



Mark Scheme

November 2017
Results

Pearson LCCI
Certificate in Financial Accounting
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 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 (2)	Mark
1(a)	Award 1 mark for each correct answer up to a maximum of 2 marks. To check the arithmetical accuracy of the accounts (1) To prepare the financial statements (1)	(2)

Question Number	Answer AO2 (17)	Mark
1(b)	Award 1 mark for each correct figure against correct label as indicated	(17)

Tamy - Extended trial balance at 30 September 2017					
	Trial balance		Adjustments		
	Debit \$	Credit \$	Debit \$	Credit \$	
Allowance for doubtful debts		1 950	150 (1)		
Cash in hand	50				
Cash at bank		2 150	4 650 (2)		Accept 4 300 (1) and 350 (1)
Closing inventory- Statement of financial position	11 375				
Closing inventory- Statement of profit or loss		11 375			
Drawings	2 375		1 250 (1)		
Equity at 1 October 2016		50 000		950 (1)	
General expenses	5 960			1 250 (1)	
Insurance	2 825			400 (1)	
Non-current assets	73 865				
Opening inventory	8 900				
Purchases	81 220				
Rent	9 850				
Revenue		139 750	180 (1)		Accept 750 Dr and 570 Cr (1)
Suspense	3 350		950 (1)	4 300 (1)	Accept 3 350 Cr (2)
Trade and other payables		6 750		375 (1)	
Trade and other receivables	7 525		400 (1)	180 (1)	
Wages and salaries	4 680		375 (1)		
Allowance for doubtful debts adjustment				150 (1)	
Irrecoverable debts recovered				350 (1)	
Total	211 975	211 975	7 955	7 955	(1 of for both)

TOTAL FOR QUESTION 1 = 19 MARKS

Question Number	Answer AO2 (4)	Mark																																																				
2(a)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Gavin, Hanna and Indi Appropriation Account for the year ended 30 September 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">72 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Less Interest on capital</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gavin</td> <td style="text-align: right;">4 000</td> <td></td> <td rowspan="3" style="text-align: right;">(1 of all three)</td> </tr> <tr> <td>Hanna</td> <td style="text-align: right;">4 000</td> <td></td> </tr> <tr> <td>Indi</td> <td style="text-align: right;">4 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(12 000)</td> <td></td> </tr> <tr> <td>Less Salary</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hanna</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">(12 000)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Profit available for distribution</td> <td></td> <td style="text-align: right;">48 000</td> <td></td> </tr> <tr> <td>Profit share</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gavin</td> <td></td> <td style="text-align: right;">16 000</td> <td rowspan="3" style="text-align: right;">(1 of for all three)</td> </tr> <tr> <td>Hanna</td> <td></td> <td style="text-align: right;">16 000</td> </tr> <tr> <td>Indi</td> <td></td> <td style="text-align: right;">16 000</td> </tr> </tbody> </table>		\$	\$		Profit for the year		72 000	(1)	Less Interest on capital				Gavin	4 000		(1 of all three)	Hanna	4 000		Indi	4 000				(12 000)		Less Salary				Hanna	12 000	(12 000)	(1)	Profit available for distribution		48 000		Profit share				Gavin		16 000	(1 of for all three)	Hanna		16 000	Indi		16 000	(4)
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Question Number	Answer AO2 (5)	Mark																																				
2(b)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Current Account-Hanna</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Amount \$</th> <th>Date</th> <th>Details</th> <th>Amount \$</th> </tr> </thead> <tbody> <tr> <td>1 October 2016</td> <td>Balance b/d</td> <td style="text-align: right;">2 500 (1)</td> <td>30 September 2017</td> <td>Appropriation (Salary)</td> <td style="text-align: right;">12 000</td> </tr> <tr> <td>30 September 2017</td> <td>Balance c/d</td> <td style="text-align: right;">29 500</td> <td>30 September 2017</td> <td>Appropriation (Interest on capital)</td> <td style="text-align: right;">4 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>30 September 2017</td> <td>Appropriation (Profit share)</td> <td style="text-align: right;">16 000 (1 of for all three - from a)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">32 000</td> <td></td> <td></td> <td style="text-align: right;">32 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 October 2017</td> <td>Balance b/d</td> <td style="text-align: right;">29 500 (2/1 of for both)</td> </tr> </tbody> </table>	Date	Details	Amount \$	Date	Details	Amount \$	1 October 2016	Balance b/d	2 500 (1)	30 September 2017	Appropriation (Salary)	12 000	30 September 2017	Balance c/d	29 500	30 September 2017	Appropriation (Interest on capital)	4 000				30 September 2017	Appropriation (Profit share)	16 000 (1 of for all three - from a)			32 000			32 000				1 October 2017	Balance b/d	29 500 (2/1 of for both)	(5)
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Question Number	Answer AO2 (6)	Mark																																				
2(c)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Capital Account – Gavin</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Amount \$</th> <th>Date</th> <th>Details</th> <th>Amount \$</th> </tr> </thead> <tbody> <tr> <td>1 October 2016</td> <td>Goodwill</td> <td>10 000 (1)</td> <td>1 October 2016</td> <td>Balance b/d</td> <td>50 000 (1)</td> </tr> <tr> <td>30 September 2017</td> <td>Balance c/d</td> <td>90 000</td> <td>1 October 2016</td> <td>Goodwill</td> <td>20 000 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 October 2016</td> <td>Revaluation</td> <td>30 000 (1)</td> </tr> <tr> <td></td> <td></td> <td>100 000</td> <td></td> <td></td> <td>100 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 October 2017</td> <td>Balance b/d</td> <td>90 000 (1 of for both)</td> </tr> </tbody> </table>	Date	Details	Amount \$	Date	Details	Amount \$	1 October 2016	Goodwill	10 000 (1)	1 October 2016	Balance b/d	50 000 (1)	30 September 2017	Balance c/d	90 000	1 October 2016	Goodwill	20 000 (1)				1 October 2016	Revaluation	30 000 (1)			100 000			100 000				1 October 2017	Balance b/d	90 000 (1 of for both)	(6)
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Question Number	Answer AO1 (2)	Mark
2(d)	<p>Award 1 mark for correct answer up to a maximum of 2 marks.</p> <ul style="list-style-type: none"> • Unlimited liability/No separate legal entity (1) • Sharing of profits among partners (1) • Loss of control (1) 	(2)

