allowance for doubtful debts adjustment 4 700 (1)</p> <p>Depreciation on office equipment <u>7 600</u> (1)</p> <p style="text-align: right;"><u>105 622</u> (1of)</p> <p>W3 \$</p> <p>Distribution costs 20 400 (1)</p> <p>Wages and salaries 7 098 (1)</p> <p>Loss on delivery van 1 000 (1)</p> <p>Depreciation on delivery vans <u>15 640</u> (1)</p> <p style="text-align: right;"><u>44 138</u> (1of)</p>		\$	\$	Revenue		674 000 (1)	Cost of sales W1		397 800 (6of)	Gross profit		276 200 (1of)	Expenses			Administrative expenses W2	105 622 (8)		Distribution costs W3	44 138 (5)	149 760 (1of)	Profit from operations		126 440 (1of)	Finance costs		2 000 (1)	Profit for the year		124 440 (1of)	(25)
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TOTAL FOR QUESTION 2 – 25 MARKS

Question Number	(AO2)13	Mark																																																																
3(a)	<p>Award marks as indicated.</p> <p style="text-align: center;">Chocotheme Ltd Cash budget for the period ending 31 March 2017</p> <table><tr><th></th><th>January \$</th><th>February \$</th><th>March \$</th></tr><tr><td>Receipts</td><td></td><td></td><td></td></tr><tr><td>Issue of shares</td><td></td><td>1 500 (1)</td><td></td></tr><tr><td>Cash sales</td><td>140</td><td>180</td><td>320 (1 for row)</td></tr><tr><td>Trade receivables</td><td>450</td><td>550</td><td>450 (1 for row)</td></tr><tr><td>Total receipts</td><td>590</td><td>2 230</td><td>770 (1 for row)</td></tr><tr><td>Payments</td><td></td><td></td><td></td></tr><tr><td>Equipment</td><td>300</td><td></td><td>2 700 (1 for row)</td></tr><tr><td>Direct labour</td><td>200</td><td>240</td><td>300 (1 for row)</td></tr><tr><td>Variable overheads</td><td>150</td><td>180</td><td>225 (1 for row)</td></tr><tr><td>Fixed overheads</td><td>150</td><td>175</td><td>175 (1 for row)</td></tr><tr><td>Trade payables</td><td>150</td><td>300</td><td>360 (1 for row)</td></tr><tr><td>Total Payments</td><td>950</td><td>895</td><td>3 760 (1of for row)</td></tr><tr><td>Net cash</td><td>(360)</td><td>1 335</td><td>(2 990) (1of for row)</td></tr><tr><td>Opening balance</td><td>750</td><td>390</td><td>1 725 (1of for row)</td></tr><tr><td>Closing balance</td><td>390</td><td>1 725</td><td>(1 265) (1of for row)</td></tr></table>		January \$	February \$	March \$	Receipts				Issue of shares		1 500 (1)		Cash sales	140	180	320 (1 for row)	Trade receivables	450	550	450 (1 for row)	Total receipts	590	2 230	770 (1 for row)	Payments				Equipment	300		2 700 (1 for row)	Direct labour	200	240	300 (1 for row)	Variable overheads	150	180	225 (1 for row)	Fixed overheads	150	175	175 (1 for row)	Trade payables	150	300	360 (1 for row)	Total Payments	950	895	3 760 (1of for row)	Net cash	(360)	1 335	(2 990) (1of for row)	Opening balance	750	390	1 725 (1of for row)	Closing balance	390	1 725	(1 265) (1of for row)	(13)
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Question Number	AO1(3)	Mark
3(b)	Award marks as indicated. Fixed costs = $\$175 \times 3 = \525 (1) Variable costs per unit = $\$20 - 13 = \7 (1) Breakeven point = $\$525 / \$7 = 75$ items (1of)	(3)

