



Mark Scheme

April 2017
Results

Pearson LCCI
Certificate in Financial Accounting (VRQ)
(ASE20097)
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(2)	Mark
1(a)	<p>Award 1 mark for each objective (Max 2).</p> <p>E.g.</p> <ul style="list-style-type: none"> • Survival against competition (1) • Growth of sales and market share (1) • Provide good quality goods and services (1) • Developing a skilled workforce (1) <p>Accept any other valid responses.</p>	(2)

Question Number	AO1(4)	Mark
1(b)	<p>Award 1 mark as for each identified error (Max 4).</p> <ul style="list-style-type: none"> • Error of principle (1) • Error of commission (1) • Error of omission (1) • Error of original entry (1) • Error of reversal entry (1) • Error of compensation (1) 	(4)

Question Number	AO1(2)	Mark
1(c)	<p>Award marks as indicated.</p> <p>Inventory is valued at lower of cost and net realisable value (1).</p>	(1)

Question Number	AO3(2)	Mark
1(d)(i)	<p>Award 1 mark for identifying the concept and 1 mark for explaining.</p> <p>The allowance for doubtful debts is an application of prudence concept (1). The allowance for doubtful debts is created as a provision to provide for any anticipated losses (1).</p>	(2)

Question Number	AO2 (2)	Mark
1(d)(ii)	<p>Award marks as indicated</p> <p>Allowance for doubtful debts $= (\\$75\ 750 - \\$750 \text{ (1)}) \times 5\% = \\$3\ 750 \text{ (1of)}$</p>	(2)

Question Number	AO2 (2)	Mark									
1(d)(iii)	Award 1 mark for combination of account name and amount.										
	<table border="1"> <thead> <tr> <th>Account name</th> <th>Debit \$</th> <th>Credit \$</th> </tr> </thead> <tbody> <tr> <td>Allowance for doubtful debts</td> <td>500 (1of)</td> <td></td> </tr> <tr> <td>Allowance for doubtful debts- adjustments</td> <td></td> <td>500 (1of)</td> </tr> </tbody> </table>		Account name	Debit \$	Credit \$	Allowance for doubtful debts	500 (1of)		Allowance for doubtful debts- adjustments		500 (1of)
	Account name		Debit \$	Credit \$							
	Allowance for doubtful debts		500 (1of)								
Allowance for doubtful debts- adjustments		500 (1of)									
		(2)									

Question Number	AO3(2)	Mark
1(e)	<p>Award 1 mark as indicated.</p> <p>Tim's responsibility is to report the company to the authorities (1) as it is not safe to dispose of the chemical waste into a river. Disposing of chemical waste into a river puts the public/environment at a risk according to the concept of public interest (1).</p> <p>Additional Guidance Accept breach of confidentiality to protect public interest. (1)</p>	
		(2)

TOTAL FOR QUESTION 1 – 15 MARKS

Question Number	AO2(3)	Mark			
2(a)(i)	Award marks as indicated in combination of details and figure.				
	Trade Receivables Control Account				
	Details		\$	Details	\$
	Balance b/d		4 550	Bank	114 450 (1)
	Credit sales		116 000 (1)	Balance c/d	6 100
			120 550		120550
	Balance b/d		6 100 (1 for both)		
			(3)		

Question Number	AO2(3)	Mark			
2(a)(ii)	Award marks as indicated in combination of details and figure.				
	Trade Payables Control Account				
	Details		\$	Details	\$
	Bank		120 000 (1)	Balance b/d	2 490
	Balance c/d		3 400	Credit purchases	120 910 (1)
			123 400		123 400
				Balance b/d	3 400 (1 for both)
			(3)		

