



Mark Scheme

March 2017  
**Results**

Pearson LCCI Certificate in Financial  
Accounting (VRQ) Level 3  
(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	AO1(2)	Mark
<b>1(a)</b>	<p><b>Award 1 mark for stating the difference. Award 1 for development.</b></p> <p><b>E.g.</b></p> <p>The difference is due to ownership <b>(1)</b> public sector is owned by government and private sector is owned by individuals <b>(1)</b>.</p> <p>The difference is due to objective/purpose <b>(1)</b> as the public sector provides services to public whereas private sector business usually exist to make a profit <b>(1)</b>.</p> <p><b>Accept any other valid answers.</b></p>	<b>(2)</b>

Question Number	AO1(4)	Mark
<b>1(b)</b>	<p><b>Award 1 mark for each item. Maximum 4 marks.</b></p> <p><b>E.g.</b></p> <ul style="list-style-type: none"> <li>• Amount due <b>(1)</b></li> <li>• Invoices <b>(1)</b></li> <li>• Credit notes <b>(1)</b></li> <li>• Cash discount received <b>(1)</b></li> <li>• Payments <b>(1)</b></li> <li>• Interest charged <b>(1)</b></li> <li>• Credit terms <b>(1)</b></li> <li>• Refunds <b>(1)</b></li> </ul> <p><b>Do not accept formatting items:</b> e.g. supplier name, date, customer name, address.</p> <p><b>Accept any other valid answers.</b></p>	<b>(4)</b>

Question Number	AO1(2)	Mark
<b>1(c)</b>	<p><b>Award 1 mark for each purpose. Maximum 2 marks.</b></p> <p><b>E.g</b></p> <ul style="list-style-type: none"> <li>• Amount owed by individual customers <b>(1)</b>.</li> <li>• Amount owed to individual suppliers <b>(1)</b>.</li> <li>• To perform reconciliation of control accounts with individual account balances <b>(1)</b>.</li> <li>• To detect errors in subsidiary ledger accounts <b>(1)</b>.</li> <li>• Division of labour <b>(1)</b>.</li> <li>• To verify the balances <b>(1)</b>.</li> </ul> <p><b>Accept any other valid answers.</b></p>	<b>(2)</b>

Question Number	AO1(2) & AO3(2)	Mark
<b>1(d)</b>	<p><b>Award 1 mark for identification of a limitation.</b>  <b>Award 1 mark for development.</b></p> <p><b>E.g.</b></p> <p>A trial balance only confirms that the total of all debit balances match the total of all credit balances <b>(1)</b>. Therefore it would not reveal an incorrect debit entry being offset by an equal credit entry <b>(1)</b>.</p> <p>A trial balance gives no proof that certain transactions have not been recorded <b>(1)</b>, as if both debit and credit sides of a transaction would be omitted the trial balance would still agree <b>(1)</b>.</p> <p><b>Accept any other valid answers.</b></p>	<b>(4)</b>

Question Number	AO2(3)	Mark															
<b>1(e)(i)</b>	<p><b>Award 1 mark for figure and label as indicated.</b></p> <p style="text-align: center;"><b>Rouben</b></p> <p><b>Bank reconciliation statement at 1 November 2016</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">\$</td> <td></td> </tr> <tr> <td>Balance as per cash book</td> <td style="text-align: right;">1 150</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Add:</td> <td></td> <td></td> </tr> <tr> <td>unpresented cheque</td> <td style="text-align: right;"><u>100</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Balance as per bank statement</td> <td style="text-align: right;"><u>1 250</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> </table>		\$		Balance as per cash book	1 150	<b>(1)</b>	Add:			unpresented cheque	<u>100</u>	<b>(1)</b>	Balance as per bank statement	<u>1 250</u>	<b>(1)</b>	<b>(3)</b>
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Question Number	AO2(5)	Mark																																				
<b>1(e)(ii)</b>	<p><b>Award 1 mark for date, detail and figure in combination.</b></p> <p><b>Cash book (bank column)</b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>30 Nov</td> <td>Balance b/d</td> <td>585 <b>(1)</b></td> <td>30 Nov</td> <td>Direct debit-Telephone</td> <td>250 <b>(1)</b></td> </tr> <tr> <td>30 Nov</td> <td>Credit transfer -Mr Smith</td> <td>3 500 <b>(1)</b></td> <td>30 Nov</td> <td>Bank Charges</td> <td>50 <b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td>30 Nov</td> <td>Balance c/d</td> <td>3 785</td> </tr> <tr> <td></td> <td></td> <td>4 085</td> <td></td> <td></td> <td>4 085</td> </tr> <tr> <td>1 Dec</td> <td>Balance b/d</td> <td>3 785 <b>(1of)</b></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	30 Nov	Balance b/d	585 <b>(1)</b>	30 Nov	Direct debit-Telephone	250 <b>(1)</b>	30 Nov	Credit transfer -Mr Smith	3 500 <b>(1)</b>	30 Nov	Bank Charges	50 <b>(1)</b>				30 Nov	Balance c/d	3 785			4 085			4 085	1 Dec	Balance b/d	3 785 <b>(1of)</b>				<b>(5)</b>
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**TOTAL FOR QUESTION 1 – 20 MARKS**