TOTAL FOR QUESTION 3 – 16 MARKS

Question Number	AO2 (14)	Mark																																																
4(a) (i)	<p>Award 1 mark for each entry in combination of details (to demonstrate understanding) and figures.</p> <p style="text-align: center;">Realisation Account</p> <table><tr><th>Details</th><th>\$</th><th>Details</th><th>\$</th></tr><tr><td>Premises</td><td>77 000 (1)</td><td>Bank (premises)</td><td>150 000 (1)</td></tr><tr><td>Machinery</td><td>48 000 (1)</td><td>Bank (machinery)</td><td>29 600 (1)</td></tr><tr><td>Motor vehicle</td><td>33 400 (1)</td><td>Chandan's capital (motor vehicle)</td><td>28 000 (1)</td></tr><tr><td>Inventory</td><td>6 000 (1)</td><td>Bank (inventory)</td><td>5 000 (1)</td></tr><tr><td>Trade receivables</td><td>28 950 (1)</td><td>Bank (trade receivables)</td><td>3 750 (1)</td></tr><tr><td>Bank (trade payables)</td><td>12 500 (1)</td><td>Trade payables</td><td>13 450 (1)</td></tr><tr><td>Bank (Dissolution costs)</td><td>4 500 (1)</td><td></td><td></td></tr><tr><td>Amba's Capital (Profit on dissolution)</td><td>3 890</td><td></td><td></td></tr><tr><td>Bhrugesha's Capital (Profit on dissolution)</td><td>7 780</td><td>(1 of all 3)</td><td></td></tr><tr><td>Chandan's Capital (Profit on dissolution)</td><td>7 780</td><td></td><td></td></tr><tr><td></td><td>229 800</td><td></td><td>229 800</td></tr></table>	Details	\$	Details	\$	Premises	77 000 (1)	Bank (premises)	150 000 (1)	Machinery	48 000 (1)	Bank (machinery)	29 600 (1)	Motor vehicle	33 400 (1)	Chandan's capital (motor vehicle)	28 000 (1)	Inventory	6 000 (1)	Bank (inventory)	5 000 (1)	Trade receivables	28 950 (1)	Bank (trade receivables)	3 750 (1)	Bank (trade payables)	12 500 (1)	Trade payables	13 450 (1)	Bank (Dissolution costs)	4 500 (1)			Amba's Capital (Profit on dissolution)	3 890			Bhrugesha's Capital (Profit on dissolution)	7 780	(1 of all 3)		Chandan's Capital (Profit on dissolution)	7 780				229 800		229 800	
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OR

Details	\$	Details	\$
Premises	77 000 (1)	Bank (premises)	150 000 (1)
Machinery	48 000 (1)	Bank (machinery)	29 600 (1)
Motor vehicle	33 400 (1)	Chandan's capital (motor vehicle)	28 000 (1)
Inventory	6 000 (1)	Bank (inventory)	5 000 (1)
Trade receivables/ Irrecoverable debt	25 000 (1)	Discount received	950 (2)
Discount allowed	200 (1)		
Bank (Dissolution costs)	4 500 (1)		
Amba's Capital (Profit on dissolution)	3 890		
Bhrugesha's Capital (Profit on dissolution)	7 78 0	(1 of all 3)	
Chandan's Capital (Profit on dissolution)	7 780		
	213 550		213 550

Question Number	AO2(6)							Mark	
4(a)(ii)	Award marks as indicated.								
	Capital Accounts								
	Details	Amba \$	Bhrugesha \$	Chandan \$	Details	Amba \$	Bhrugesha \$		Chandan \$
	Current accounts (1 all 3*)		1 840	1 000	Balance b/d	25 000	50 000		50 000
	Motor vehicle (realisation)			28 000 (1)	Current account *	4 500			
	Bank	33 390 (1of)	55 940 (1of)	28 780 (1of)	Profit on realisation (1 for all three)	3 890	7 780		7 780
		33 390	57 780	57 780		33 390	57 780		57 780
								(6)	

Question Number	AO2(10)	Mark																																				
4(a) (iii)	Award marks as indicated.																																					
	Bank Account																																					
	<table><tr><th>Details</th><th>\$</th><th>Details</th><th>\$</th></tr><tr><td>Realisation (premises)</td><td>150 000 (1)</td><td>Balance b/d</td><td>3 240</td></tr><tr><td>Realisation (machinery)</td><td>29 600 (1)</td><td>Realisation (trade payables)</td><td>12 500 (1)</td></tr><tr><td>Realisation (inventory)</td><td>5 000 (1)</td><td>Realisation (Dissolution costs)</td><td>4 500 (1)</td></tr><tr><td>Realisation (trade receivables)</td><td>3 750 (1)</td><td>Loan – (Chandan)</td><td>50 000 (1)</td></tr><tr><td></td><td></td><td>Capital -Amba</td><td>33 390 (1of)</td></tr><tr><td></td><td></td><td>Capital - Bhrugesha</td><td>55 940 (1of)</td></tr><tr><td></td><td></td><td>Capital - Chandan</td><td>28 780 (1of)</td></tr><tr><td></td><td>188 350</td><td></td><td>188 350</td></tr></table>		Details	\$	Details	\$	Realisation (premises)	150 000 (1)	Balance b/d	3 240	Realisation (machinery)	29 600 (1)	Realisation (trade payables)	12 500 (1)	Realisation (inventory)	5 000 (1)	Realisation (Dissolution costs)	4 500 (1)	Realisation (trade receivables)	3 750 (1)	Loan – (Chandan)	50 000 (1)			Capital -Amba	33 390 (1of)			Capital - Bhrugesha	55 940 (1of)			Capital - Chandan	28 780 (1of)		188 350		188 350
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	188 350		188 350																																			