Question Number	Answer AO1 (2)	Mark
2(e)	<p>Award 1 mark for each correct answer.</p> <p>The partner may have withdrawn more money than they were entitled to (1)</p> <p>The partnership may have made a loss last year (1)</p>	(2)

Question Number	Answer AO2 (2)	Mark
2(f)	<p>Award 1 mark for correct answer up to a maximum of 2 marks.</p> <ul style="list-style-type: none"> • Integrity/honesty (1) • Objectivity/independence (1) • Confidentiality (1) • Professional competence and due care (1) • Professional behaviour (1) 	(2)

TOTAL FOR QUESTION 2 = 21 MARKS

Question Number	Answer AO2 (2)	Mark
3(a)	Award marks as indicated \$43 750 (1) + \$2 625 = \$46 375 (1of)	(2)
Additional guidance Correct answer only scores 2 marks No specific layout required		

Question Number	Answer AO2 (5)	Mark																		
3(b)	Award marks as indicated. <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Profit for the year</td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td>As per accounts</td> <td style="text-align: right;">25 375</td> <td></td> </tr> <tr> <td>Bank interest</td> <td style="text-align: right;">(300)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">(3 625)</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Allowance for doubtful debts</td> <td style="text-align: right;"><u>(2 125)</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>19 325</u></td> <td style="text-align: right;">(1of)</td> </tr> </table>	Profit for the year	\$		As per accounts	25 375		Bank interest	(300)	(1)	Inventory	(3 625)	(1of)	Allowance for doubtful debts	<u>(2 125)</u>	(1)		<u>19 325</u>	(1of)	(4)
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Additional guidance Correct answer only scores 4 marks No specific layout required																				