Question Number	AO2(4)	Mark																																				
2(a)(iii)	<p>Award marks as indicated in combination of details and figure.</p> <p style="text-align: center;">Cash Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 40%;">Details</th> <th style="width: 25%;">\$</th> </tr> </thead> <tbody> <tr> <td>Balance b/d</td> <td style="text-align: right;">720</td> <td>Bank</td> <td style="text-align: right;">11 540</td> </tr> <tr> <td>Cash sales</td> <td style="text-align: right;">29 000 (1)</td> <td>Wages</td> <td style="text-align: right;">2 400</td> </tr> <tr> <td></td> <td></td> <td>Purchases</td> <td style="text-align: right;">3 600</td> </tr> <tr> <td></td> <td></td> <td>Drawings</td> <td style="text-align: right;">5 200</td> </tr> <tr> <td></td> <td></td> <td>Cash stolen (Balancing figure)</td> <td style="text-align: right;">6 500 (1of)</td> </tr> <tr> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;">480</td> </tr> <tr> <td></td> <td style="text-align: right;">29 720</td> <td></td> <td style="text-align: right;">29 720</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">480 (1 for both)</td> <td></td> <td></td> </tr> </tbody> </table> <p style="text-align: center;">(1 for all four figures)</p>	Details	\$	Details	\$	Balance b/d	720	Bank	11 540	Cash sales	29 000 (1)	Wages	2 400			Purchases	3 600			Drawings	5 200			Cash stolen (Balancing figure)	6 500 (1of)			Balance c/d	480		29 720		29 720	Balance b/d	480 (1 for both)			(4)
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Question Number	AO2(17)	Mark	
2(b)	Award marks for correct figure with understandable labels.		
	Tamana Statement of profit or loss for the year ended 31 March 2017		
		\$	\$
	Revenue		W1145 000 (2of)
	Less Cost of sales		
	Opening inventory	8 000	
	Purchases	W2124 510 (1)	
	Drawings	(510) (1)	
	Closing inventory	(16 000)	
			(116 000)
	Gross profit		29 000 (1of with label)
	Less expenses		
	Rent W3	7 750 (2)	
	Electricity W4	1 870 (2)	
	Wages and salaries W5	19 900 (1)	
	Depreciation charge: Fixtures and fittings W6	1 500 (1)	
	Motor vehicle W7	2 000 (1)	
	Motor van expenses	3 500	(1for all three)
	General expenses	7 500	
	Insurance	5 500	
Cash stolen	6 500 (1of)		
Loss on disposal of computers W8	1 050 (1)		
		(57 070)	
Loss for the year		28 070 (1of with label)	

	<p>W1 $\\$116\,000(1) + \\$29\,000(1)$ Or $\\$116\,000(1) \times 100/80(1)$</p> <p>W2 $\\$120\,910(1) + \\$3\,600(1)$</p> <p>W3 $\\$7\,500(1) + 700 - 450 = 7\,750(1\text{of})$</p> <p>W4 $\\$2\,240(1) - 600 + 230 = 1\,870(1\text{of})$</p> <p>W5 $\\$17\,500 + \\$2\,400 = \\$19\,900(1)$</p> <p>W6 $\\$13\,500 - \\$12\,000 = \\$1\,500(1)$</p> <p>W7 $\\$20\,000 - \\$18\,000 = \\$2\,000(1)$</p> <p>W8 $\\$14\,000 - \\$12\,950 = \\$1\,050(1)$</p>	(17)
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TOTAL FOR QUESTION 2 – 27 MARKS

