



Mark Scheme

April 2016
Results

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

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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 judgment 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 candidates arrived at their values has been provided (their workings).
- If candidates' 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 candidates must provide workings.

Abbreviations

- M1 Method Mark
This is used to reward candidates where there is evidence of the candidate having adopted the correct method for a calculation, but where the accuracy of the answer is not necessarily being awarded a mark.
- A1 Accuracy Mark
This is used to reward candidates who have attained the answer to a specific calculation representing a method in the question. If stated in the mark scheme, the own figure rule can be used with the accuracy mark.
- 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.
- oe Or Equivalent rule
This rule is used when the value of an answer may be presented in a variety of ways, such as fractions (simplified/non-simplified/mixed), decimals, percentages. The candidates' answer must be equivalent in value to the mark scheme answer.
- awrt 'Anything Which Rounds To' rule
This rule is used when the candidates supply a figure which rounds to the value determined by the mark scheme.

Question Number	Answer (AO1) 2	Mark
1 (a)	<p>1 mark for each advantage and disadvantage maximum of 1 each, e.g.</p> <p>Advantages: Share losses/arrange own workload/share workload with partner(s) shares risk/wider access to investment capital/cover for illness and holidays.</p> <p>Disadvantages: Share profits/personal assets at risk for partner's debts/less control/conflict between partners difficult to resolve.</p>	(2)

Question Number	Answer (AO1) 2	Mark
1 (b)	<p>1 mark for each advantage, maximum of 2, e.g.</p> <p>Reduced risk as liability is limited up to the amount invested in the business by the owners (1). More scope to raise finance as shares can be issued (1).</p>	(2)

Question Number	Answer (AO1) 2	Mark
1 (c)	<p>1 mark for identification of purpose. 1 mark for development. Maximum of 2.</p> <p>The financial statements provide information to users to make economic decisions (1).</p> <p>The financial statements must provide the faithful representation of: financial position (1) (SOFP) performance (1) (SOPL) changes in financial position (1) (SCF).</p>	(2)

Question Number	Answer (AO1) 6	Mark																						
1 (d)	<p>1 mark for identification of stakeholder and 1 mark for correct reason stated.</p> <table border="1"> <thead> <tr> <th>Stakeholder</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td><i>Employee</i></td> <td><i>To ensure continuity of employment</i></td> </tr> <tr> <td>Owners/ Shareholders</td> <td>Security of investment/Return of investment</td> </tr> <tr> <td>Potential investors</td> <td>Security of investment</td> </tr> <tr> <td>Bank</td> <td>Ability to repay any loans or overdrafts</td> </tr> <tr> <td>Customers</td> <td>To ensure continuity of supply of goods and services</td> </tr> <tr> <td>Suppliers</td> <td>To ensure payment will be made</td> </tr> <tr> <td>Government</td> <td>To ensure that taxes are paid</td> </tr> <tr> <td>Trade unions</td> <td>To ensure that their members are protected</td> </tr> <tr> <td>Trade associations</td> <td>To ensure their members are protected/shortfalls in skills are identified/updated with latest developments in the industry</td> </tr> <tr> <td>Community/ Public</td> <td>To ensure the company is complying with environmental requirements and/or creating employment opportunities.</td> </tr> </tbody> </table>	Stakeholder	Reason	<i>Employee</i>	<i>To ensure continuity of employment</i>	Owners/ Shareholders	Security of investment/Return of investment	Potential investors	Security of investment	Bank	Ability to repay any loans or overdrafts	Customers	To ensure continuity of supply of goods and services	Suppliers	To ensure payment will be made	Government	To ensure that taxes are paid	Trade unions	To ensure that their members are protected	Trade associations	To ensure their members are protected/shortfalls in skills are identified/updated with latest developments in the industry	Community/ Public	To ensure the company is complying with environmental requirements and/or creating employment opportunities.	(6)
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Question Number	Answer (AO2) 2	Mark
1 (e)	<p>1 mark for each correctly identified principle of professional ethics.</p> <p>Objectivity (1) and independence (1)</p>	(2)

Question Number	Answer (AO3) 1&(AO5)1	Mark
1 (f)	<p>1 mark for stating the public interest, 1 mark each of the concerns raised. Max 2 marks.</p> <p>Tina has a duty of care towards society and the staff of the business as an accountant. She should report (1) it to the authorities as she would not be breaching confidentiality as the public interest precedes where the public interest is compromised(1).</p>	(2)