Question Number	Answer AO2 (7)	Mark																																																																																																												
3(c)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">John Statement of financial position at 30 June 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th></th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td colspan="4">Assets</td> </tr> <tr> <td colspan="4">Non-current assets</td> </tr> <tr> <td>Land and buildings</td> <td></td> <td style="text-align: right;">75 000</td> <td></td> </tr> <tr> <td>Motor vehicles</td> <td></td> <td style="text-align: right;">6 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">81 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td colspan="4">Current assets</td> </tr> <tr> <td>Inventory</td> <td></td> <td style="text-align: right;">46 375</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">42 500</td> <td></td> <td style="text-align: right;">from (a)</td> </tr> <tr> <td>Allowance for doubtful debts</td> <td style="text-align: right;">(2 125)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">40 375</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Cash and cash equivalents</td> <td></td> <td style="text-align: right;">1 625</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">88 375</td> <td></td> </tr> <tr> <td>Total assets</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">169 375</td> <td style="text-align: right;">*</td> </tr> <tr> <td colspan="4">Equity and liabilities</td> </tr> <tr> <td colspan="4">Equity</td> </tr> <tr> <td>Equity at 1 July 2016</td> <td></td> <td style="text-align: right;">75 000</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">19 325</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Total equity</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">94 325</td> <td style="text-align: right;">from (b)</td> </tr> <tr> <td colspan="4">Non-current liabilities</td> </tr> <tr> <td>6% Bank loan</td> <td></td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td colspan="4">Current liabilities</td> </tr> <tr> <td>Cash and cash equivalents</td> <td></td> <td style="text-align: right;">7 500</td> <td></td> </tr> <tr> <td>Trade and other payables</td> <td></td> <td style="text-align: right;">47 550</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">55 050</td> <td style="text-align: right;">from (b)</td> </tr> <tr> <td>Total liabilities</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">75 050</td> <td></td> </tr> <tr> <td>Total equity and liabilities</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">169 375</td> <td style="text-align: right;">*(1of for both)</td> </tr> </tbody> </table>			\$		Assets				Non-current assets				Land and buildings		75 000		Motor vehicles		6 000				81 000	(1)	Current assets				Inventory		46 375	(1of)	Trade receivables	42 500		from (a)	Allowance for doubtful debts	(2 125)					40 375	(1of)	Cash and cash equivalents		1 625	(1)			88 375		Total assets		169 375	*	Equity and liabilities				Equity				Equity at 1 July 2016		75 000		Profit for the year		19 325	(1of)	Total equity		94 325	from (b)	Non-current liabilities				6% Bank loan		20 000	(1)	Current liabilities				Cash and cash equivalents		7 500		Trade and other payables		47 550	(1of)			55 050	from (b)	Total liabilities		75 050		Total equity and liabilities		169 375	*(1of for both)	(8)
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<p>Additional guidance</p> <p>*Total equity and liabilities 1of mark only awarded if it is equal to total assets. Accept split of trade and other payables.</p>																																																																																																														

Question Number	Answer AO3 (2)	Mark
3(d)	<p>Award 1 mark for application of the prudence concept and 1 mark for linked justification/reasoning.</p> <p>For example</p> <p>John has created the allowance for doubtful debts (1) to show the realistic/true and fair view of the financial statements (1).</p>	(2)
<p>Additional guidance Accept reference of closing inventory instead of allowance for doubtful debts.</p>		

Question Number	Answer AO1 (2)	Mark												
3(e)	<p>Award 1 mark for correct answer. Maximum 2 marks.</p> <p>E.g.</p> <table border="1" data-bbox="411 479 1241 1626"> <tbody> <tr> <td data-bbox="419 479 826 658">Customers (1)</td> <td data-bbox="834 479 1233 658">would be interested to see whether the business be able to provide the products and services in the near future (1).</td> </tr> <tr> <td data-bbox="419 669 826 871">Suppliers (1)</td> <td data-bbox="834 669 1233 871">would be interested to know whether the business will be able to make the payments on due date for the goods supplied (1).</td> </tr> <tr> <td data-bbox="419 882 826 1016">Government (1)</td> <td data-bbox="834 882 1233 1016">would be interested to ensure that the business is paying the right amount of tax (1).</td> </tr> <tr> <td data-bbox="419 1028 826 1229">Banks/providers of external finance (1)</td> <td data-bbox="834 1028 1233 1229">would be interested to know whether the business will be able to service the finance provided and repay the finance provided (1).</td> </tr> <tr> <td data-bbox="419 1240 826 1408">Local community (1)</td> <td data-bbox="834 1240 1233 1408">would be interested to know how the business is contributing towards the community in terms of job opportunities etc (1).</td> </tr> <tr> <td data-bbox="419 1420 826 1621">Potential investors (1)</td> <td data-bbox="834 1420 1233 1621">would be interested to know whether the business would be able to provide the return on their investment or not (1).</td> </tr> </tbody> </table> <p>Accept any other appropriate responses.</p>	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) .	(2)
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TOTAL FOR QUESTION 3 = 18 MARKS