Question Number	AO2(33)	Mark
<b>2(a)</b>	<p><b>Award marks as indicated.</b></p> <p><b>Closing inventory</b> = <math>\$(46\,350 - 1\,500 + (1\,350 - 350)) = \\$45\,850</math></p> <p><b>Prepaid rent</b> = <math>\$(800 / 4 \times 3) = \\$600</math></p> <p><b>Telephone expenses outstanding</b> = <math>\$(750 / 2 \times 3) = \\$500</math></p> <p><b>Allowance for doubtful debts</b> = <math>\$(5\,000 - 450) \times 10\% = \\$455</math></p> <p><b>Depreciation charge</b> = <math>\$( (125\,000 - 12\,000) - (35\,000 - 9\,600) ) \times 20\% = \\$17\,520</math></p> <p><b>Interest on capital for both partners for figure</b> = <math>\$(50\,000 \times 5\%) = \\$2\,500</math></p>	<b>(33)</b>

<b>Rizwan and Sadiq-Extended trial balance at 31 December 2016</b>							
<b>Ledger accounts</b>	<b>Trial balance</b>		<b>Adjustments</b>		<b>Statement of profit or loss</b>		
	<b>Debit \$</b>	<b>Credit \$</b>	<b>Debit \$</b>	<b>Credit \$</b>	<b>Debit \$</b>	<b>Credit \$</b>	
Administrative expenses	1 450				1 450		
Bank		2 000					
Cash in hand	2 500			2 300 <b>(1)</b>			
Current account - Rizwan		700	1 900 <b>(1)</b>	14 500 <b>(1)</b>			Do not accept drawings as a separate entry.
Current account - Sadiq	400		2 700 <b>(1)</b>	14 500 <b>(1)</b>			
Equity - Rizwan		50 000					
Equity - Sadiq		50 000					
Inventory at 1 January 2016	25 000				25 000		
Motor vehicle expenses	780				780		
Motor vehicles accumulated depreciation		35 000	9 600 <b>(1)</b>	17 520 <b>(1)</b>			
Motor vehicles at cost	125 000			12 000 <b>(1)</b>			
Purchases	95 000			2 300 <b>(1)</b>	92 700 <b>(1of)</b>		
Rent	2 550			600 <b>(1)</b>	1 950 <b>(1of)</b>		
Revenue		145 000	2 350 <b>(1)</b>			142 650 <b>(1of)</b>	
Telephone expenses	500		500 <b>(1)</b>		1 000 <b>(1of)</b>		
Trade payables		7 480					
Trade receivables	5 000			450 <b>(1)</b>			

Wages and salaries	32 000							
Closing inventory- SOPL				45 850 <b>(1)</b>			45 850 <b>(1of)</b>	
Closing inventory - SOFP			45 850 <b>(1of)</b>					
Disposal			12 000 <b>(1)</b>	11 950 <b>(1)</b>	50 <b>(1of)</b>			For the adjustment column accept 50 <b>(2)</b>
Depreciation charge			17 520 <b>(1of)</b>		17 520			
Other receivables-rent prepaid			600 <b>(1)</b>					
Other payables-telephone expense outstanding				500 <b>(1)</b>				
Irrecoverable debts			450 <b>(1)</b>		450			
Allowance for doubtful debts				455 <b>(1)</b>				
Allowance for doubtful debts- adjustment			455 <b>(1of)</b>		455			
Appropriation account (Salary) - Rizwan			12 000	<b>(1 for both partners)</b>				Must not be included in wages and salaries. Must have the partner name both for
Appropriation account (Salary) - Sadiq			12 000					
Appropriation account (Interest on capital)- Rizwan			2 500	<b>(1 for both partners)</b>				salary and interest on

Appropriation account (Interest on capital) - Sadig			2 500					capital.
Profit for the year					15 145 <b>(2/10f)</b>			
<b>Total</b>	<b>290 180</b>	<b>290 180</b>	122 925	122 925	188 500	188 500		

**Additional Guidance:**

For own figure marks the label must be correct.