TOTAL FOR QUESTION 1 - 16 MARKS

Question Number	Answer (AO2) 12	Mark																																																				
2 (a)	<p>1 mark for each correct figure, label and position.</p> <table border="1" data-bbox="437 331 1193 1326"> <thead> <tr> <th data-bbox="437 331 549 439">No</th> <th data-bbox="549 331 948 439">Account name</th> <th data-bbox="948 331 1070 439">Debit \$</th> <th data-bbox="1070 331 1193 439">Credit \$</th> </tr> </thead> <tbody> <tr> <td data-bbox="437 439 549 510">1</td> <td data-bbox="549 439 948 510">Stationery</td> <td data-bbox="948 439 1070 510">500 (1)</td> <td data-bbox="1070 439 1193 510"></td> </tr> <tr> <td data-bbox="437 510 549 577"></td> <td data-bbox="549 510 948 577">Suspense</td> <td data-bbox="948 510 1070 577"></td> <td data-bbox="1070 510 1193 577">500 (1)</td> </tr> <tr> <td data-bbox="437 577 549 645">2</td> <td data-bbox="549 577 948 645">Trade payables control</td> <td data-bbox="948 577 1070 645">40 (1)</td> <td data-bbox="1070 577 1193 645"></td> </tr> <tr> <td data-bbox="437 645 549 712"></td> <td data-bbox="549 645 948 712">Bank</td> <td data-bbox="948 645 1070 712"></td> <td data-bbox="1070 645 1193 712">40 (1)</td> </tr> <tr> <td data-bbox="437 712 549 779">3</td> <td data-bbox="549 712 948 779">Drawings</td> <td data-bbox="948 712 1070 779">135 (1)</td> <td data-bbox="1070 712 1193 779"></td> </tr> <tr> <td data-bbox="437 779 549 846"></td> <td data-bbox="549 779 948 846">General expense</td> <td data-bbox="948 779 1070 846"></td> <td data-bbox="1070 779 1193 846">135 (1)</td> </tr> <tr> <td data-bbox="437 846 549 949">4</td> <td data-bbox="549 846 948 949">Trade receivables control</td> <td data-bbox="948 846 1070 949">2 760 (1)</td> <td data-bbox="1070 846 1193 949"></td> </tr> <tr> <td data-bbox="437 949 549 1043"></td> <td data-bbox="549 949 948 1043">Sales</td> <td data-bbox="948 949 1070 1043"></td> <td data-bbox="1070 949 1193 1043">2 300 (1)</td> </tr> <tr> <td data-bbox="437 1043 549 1111"></td> <td data-bbox="549 1043 948 1111">Sales tax</td> <td data-bbox="948 1043 1070 1111"></td> <td data-bbox="1070 1043 1193 1111">460 (1)</td> </tr> <tr> <td data-bbox="437 1111 549 1178">5</td> <td data-bbox="549 1111 948 1178">Rent receivable</td> <td data-bbox="948 1111 1070 1178">105 (1)</td> <td data-bbox="1070 1111 1193 1178"></td> </tr> <tr> <td data-bbox="437 1178 549 1245"></td> <td data-bbox="549 1178 948 1245">Rent payable</td> <td data-bbox="948 1178 1070 1245">150 (1)</td> <td data-bbox="1070 1178 1193 1245"></td> </tr> <tr> <td data-bbox="437 1245 549 1326"></td> <td data-bbox="549 1245 948 1326">Suspense</td> <td data-bbox="948 1245 1070 1326"></td> <td data-bbox="1070 1245 1193 1326">255 (1)</td> </tr> </tbody> </table>	No	Account name	Debit \$	Credit \$	1	Stationery	500 (1)			Suspense		500 (1)	2	Trade payables control	40 (1)			Bank		40 (1)	3	Drawings	135 (1)			General expense		135 (1)	4	Trade receivables control	2 760 (1)			Sales		2 300 (1)		Sales tax		460 (1)	5	Rent receivable	105 (1)			Rent payable	150 (1)			Suspense		255 (1)	(12)
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TOTAL FOR QUESTION 2 - 18 MARKS

Question Number	Answer (AO2)13	Mark
3 (a)	Award marks for all correct date, figures, labels and position as indicated for each account.	(13)

Machinery Cost Account

Date	Details	\$	Date	Details	\$
2012			2012		
March 1	Bank	10 000	March 31	Balance c/d	10 000
2012			2013		
April 1	Balance b/d	10 000	March 31	Balance c/d	10 000
2013			2014		
April 1	Balance b/d	10 000	March 31	Balance c/d	10 000
2014					
April 1	Balance b/d	10 000			
2015			2015		
March 14	Disposal	800	March 14	Disposal	10 000 (1)
March 14	Bank loan	11 200(1)	March 31	Balance c/d	12 000
		<u>22 000</u>			<u>22 000</u>
April 1	Balance b/d	12 000 (1)			