Question Number	AO2(11)	Mark																														
3(a)	<p>Award marks as indicated.</p> <table border="1" data-bbox="395 338 1241 1326"> <thead> <tr> <th colspan="2" data-bbox="395 338 1241 450" style="text-align: center;">Roma, Sam and Tyla Appropriation account for the year ended 30 June 2016</th> </tr> </thead> <tbody> <tr> <td data-bbox="395 450 890 483"></td> <td data-bbox="898 450 1241 483" style="text-align: right;">\$</td> </tr> <tr> <td data-bbox="395 483 890 555">Profit for the year</td> <td data-bbox="898 483 1241 555" style="text-align: right;">84 000 (1)</td> </tr> <tr> <td data-bbox="395 555 890 589">Interest on capital</td> <td data-bbox="898 555 1241 589"></td> </tr> <tr> <td data-bbox="395 589 890 660">Roma</td> <td data-bbox="898 589 1241 660" style="text-align: right;">(18 000) (1)</td> </tr> <tr> <td data-bbox="395 660 890 732">Sam</td> <td data-bbox="898 660 1241 732" style="text-align: right;">(12 000) (1)</td> </tr> <tr> <td data-bbox="395 732 890 804">Tyla</td> <td data-bbox="898 732 1241 804" style="text-align: right;">(6 000) (1)</td> </tr> <tr> <td data-bbox="395 804 890 837">Salaries</td> <td data-bbox="898 804 1241 837"></td> </tr> <tr> <td data-bbox="395 837 890 873">Roma</td> <td data-bbox="898 837 1241 873" style="text-align: right;">(24 000)</td> </tr> <tr> <td data-bbox="395 873 890 945">Sam</td> <td data-bbox="898 873 1241 945" style="text-align: right;">(24 000)</td> </tr> <tr> <td data-bbox="395 945 890 1016">Tyla</td> <td data-bbox="898 945 1241 1016" style="text-align: right;">(24 000)</td> </tr> <tr> <td data-bbox="395 1016 890 1088">Loss available for distribution</td> <td data-bbox="898 1016 1241 1088" style="text-align: right;">(24 000)</td> </tr> <tr> <td data-bbox="395 1088 890 1160">Roma</td> <td data-bbox="898 1088 1241 1160" style="text-align: right;">(12 000) (1of)</td> </tr> <tr> <td data-bbox="395 1160 890 1232">Sam</td> <td data-bbox="898 1160 1241 1232" style="text-align: right;">(6 000) (1of)</td> </tr> <tr> <td data-bbox="395 1232 890 1303">Tyla</td> <td data-bbox="898 1232 1241 1303" style="text-align: right;">(6 000) (1of)</td> </tr> </tbody> </table>	Roma, Sam and Tyla Appropriation account for the year ended 30 June 2016			\$	Profit for the year	84 000 (1)	Interest on capital		Roma	(18 000) (1)	Sam	(12 000) (1)	Tyla	(6 000) (1)	Salaries		Roma	(24 000)	Sam	(24 000)	Tyla	(24 000)	Loss available for distribution	(24 000)	Roma	(12 000) (1of)	Sam	(6 000) (1of)	Tyla	(6 000) (1of)	(8)
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Question Number	AO1(1)& AO2(6)								Mark	
3(b)(i)	Award marks as indicated in combination of details and figure.									
	Current Accounts									
	Details	Roma \$	Sam \$	Tyla \$	Details	Roma \$	Sam \$	Tyla \$		
	Drawings(1 for all three)	25 000	14 000	17 000	Balance b/d (1 for all three)	15 000	4 000	3 000		
	Loss share(1of for all three)	12 000	6 000	6 000	Interest on capital(1of for all three)	18 000	12 000	6 000		
	Capital account	20 000 (1)			Salaries(1of for all three)	24 000	24 000	24 000		
	Balance c/d		20 000	10 000						
		57 000	40 000	33 000		57 000	40 000	33 000		
					Balance b/d(1of for both)		20 000	10 000		
										(7)

Question Number	AO1(1)& AO2(7)							Mark
3(b)(ii)	Award marks as indicated in combination of details and figure.							
	Capital Accounts							
		Roma \$	Sam \$	Tyla \$		Roma \$	Sam \$	Tyla \$
	Goodwill		15 000 (1)	15 000 (1)	Balance b/d (1 for all three)	150 000	100 000	50 000
	Loan	100 000 (1)			Goodwill	15 000 (1)	7 500 (1)	7 500 (1)
	Bank	107 000 (1of)			Profit on revaluation (1 for all three)	22 000	11 000	11 000
	Balance c/d		103 500	53 500	Current account	20 000 (1of)		
			207 000	118 500		207 000	118 500	68 500
				68 500	Balance b/d (1of for both)		103 500	53 500
	TOTAL FOR QUESTION 3 – 26 MARKS							

Question Number	AO2(3)	Mark	
4(a)	Award marks as indicated.		
			31 December 2016
			\$000
	Land and building- cost		30 250
	Land and buildings - accumulated depreciation		4 025 (1)
	Machinery-cost		7 400
	Machinery-accumulated depreciation		5 195 (1)
	Motor vehicles-cost		2 000
Motor vehicles -accumulated depreciation	880 (1)		
		(3)	

Question Number	AO1(6)	Mark
4(b)	Award marks as indicated.	
	E.g.	
	<ul style="list-style-type: none"> • Depreciation charge for the year (1) • Profit/Loss on disposal (1) • Change in inventory (1) • Change in trade receivables (1) • Change in trade payables (1) • Interest paid (1) • Tax paid (1) 	
	Accept other valid responses.	(6)