Question Number	Answer AO2 (2)	Mark
4(a)(i)	Award marks as indicated \$2 000 (1) + 5 450 = \$7 450 (1of)	(2)
Additional guidance Correct answer only scores 2 marks No specific layout required		

Question Number	Answer AO2 (3)	Mark
4(a)(ii)	Award marks as indicated \$58 000 + \$525 (1) + (\$38 495 - \$29 575) (1) = \$67 445 + \$7 450 = \$74 895 (1of) Or \$58 525 (1) + \$8 920 (1) + \$7 450 = \$74 895 (1of)	(3)
Additional guidance Correct answer only scores 3 marks No specific layout required		

Question Number	Answer AO2 (2)	Mark
4(a)(iii)	Award marks as indicated \$35 050 (1) + \$1 200 = \$36 250 (1)	(2)
Additional guidance Correct answer only scores 2 marks No specific layout required		

Question Number	Answer AO2 (9)	Mark																																																																																				
4(b)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Ming Statement of profit or loss for the year ended 30 June 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">74 895</td> <td style="text-align: right;">from a(ii)</td> </tr> <tr> <td>Less cost of sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">4 850</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">36 250</td> <td></td> <td style="text-align: right;">From a(iii)</td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;">775</td> <td></td> <td style="text-align: right;">(1)*</td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(5 645)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(36 230)</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">38 665</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Less expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">10 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cleaner's wage's</td> <td style="text-align: right;">975</td> <td></td> <td style="text-align: right;">(1)**</td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">1 950</td> <td></td> <td style="text-align: right;">*</td> </tr> <tr> <td>Irrecoverable debts</td> <td style="text-align: right;">525</td> <td></td> <td style="text-align: right;">**</td> </tr> <tr> <td>Bank interest</td> <td style="text-align: right;">1 800</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">5 325</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">7 200</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(27 775)</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">10 890</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="4" style="padding: 5px;">$\\$30\,000 \times 8\% \times 9/12 = 1\,800$ (1)</td> </tr> </tbody> </table>		\$	\$		Revenue		74 895	from a(ii)	Less cost of sales				Opening inventory	4 850			Purchases	36 250		From a(iii)	Carriage inwards	775		(1)*	Closing inventory	(5 645)					(36 230)	(1of)	Gross profit		38 665	(1of)	Less expenses				Depreciation	10 000		(1)	Cleaner's wage's	975		(1)**	Carriage outwards	1 950		*	Irrecoverable debts	525		**	Bank interest	1 800		(1)	General expenses	5 325		(1)	Rent and rates	7 200		(1)			(27 775)		Profit for the year		10 890	(1of)					$\$30\,000 \times 8\% \times 9/12 = 1\,800$ (1)				(9)
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Question Number	Answer AO4 (4) AO5 (1)	Mark
4(c)	<p>Award 1 mark for analysis of each ratio up to a maximum of 4 marks Award 1 mark for evaluation Evaluation mark can only be awarded if at least two ratios are analysed.</p> <p>Gross profit of Wye Ltd is better compared to Exe Ltd indicating charging higher selling price in proportion to cost of sales (1).</p> <p>Profit for the year to revenue percentage of Wye Ltd is better compared to Exe Ltd indicating better control over its operating expenses (1).</p> <p>Current ratio - Exe Ltd is more financially stable than Wye Ltd as the current ratio indicates that they are more able to pay their short term liability from their current assets (1).</p> <p>Similarly the liquid assets of Exe Ltd indicates stronger short term stability as they can pay their short term liabilities without selling their inventory (1).</p> <p>Any supported decision (1)</p>	(5)

Question Number	Answer AO1 (1)	Mark
4(d)	<p>Award 1 mark for correct answer up to a maximum of 1 mark.</p> <ul style="list-style-type: none"> • Trade payables payment period (1) • Trade receivables collection period (1) • Inventory turnover (1) <p>Accept any other appropriate responses.</p>	(1)

Additional guidance

Do not accept profitability ratios.