**TOTAL FOR QUESTION 2 – 33 MARKS**

Question Number	AO2(4)	Mark
<b>3(a)(i)</b>	<b>Award marks as indicated.</b>  <b>Drawings</b> = \$(186 000-35 000) = \$151 000 <b>(1)</b> - \$(210 000x70% <b>(1)</b> )=\$ 147 000 <b>(1of)</b> =\$4 000 <b>(1of)</b>	<b>(4)</b>

Question Number	AO2(4)	Mark
<b>3(a)(ii)</b>	<b>Award marks as indicated.</b>  Gross profit=\$210 000x30% = \$63 000 <b>(1)</b> <b>Minus expenses</b> Advertising \$6 000 Wages \$12 500 Rent and rates \$9 000 Administration expenses \$5 000 Depreciation on fixtures and fittings \$50 000x10%=\$5 000 <b>(1)</b>  = \$37 500 <b>Profit for the year</b> = <u>\$25 500</u> <b>(1of)</b>	<b>(4)</b>

Question Number	AO2(2)	Mark
<b>3(b)(i)</b>	<b>Award marks as indicated.</b> Credit sales=\$(210 000-(40 000+300+1 500)) =\$168 200 <b>(1)</b> Less money received = \$160 000 Closing trade receivables <u>\$8 200</u> <b>(1of)</b>  <b>Accept:</b>  \$50 000 <b>(1)</b>	<b>(2)</b>

Question Number	AO2(2)	Mark
<b>3(b)(ii)</b>	<b>Award marks as indicated.</b> Credit purchases=\$(186 000-5 000) = \$181 000 <b>(1)</b> Less money paid = <u>\$155 000</u> Closing trade payables <u>\$26 000</u> <b>(1of)</b>  <b>Accept:</b>  \$31 000 <b>(1)</b>	<b>(2)</b>

Question Number	AO2(9)	Mark																																																																																								
3(c)	<p><b>Award marks as indicated.</b></p> <table border="1" data-bbox="389 300 1257 1592"> <thead> <tr> <th colspan="4" data-bbox="405 309 1241 412" style="text-align: center;"><b>Gemma Statement of financial position at 31 December 2016</b></th> </tr> <tr> <th data-bbox="405 412 740 448"><b>Assets</b></th> <th data-bbox="740 412 871 448" style="text-align: center;">\$</th> <th data-bbox="871 412 1091 448" style="text-align: center;">\$</th> <th data-bbox="1091 412 1251 448" style="text-align: center;">\$</th> </tr> <tr> <th data-bbox="405 448 740 519"><b>Non-current assets</b></th> <th data-bbox="740 448 871 519" style="text-align: center;">Cost</th> <th data-bbox="871 448 1091 519" style="text-align: center;">Accumulated depreciation</th> <th data-bbox="1091 448 1251 519" style="text-align: center;">Carrying value</th> </tr> </thead> <tbody> <tr> <td data-bbox="405 519 740 591">Fixtures and fittings</td> <td data-bbox="740 519 871 591" style="text-align: center;">50 000</td> <td 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equity			61 800	<b>Current liabilities</b>				Trade payables		26 000 <b>(1of)</b>		Bank overdraft		700 <b>(1)</b>		Total liabilities			26 700	<b>Total equity and liabilities</b>			<b>88 500</b>					<b>(9)</b>
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<b>3(d)</b>	<p><b>Award 1 mark for each reason. Award 1 mark for development. Maximum 4 marks.</b></p> <p><b>E.g.</b></p> <ul style="list-style-type: none"> <li>• To calculate profit correctly <b>(1)</b> so that accurate tax is paid to authorities <b>(1)</b>.</li> <li>• Helps to prepare financial statements accurately <b>(1)</b> so that businesses can secure loans from banks successfully <b>(1)</b>.</li> <li>• Helps auditors to perform their duties correctly <b>(1)</b> as it keeps an audit trail of all the transactions <b>(1)</b>.</li> </ul> <p><b>Accept any other valid answers.</b></p>	<b>(4)</b>