Question Number	AO2(11)	Mark																																																
4(c)	<p>Award marks for correct figures with understandable labels.</p> <table border="1" data-bbox="392 293 1313 1478"> <thead> <tr> <th colspan="3" data-bbox="405 297 1300 421" style="text-align: center;">Toon Ltd Statement of cash flows for the year ended 31 December 2016.</th> </tr> <tr> <th data-bbox="405 421 842 454"></th> <th data-bbox="842 421 995 454" style="text-align: center;">\$'000</th> <th data-bbox="995 421 1300 454" style="text-align: center;">\$'000</th> </tr> </thead> <tbody> <tr> <td data-bbox="405 454 842 528">Net cash from operating activities</td> <td data-bbox="842 454 995 528"></td> <td data-bbox="995 454 1300 528" style="text-align: right;">1 100</td> </tr> <tr> <td data-bbox="405 528 842 562">Investing activities</td> <td data-bbox="842 528 995 562"></td> <td data-bbox="995 528 1300 562"></td> </tr> <tr> <td data-bbox="405 562 842 636">Acquisition of land and buildings W1</td> <td data-bbox="842 562 995 636" style="text-align: right;">(2 750) (3of)</td> <td data-bbox="995 562 1300 636"></td> </tr> <tr> <td data-bbox="405 636 842 710">Acquisition of motor vehicles W2</td> <td data-bbox="842 636 995 710" style="text-align: right;">(500) (1)</td> <td data-bbox="995 636 1300 710"></td> </tr> <tr> <td data-bbox="405 710 842 784">Disposal of machinery</td> <td data-bbox="842 710 995 784" style="text-align: right;">375 (1)</td> <td data-bbox="995 710 1300 784"></td> </tr> <tr> <td data-bbox="405 784 842 857">Net cash used in investing activities</td> <td data-bbox="842 784 995 857"></td> <td data-bbox="995 784 1300 857" style="text-align: right;">(2 875) (1)</td> </tr> <tr> <td data-bbox="405 857 842 891">Financing activities</td> <td data-bbox="842 857 995 891"></td> <td data-bbox="995 857 1300 891"></td> </tr> <tr> <td data-bbox="405 891 842 1001">Issue of shares</td> <td data-bbox="842 891 995 1001" style="text-align: right;">2 200 (1)</td> <td data-bbox="995 891 1300 1001"></td> </tr> <tr> <td data-bbox="405 1001 842 1075">Repayment of loan</td> <td data-bbox="842 1001 995 1075" style="text-align: right;">(25) (1)</td> <td data-bbox="995 1001 1300 1075"></td> </tr> <tr> <td data-bbox="405 1075 842 1149">Dividend paid</td> <td data-bbox="842 1075 995 1149" style="text-align: right;">(500) (1)</td> <td data-bbox="995 1075 1300 1149"></td> </tr> <tr> <td data-bbox="405 1149 842 1223">Net cash from financing activities</td> <td data-bbox="842 1149 995 1223"></td> <td data-bbox="995 1149 1300 1223" style="text-align: right;">1 675 (1)</td> </tr> <tr> <td data-bbox="405 1223 842 1332">Net decrease in cash and cash equivalents during the year</td> <td data-bbox="842 1223 995 1332"></td> <td data-bbox="995 1223 1300 1332" style="text-align: right;">(100)</td> </tr> <tr> <td data-bbox="405 1332 842 1406">Cash and cash equivalents at the beginning of the year</td> <td data-bbox="842 1332 995 1406"></td> <td data-bbox="995 1332 1300 1406" style="text-align: right;">78</td> </tr> <tr> <td data-bbox="405 1406 842 1478">Cash and cash equivalents at the end of the year</td> <td data-bbox="842 1406 995 1478"></td> <td data-bbox="995 1406 1300 1478" style="text-align: right;">(22)</td> </tr> </tbody> </table> <p data-bbox="995 1283 1137 1395" style="text-align: center;">(1 for all three)</p> <p data-bbox="405 1518 1300 1798"> W1 Acquisition land and buildings = \$((30 250 (1) - 22 500 = 7 750)(1) - 5 000 = \$ 2 750 (1of) Or 29 550 - 23 200 = 6 350 (1) + 350 (1) + 1 550 (1) - 5 000 = 3 250 (1of) Or </p>	Toon Ltd Statement of cash flows for the year ended 31 December 2016.				\$'000	\$'000	Net cash from operating activities		1 100	Investing activities			Acquisition of land and buildings W1	(2 750) (3of)		Acquisition of motor vehicles W2	(500) (1)		Disposal of machinery	375 (1)		Net cash used in investing activities		(2 875) (1)	Financing activities			Issue of shares	2 200 (1)		Repayment of loan	(25) (1)		Dividend paid	(500) (1)		Net cash from financing activities		1 675 (1)	Net decrease in cash and cash equivalents during the year		(100)	Cash and cash equivalents at the beginning of the year		78	Cash and cash equivalents at the end of the year		(22)	
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	\$000		\$000
Balance b/d	23 200*	Disposal	350 (1)
Revaluation	5 000	Depreciation Charge	1 550 (1)
Acquisition	3 250 (1of)	Balance c/d	29 550
	31 450		31 450
Balance b/d	29 550* (1 for both)		