TOTAL FOR QUESTION 4 = 22 MARKS

Question Number	Answer A02 (6)	Mark																																																																																	
5(a)	<p>Award 1 mark for each correct figure against correct label as indicated</p> <p>An extract from the non-current assets register</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Year ended</th> <th>Acquisition date</th> <th>Cost \$</th> <th>Depreciation charge \$</th> <th>Carrying amount \$</th> <th>Disposal date</th> <th>Disposal proceeds \$</th> <th>Profit or (loss) on disposal \$</th> </tr> </thead> <tbody> <tr> <td>Machine Sonox</td> <td>30 June 2015</td> <td>1 November 2014</td> <td>70 000</td> <td>7 000</td> <td>63 000</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>30 June 2016</td> <td></td> <td></td> <td>6 300</td> <td>56 700</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>30 June 2017</td> <td></td> <td></td> <td>5 670 (1)</td> <td>51 030 (1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Machine Monox</td> <td>30 June 2015</td> <td>1 July 2014</td> <td>25 000</td> <td>2 500</td> <td>22 500</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>30 June 2016</td> <td></td> <td></td> <td>2 250</td> <td>20 250</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>30 June 2017</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>18 275</td> <td>(1 975) (1)</td> </tr> <tr> <td>Machine Zonox</td> <td>30 June 2017</td> <td>1 July 2016</td> <td>35 000</td> <td>3 500 (1)</td> <td>31 500 (1)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Description	Year ended	Acquisition date	Cost \$	Depreciation charge \$	Carrying amount \$	Disposal date	Disposal proceeds \$	Profit or (loss) on disposal \$	Machine Sonox	30 June 2015	1 November 2014	70 000	7 000	63 000					30 June 2016			6 300	56 700					30 June 2017			5 670 (1)	51 030 (1)													Machine Monox	30 June 2015	1 July 2014	25 000	2 500	22 500					30 June 2016			2 250	20 250					30 June 2017						18 275	(1 975) (1)	Machine Zonox	30 June 2017	1 July 2016	35 000	3 500 (1)	31 500 (1)				(5)
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Question Number	Answer AO3 (4) AO5 (1)	Mark
5(b)	<p>Maximum 4 marks for discussion. Award 1 mark for decision Decision mark can only be awarded if at least one comment for each method of depreciation is given.</p> <ul style="list-style-type: none"> • The diminishing (reducing) balance method is more realistic as the assets tend to lose their market value quicker in early years (1), for example machinery /motor vehicles (1). • Straight line method is used for assets where the decrease in value is constant (1), for example shop fittings/buildings (1). • Continuing to use the diminishing balance method matches the consistency concept (1) and enables valid comparison to previous years (1). <p>Any supported decision (1). Accept any other reasonable responses.</p>	(5)

Question Number	Answer AO1 (1)	Mark
5(c)	<p>Award 1 mark for correct answer.</p> <p>Accrual concept (1)</p>	(1)
<p>Additional guidance</p> <p>Accept consistency concept.</p>		

Question Number	Answer AO2 (7)	Mark																
5(d)	<p>Award 1 mark for each correct figure with understandable label as indicated.</p> <p style="text-align: center;">Morley Ltd Reconciliation of profit of the year to net cash from operating activities for the year ended 30 June 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td style="text-align: right;">25 345 (1)</td> </tr> <tr> <td>Depreciation charge for the year</td> <td style="text-align: right;">9 170 (1 of from a)</td> </tr> <tr> <td>Loss on disposal of machine</td> <td style="text-align: right;">1 975 (1of from a)</td> </tr> <tr> <td>Decrease in inventory</td> <td style="text-align: right;">6 685 (1)</td> </tr> <tr> <td>Increase in trade receivables</td> <td style="text-align: right;">(14 290) (1)</td> </tr> <tr> <td>Increase in trade payables</td> <td style="text-align: right;">6 750 (1)</td> </tr> <tr> <td>Net cash from operating activities</td> <td style="text-align: right;">35 635 (1of)</td> </tr> </tbody> </table>		\$	Profit for the year	25 345 (1)	Depreciation charge for the year	9 170 (1 of from a)	Loss on disposal of machine	1 975 (1of from a)	Decrease in inventory	6 685 (1)	Increase in trade receivables	(14 290) (1)	Increase in trade payables	6 750 (1)	Net cash from operating activities	35 635 (1of)	(7)
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Question Number	Answer AO3 (2)	Mark
5(e)	<p>Award 1 mark for identification of net result of investing activities and 1 mark for linked justification/reasoning.</p> <p>Investing activities section provides information for net cash used in or from investing activities (1) which indicates how much investment has been made in non-current assets/which will indicate possible future income/which will show how these were financed by selling or using own assets (1).</p>	(2)

TOTAL FOR QUESTION 5 = 20 MARKS

TOTAL FOR PAPER = 100 MARKS