**TOTAL FOR QUESTION 3 – 25 MARKS**

Question Number	AO3(4)	Mark
<b>4(a)</b>	<p><b>Award 1 mark for reason. 1 mark for development.</b></p> <p><b>E.g.</b></p> <ul style="list-style-type: none"> <li>• Statement of cash flows helps businesses to understand the difference between profit and cash <b>(1)</b> as profit is calculated based on the accrual basis but statement of cash flows is based on receipts and payments <b>(1)</b>.</li> <li>• Statement of cash flows helps businesses to understand the investment in non-current assets <b>(1)</b> and how these were financed by such as issuing of shares/debentures <b>(1)</b>.</li> </ul> <p><b>Accept any other valid answers.</b></p>	<b>(4)</b>

Question Number	AO2(8)	Mark																				
<b>4(b)</b>	<p><b>Award marks as indicated.</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;"><b>Debdel Ltd</b></th> </tr> <tr> <th colspan="2" style="text-align: center;"><b>Reconciliation of profit of the year to net cash from operating activities for the year ended 31 October 2016</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>\$</b></th> </tr> </thead> <tbody> <tr> <td>Profit for the year*</td> <td style="text-align: right;">50 700 <b>(1)</b></td> </tr> <tr> <td>Depreciation charge for the year [<b>W1</b>]</td> <td style="text-align: right;">75 000 <b>(2of)</b></td> </tr> <tr> <td>Loss on disposal of equipment [<b>W2</b>]</td> <td style="text-align: right;">1 200 <b>(2)</b></td> </tr> <tr> <td>Increase in inventory</td> <td style="text-align: right;">(7 500)</td> </tr> <tr> <td>Increase in trade receivables</td> <td style="text-align: right;">(28 000)</td> </tr> <tr> <td>Increase in trade payables</td> <td style="text-align: right;">6 000</td> </tr> <tr> <td>Net cash from operating activities*</td> <td style="text-align: right;">97 400 <b>(1of)</b></td> </tr> </tbody> </table> <p><b>W1</b> Depreciation charge for the year : Property , plant and equipment= \$(250 950 -178 450) = 72 500<b>(1)</b> + 2 500 = \$75 000<b>(1)</b></p> <p><b>W2</b> Loss on disposal of equipment= \$((10 000-2 500) <b>(1)</b>)-6 300)= \$1 200 <b>(1)</b></p> <p><b>*Award 1 mark for correct labels as indicated.</b></p>	<b>Debdel Ltd</b>		<b>Reconciliation of profit of the year to net cash from operating activities for the year ended 31 October 2016</b>			<b>\$</b>	Profit for the year*	50 700 <b>(1)</b>	Depreciation charge for the year [ <b>W1</b> ]	75 000 <b>(2of)</b>	Loss on disposal of equipment [ <b>W2</b> ]	1 200 <b>(2)</b>	Increase in inventory	(7 500)	Increase in trade receivables	(28 000)	Increase in trade payables	6 000	Net cash from operating activities*	97 400 <b>(1of)</b>	<b>(8)</b>
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Question Number	AO2(12)	Mark
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**4(c) Award marks as indicated.**

<b>Debdel Ltd</b>		
<b>Statement of cash flows for the year ended 31 October 2016.</b>		
	\$	\$
Net cash from operating activities		97 400
Cash flows from investing activities		
Acquisition of property [W1]	(180 000) <b>(2)</b>	
Acquisition of machinery	(20 000) <b>(1)</b>	
Acquisition of equipment	(12 500) <b>(1)</b>	
Disposal of Equipment	6 300 <b>(1)</b>	
Net cash <b>used in</b> investing activities*		(206 200) <b>(1of)</b>
Cash flows from financing activities		
Issue of shares	100 000 <b>(1)</b>	
Repayment of loan	(10 000) <b>(1)</b>	
Net cash <b>from</b> financing activities*		90 000 <b>(1of)</b>
Net decrease in cash and cash equivalent *		<b>(18 800)</b> <b>(1)</b>
Cash and cash equivalents at the beginning of the year		16 200
Cash and cash equivalents at the end of the year		(2 600)

**\*Award 1 mark for correct labels as indicated.**

**Notes**

**W1**

Acquisition of property, plant and equipment  
 $= \$((1\ 140\ 950\ \mathbf{(1)} - 938\ 450)\ \mathbf{(1)} + 10\ 000\ \mathbf{(1)}) = \$212\ 500\ \mathbf{(1)}$

	\$
Acquisition of property [W1]	(180 000) <b>(2)</b>
Acquisition of machinery	(20 000)