Machinery accumulated depreciation account

Date	Details	\$	Date	Details	\$
2012			2012		
March 31	Balance c/d	<u>4 000</u>	March 31	Depreciation charge	<u>4 000(1)</u>
			April 1	Balance b/d	4 000
2013			2013		
March 31	Balance c/d	6 400	March 31	Depreciation charge	2 400 (1)
		<u>6 400</u>			<u>6 400</u>
			April 1	Balance b/d	6 400
2014			2014		
March 31	Balance c/d	7 840	March 31	Depreciation charge	1 440(1)
		<u>7 840</u>			<u>7 840</u>
			April 1	Balance b/d	7 840
2015			2015		
March 14	Disposal	7 840(1)	March 31	Depreciation charge	4 800 (1)
March 31	Balance c/d	4 800			
		<u>12 640</u>			<u>12 640</u>
			April 1	Balance b/d	4 800(1of)

Disposal Account

Date	Details	\$	Date	Details	\$
2015			2015		
March 14	Machinery	10 000(1)	March 14	Accumulated depreciation	7 840(1)
			March 14	Machinery	800(1)
			March 31	SOPL	1 360(1)
		<u>10 000</u>			<u>10 000</u>

Question Number	Answer (AO2) 6	Mark																																																						
3 (b)	<p>1 mark for each correct date, figure, label and position as indicated.</p> <p style="text-align: center;">Allowance for Doubtful Debts Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>March 31</td> <td>Allowance for doubtful debts adjustment</td> <td>98(1)</td> <td>March 31</td> <td>Balance b/d</td> <td>1 490</td> </tr> <tr> <td>March 31</td> <td>Balance c/d</td> <td>1 392</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>1 490</u></td> <td></td> <td></td> <td><u>1 490</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>April 1</td> <td>Balance b/d (800 + 592)</td> <td>1 392(1)</td> </tr> </tbody> </table> <p style="text-align: center;">Irrecoverable Receivables Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>March 31</td> <td>Trade receivables control</td> <td><u>1 000(1)</u></td> <td>March 31</td> <td>Statement of profit or loss</td> <td><u>1 000(1)</u></td> </tr> </tbody> </table> <p style="text-align: center;">Allowance for Doubtful Debts Adjustment Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>March 31</td> <td>Statement of profit or loss</td> <td><u>98(1)</u></td> <td>March 31</td> <td>Allowance for doubtful debts</td> <td><u>98(1)</u></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	March 31	Allowance for doubtful debts adjustment	98(1)	March 31	Balance b/d	1 490	March 31	Balance c/d	1 392						<u>1 490</u>			<u>1 490</u>				April 1	Balance b/d (800 + 592)	1 392(1)	Date	Details	\$	Date	Details	\$	March 31	Trade receivables control	<u>1 000(1)</u>	March 31	Statement of profit or loss	<u>1 000(1)</u>	Date	Details	\$	Date	Details	\$	March 31	Statement of profit or loss	<u>98(1)</u>	March 31	Allowance for doubtful debts	<u>98(1)</u>	(6)
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TOTAL FOR QUESTION 3 - 19 MARKS

Question Number	Answer (AO2) 14	Mark
4(a)	Award 1 mark for each correct figure, label and position as indicated.	(14)

See next page

Question Number	Answer (AO2) 10	Mark
4(b)	Award 1 mark for each correct figure, label and position as indicated.	(10)

See next page

Rona Eastern Fabrics
 Extended trial balance as at 30 June 2015

Account name	Trial balance		Adjustments		Statement of profit or loss		Statement of financial position	
	Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$
Bank loan		73 000						7 3000
Capital		155 000						155 000
Cash and cash equivalents	1 197						1 197	
Discounts	3 187	4 951			3 187	4 951		
Drawings	21 710		250(1 for both entries)				(1of) 21 960	
Motor vehicle expenses	36 894		1 250 (1)		38 144(1of)			
Motor vehicles (cost)	83 500			2 000			81 500(1of)	
Motor vehicles accumulated depreciation		5 249		8 150(1of)				13 399(1of)
Office expenses	33 947			364	33 583(1of)			
Office furniture (cost)	23 250						23 250	
Office furniture accumulated depreciation		5 248		2 325(1of)				7 573(1of)
Opening inventory	63 084				63 084			
Property	100 000						100 000	
Purchases	600 128			250	599 878 (1of)			
Purchases returns		3 894				3 894		
Rent		2 000	500			1 500		
Revenue		864 321				864 321		