W2
Acquisition of motor vehicles=\$ 2 000 000-\$1 500 000=\$500 000**(1)**

Additional Guidance
Award Acquisition 3 250 000 4 marks

(11)

TOTAL FOR QUESTION 4 – 20 MARKS

Question Number	AO1 (3)	Mark	
5(a)	Award 1 mark for correct answer.		
	Stakeholder	Category of ratio	Reason
	Employee	Profitability	To assess whether they are going to get pay rise/bonus (1)
	Suppliers	Liquidity	To assess the ability of the business to pay their short term debts (1)
	Competitors	Efficiency	To assess and compare the performance of a rival business to develop strategies (1)
	Accept any other appropriate responses.		
		(3)	

Question Number	AO2(12)	Mark	
5(b)	Award marks as indicated for each ratio.		
	Ratios	Timola	Jamini
	Gross profit percentage (margin)	11.11%	$\$(160\ 000 - (95\ 000 + 120\ 000 - 75\ 000)) \text{ (1)} = 20\ 000 \text{ (1)} / 160\ 000 \times 100 = 12.50\% \text{ (1)}$
	Net profit percentage (margin)	8.33%	$\$(10\ 000 \text{ (1)} / 160\ 000) \times 100 = 6.25\% \text{ (1)}$
	Return on capital employed	26.32%	$\$(10\ 000 / (40\ 000 + 10\ 000 - 5\ 000)) \text{ (1)} \times 100 = 22.22\% \text{ (1)}$ Or $(10\ 000 / 40\ 000) \text{ (1)} \times 100 = 25\% \text{ (1)}$
	Current ratio	5.10:1	$\$(145\ 000 / 15\ 000) = 9.67:1 \text{ (1)}$
	Quick (acid test) ratio	2.30:1	$\$(70\ 000 / 15\ 000) = 4.67:1 \text{ (1)}$
	Trade receivable collection period	102 days	$\$(60\ 000 / 160\ 000) \times 365 = 137 \text{ days (1)}$
	Trade payable payment period	61 days	$\$(15\ 000 / 120\ 000) \times 365 = 46 \text{ days (1)}$
	Inventory turnover	2.13 times	$\$(140\ 000 / (95\ 000 + 75\ 000) / 2) = 1.65 \text{ times (1)}$
		(12)	

Question Number	AO4(2) AO5 (1)	Mark
5(c)(i)	<p>1 mark for evaluation and 2 marks for analysis of each category. E.g.</p> <p>Profitability of Timola's business is better despite the fact that gross profit was lower compared to Jamini's business (1).</p> <ul style="list-style-type: none"> • The change from gross profit to net profit is lower in the Timola's business (2.78% compared to Jamini's 6.25%) indicating that the expenses were better controlled (1). • Timola's business also had better return on capital employed compared to Jamini's business (1). 	(9)

Question Number	AO4(2) AO5 (1)	Mark
5(c)(ii)	<p>1 mark for evaluation and 2 marks for analysis of each category. E.g.</p> <p>Liquidity of both businesses is good as both businesses' are able to pay their short term debts from their liquid assets (1).</p> <ul style="list-style-type: none"> • Jamini has a better liquidity position than Timola, as her ratios are almost twice that of Timola's. (1). • It needs to be noted that this may not be a good thing, as it could mean that resources are not properly utilised/ there is too much idle inventory, whereas the excess liquid able assets can be used for better investment (1). 	(3)

Question Number	AO4(2) AO5 (1)	Mark
5(c)(iii)	<p>1 mark for evaluation and 2 marks for analysis of each category.</p> <p>E.g.</p> <p>Efficiency for Timola’s business is better as it utilises its resources efficiently (1).</p> <ul style="list-style-type: none"> • Timola converted her inventory into sales faster than Jamini (1) • She is utilising the full credit period offered by the suppliers (1). 	(3)

Question Number	AO1 (3)	Mark
5(d)	<p>Award 1 mark for each advantage.</p> <p>E.g.</p> <ul style="list-style-type: none"> • They can share workload • Cover for illness or holidays • Increase capital • Share ideas/knowledge/skills • Increase market share <p>Accept other valid responses</p>	(3)

TOTAL FOR QUESTION 5 – 27 MARKS