**(12)**

		<b>(1)</b>		
	Acquisition of equipment	(12 500)		
		<b>(1)</b>		
	Or,			
	Acquisition of property, machinery, equipment	212 500	<b>(4)</b>	
	Or			
	Acquisition of machinery and equipment.	32 500	<b>(2)</b>	

**TOTAL FOR QUESTION 4 – 24 MARKS**

Question Number	AO1(5)	Mark	
<b>5(a)</b>	<b>Award 1 mark as indicated for each ratio.</b>		
	<b>Ratios</b>		<b>Formula</b>
	Gross profit percentage/margin		$\frac{\text{Gross profit}}{\text{Revenue}} \times 100$ <b>(1)</b>
	Net profit percentage/margin		$\frac{\text{(Profit for the year/revenue)}}{\text{Revenue}} \times 100$ <b>(1)</b>
	Trade receivables collection period		$\frac{\text{(Trade receivables/credit sales)}}{\text{Revenue}} \times 365$ <b>(1)</b>  <b>Accept</b> <b>365 days/360 days/52 weeks/12 months</b>
	Trade payables payment period		$\frac{\text{(Trade payables/credit purchases)}}{\text{Revenue}} \times 365$ <b>(1)</b>  <b>Accept</b> 365 days/360 days/52 weeks/12 months  <b>Accept</b> Cost of sales instead of credit purchases.
Inventory turnover	$\frac{\text{(Cost of sales/average inventory)}}{\text{Revenue}}$ <b>(1)</b>  Or  $\frac{\text{(Average inventory/Cost of Sales)}}{\text{Revenue}} \times 365$ <b>Accept</b> 365 days/360 days/52 weeks/12 months		
		<b>(5)</b>	

Question Number	AO4(2)	Mark
<b>5(b)(i)</b>	<p><b>Award 1 mark for identification of a point and 1 mark for development. Maximum 2 marks.</b></p> <p><b>E.g.</b></p> <p>Trade receivable collection period for business X is 60 days which is double the normal credit terms of 30 days whereas business Y received its money within 10 days <b>(1)</b>.</p> <ul style="list-style-type: none"> <li>• Business Y is offering some incentives <b>(1)</b></li> <li>• Business X doesn't have a good credit control system <b>(1)</b></li> </ul> <p><b>Accept other valid responses</b></p>	<b>(2)</b>

Question Number	AO4(2)	Mark
<b>5(b)(ii)</b>	<p><b>1 Mark for identification of a point and 1 mark for development. Maximum 2 marks for each ratio.</b></p> <p><b>E.g.</b></p> <p>Both businesses are taking longer than the normal credit term of 30 days to pay their suppliers <b>(1)</b>.</p> <ul style="list-style-type: none"> <li>• Both businesses could suffer issues with their suppliers supplying goods on credit <b>(1)</b>.</li> </ul> <p><b>Accept other valid responses</b></p>	<b>(2)</b>

Question Number	AO4(6)	Mark
<b>5(b)(iii)</b>	<p><b>1 Mark for identification of a point and 1 mark for development. Maximum 2 marks for each ratio.</b></p> <p><b>E.g.</b></p> <p><b>Inventory turnover</b> for business Y indicates that it converts its inventory into sales/cash faster <b>(1)</b>.</p> <ul style="list-style-type: none"> <li>• This could be due to lower selling price charged <b>(1)</b>.</li> <li>• This could be due to a better marketing strategy <b>(1)</b>.</li> </ul> <p><b>Accept other valid responses</b></p>	<b>(2)</b>

Question Number	AO5 (2)	Mark
5(c)	<p><b>Award 1 mark for stating which business is using the resources efficiently only if it is supported by a valid reason.</b></p> <p><b>E.g.</b>            Business Y <b>(1)</b> is using the resources efficiently as the trade receivables collection period is less than the normal credit period which allows business to use the money collected to generate income in business <b>(1)</b>.  <b>OR</b>            Business Y <b>(1)</b> is using the resources efficiently as the trade payables payment period is longer than the normal credit period which allows business to use the money free of charge to generate income in business <b>(1)</b>.  <b>OR</b>            Business Y <b>(1)</b> is using the resources efficiently as the inventory turnover is four times higher than the business X which helps to turn inventory into cash quickly <b>(1)</b>.</p>	(2)

**TOTAL FOR QUESTION 5 – 13 MARKS**

**TOTAL FOR PAPER =115 MARKS**