Sales returns	2 746				2 746			
Trade payable ledger control account		52 919						52 919
Trade receivables ledger control account	74 328						74 328	
Wages and salaries	122 611				122 611			
Closing inventory SOPL				65 958 (2/1of)		65 958		
Closing inventory SOFP			65 958 (2/1of)				65 958	
Other payables-accrual expenses				3 440 (1of)				3 440(1of)
Other payables-prepaid income				(1 for both entries)500				500
Insurance charge			(1 for both entries) 2 000		2 000			
Depreciation charge for the year			(1)10 475		10 475			
Bank loan interest			(1)2 190		2 190			
Other receivables-prepayments			(1 for both entries)364				364	
Profit for the year					(1of with correct label) 62 726			(1cof and both sides of the totals must be equal) 62 726
Total	1 166 582	1 166 582	82 987	82 987	940 624	940 624	368 557	368 557
			Marks=14		Marks=4		Marks=6	

TOTAL FOR QUESTION 4 - 24 MARKS

Question Number	Answer (AO2)5	Mark
5 (a)	Award marks as shown	(5)

Details	\$
Net operating profit for the year	42 000
Depreciation charge for the year	6 500 (1)
Increase in inventory	(20 000) (1)
Increase in trade receivables	(4 000) (1)
Increase in trade payables	6 500(1)
Net cash from operating activities	31 000(1of)

Question Number	Answer (AO2)5	Mark
5 (b)	Award 1 mark for each correct figure, label and direction as indicated. Award 1 mark for layout including subtotals.	(5)

Statement of cash flows for the year ended 31 March 2016

	\$	\$
Net cash inflow from operating activities		31 000
Cash flows from investing activities		
Acquisition/Purchase of non- current assets	15 000 (1)	
Net cash outflow from investing activities		(15 000)
Cash flows from financing activities		
Repayment of loan	5 000 (1)	
Net cash outflow from financing activities		(5 000)
Net cash inflow during the year		11 000 (1)
Cash and cash equivalents at the beginning of the year		<u>18 000</u>
Cash and cash equivalents at the end of the year		<u>29 000 (1cf</u>
	and must be	
	mathematically correct.)	

Question Number	Answer (AO1) 6 (AO2)9	Mark
5 (c)	1 mark for each correct formula. 1 mark for each correctly calculated ratio except gross profit margin, return on capital employed and inventory turnover (2 marks each).	(15)

Ratios	31 March 2015	Formula	31 March 2016
Gross profit margin	35%	$(\text{Gross profit}/\text{revenue}) \times 100$ (1)	$(89\,000(1cf)/246\,000) * 100$ =36.17%(1of)
Net profit margin	9.8%	$(\text{Profit for the year}/\text{revenue}) \times 100$ (1)	$(42\,000/246\,000)*100$ =17.07%(1)
Return on capital employed	29%	$(\text{Profit for the year}/\text{capital employed}) \times 100$ (1)	$(42\,000/112\,000(1cf))*100$ =37.5 %(1of)
Trade receivables collection period	37 days	$(\text{Trade receivables}/\text{credit sales}) \times 365$ (1)	$(6\,000/246\,000*365)$ =8.9days=9 days(1)
Trade payables payment period	20 days	$(\text{Trade payables}/\text{credit purchases}) \times 365$ (1)	$(8\,000/177\,000)*365$ =16.49days=17days(1)
Inventory turnover	13.5 times	$\text{Cost of sales}/\text{average inventory}$ (1)	$157\,000/25\,000(1cf \text{ average inventory})$ =6.28times (1of)

Question Number	Answer (AO3)6,(AO4)6 & (AO5)1	Mark
5 (d)	<p>1 mark for each ratio analysed and 1 mark for development/explanation. 1 mark for overall comment. E.g. Gross profit margin - has slightly improved, shows better control over cost of sales (1) or sales increased more in proportion to cost of sales compared to last year. (1)</p> <p>Net profit margin - has improved since last year, indicating better control over operating expenses (1) or could be due to increase in gross profit. (1)</p> <p>Return on capital employed - has improved significantly, indicating better utilisation of resources compared to last year. (1) The increase in the ratio is due to increase in the net profit margin for 2015. (1)</p> <p>Trade receivables collection period - has improved, receivables are paying much quicker than the last year which helps to improve cash flow. (1) It could be due to incentives given to the receivables for early payment as the days for payment are less than the normal credit period of 30 days. (1)</p> <p>Trade payment period - has decreased, payments to payables are made 3 days earlier than last year. This year the business is collecting money from the receivables before it is making payment to payables, which is better to improve cash flow position, which is indicated by the increase in the bank balance of \$11 000.(1) This will also improve the relationship with the suppliers. (1)</p> <p>Inventory turnover - the inventory is being sold slower than last year. It could be that the demand for the product has gone down either due to less money spent on advertising/ marketing, (1) which is indicated by an increase in net profit margin ratio or due to tightening the credit period offered for credit customers (receivables). (1)</p> <p>Overall, the profitability and performance of the business has improved in 2016 compared to 2015. (1)</p>	(13)

TOTAL FOR QUESTION 5 - 38 MARKS

TOTAL FOR PAPER = 115 MARKS