(10)

TOTAL FOR QUESTION 4 – 30 MARKS

Question Number	AO2(17)	Mark																																																						
5(a)	<p>Award marks as indicated for figures and labels.</p> <p style="text-align: center;">Sanjana Roy Statement of Financial Position at 31 December 2016</p> <table border="1"> <thead> <tr> <th>Assets</th><th>\$</th><th>\$</th></tr> </thead> <tbody> <tr> <td>Non-Current Assets</td><td></td><td></td></tr> <tr> <td>Property, plant and equipment</td><td></td><td>252 393.75(1of)</td></tr> <tr> <td>Current Assets</td><td></td><td></td></tr> <tr> <td>Inventory</td><td>50 000</td><td></td></tr> <tr> <td>Trade receivables W1</td><td>46 875(4)</td><td></td></tr> <tr> <td>Bank W3</td><td>38 293.75(1of)</td><td></td></tr> <tr> <td>W3</td><td></td><td>135 168.75(1of)</td></tr> <tr> <td>Total assets</td><td></td><td>387 562.50(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>Opening equity</td><td>268 625(1of)</td><td></td></tr> <tr> <td>Profit for the year W4</td><td>84 375(1)</td><td></td></tr> <tr> <td>Drawings</td><td>15 500(1)</td><td></td></tr> <tr> <td>Total equity W4</td><td></td><td>337 500(2of)</td></tr> <tr> <td>Current liabilities</td><td></td><td></td></tr> <tr> <td>Trade payables W2</td><td></td><td>50 562.50(3of)</td></tr> <tr> <td>Total equity and liabilities</td><td></td><td>387 562.50(1of)</td></tr> </tbody> </table> <p>W1 Cost of sales = \$375 000(1) Gross profit = \$375 000x25% = \$93 750(1) Revenue = \$375 000 + \$93 750 = \$468 750(1of)</p> <p>OR Revenue = \$375 000(1)x125/100(1) = \$468 750(1of) Trade receivables = (36x468 750)/360 = \$46 875(1of)</p> <p>W2 \$(25 000(1) + [purchases–500]–50 000) = \$375 000 Purchases = \$400 500 (1of) Trade payables = (45x400 500)/360 = \$50 062.5 (1of)</p> <p>W3 Current assets = 50 062.5x2.7 = \$135 168.75 (1of) Bank = \$135 168.75 – (50 000 + 46 875) = \$38 293.75 (1of)</p> <p>W4 Total equity = (486 750 x 18)/25(1) = \$337 500 (1of) Profit for the year = \$468 750x18% = \$84 375 (1)</p>	Assets	\$	\$	Non-Current Assets			Property, plant and equipment		252 393.75(1of)	Current Assets			Inventory	50 000		Trade receivables W1	46 875(4)		Bank W3	38 293.75(1of)		W3		135 168.75(1of)	Total assets		387 562.50(1of)	Equity and liabilities			Equity			Opening equity	268 625(1of)		Profit for the year W4	84 375(1)		Drawings	15 500(1)		Total equity W4		337 500(2of)	Current liabilities			Trade payables W2		50 562.50(3of)	Total equity and liabilities		387 562.50(1of)	(17)
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Question Number	AO4(4)	Mark
5(b)	<p>Award marks as indicated, Maximum 2 marks for each ratio.</p> <p>E.g.</p> <p>Trade receivable collection period Sanjana Roy's current trade receivable collection period is 36 days which is more than her normal credit period which will have nE.g.ative impact on her cash flow/liquidity (1) as the trade receivables are taking longer to make payments hence missing out the opportunity to use that money in business to generate income (1).</p> <p>Trade payables payment period Sanjana Roy's current trade payables payment period is 45 days which is more than her normal credit period which is good for her cash flow/liquidity (1) as she is taking longer to make the payment to her trade payables. She can use this money to generate income in business which is interest free (1).</p>	(4)

TOTAL FOR QUESTION 5 – 21 MARKS

TOTAL FOR PAPER = 115 MARKS