



Mark Scheme

June 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	Answer AO1 (2)	Mark
1(a)	<p>Award 1 mark for each correct answer.</p> <p>To know total expenses of the business (1). To know profit or loss of a business (over a specific period of time) (1).</p>	(2)

Question Number	Answer AO2 (6)	Mark																														
1(b)	<p>Award 1 mark for each correct figure as indicated understanding. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Rent Received 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>1 April 2016</td> <td>Balance b/d</td> <td style="text-align: center;">750 (1)</td> <td>31 March 2017</td> <td>Bank</td> <td style="text-align: center;">3 750 (1)</td> </tr> <tr> <td>31 March 2017</td> <td>Statement of profit or loss</td> <td style="text-align: center;">3 600 (1of)</td> <td>31 March 2017</td> <td>Balance c/d</td> <td style="text-align: center;">600</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">4 350</td> <td></td> <td></td> <td style="text-align: center;">4 350</td> </tr> <tr> <td>1 April 2017</td> <td>Balance b/d</td> <td style="text-align: center;">600 (2of)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Workings 900/3 x 2 = 600 (1) plus 1 mark for correct position.</p>	Date	Details	\$	Date	Details	\$	1 April 2016	Balance b/d	750 (1)	31 March 2017	Bank	3 750 (1)	31 March 2017	Statement of profit or loss	3 600 (1of)	31 March 2017	Balance c/d	600			4 350			4 350	1 April 2017	Balance b/d	600 (2of)				(6)
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<p>Additional guidance</p> <p>Only award mark for correct figure if label indicates understanding of the process of double-entry bookkeeping.</p>																																

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1(c)(i)	<p>Award 1 mark for each correct figure as indicated understanding. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Insurance 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>31 March 2017</td> <td>Bank</td> <td style="text-align: right;">2 900 (1)</td> <td>1 April 2016</td> <td>Balance b/d</td> <td style="text-align: right;">300 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>31 March 2017</td> <td>Statement of profit or loss</td> <td style="text-align: right;">2 400 (1of)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>31 March 2017</td> <td>Balance c/d</td> <td style="text-align: right;">200</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">2 900</td> <td></td> <td></td> <td style="text-align: right;">2 900</td> </tr> <tr> <td>1 April 2017</td> <td>Balance b/d</td> <td style="text-align: right;">200 (2of)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Workings 800/4 = 200 (1) plus 1 mark for correct position.</p>	Date	Details	\$	Date	Details	\$	31 March 2017	Bank	2 900 (1)	1 April 2016	Balance b/d	300 (1)				31 March 2017	Statement of profit or loss	2 400 (1of)				31 March 2017	Balance c/d	200			2 900			2 900	1 April 2017	Balance b/d	200 (2of)				(6)
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<p>Additional guidance</p> <p>Only award mark for correct figure if label indicates understanding of the process of double-entry bookkeeping.</p>																																						

Question Number	Answer AO3 (2)	Mark
1(c) (ii)	<p>Award 1 mark for identification of why adjustment is necessary and 1 mark for linked justification/reasoning.</p> <p>The adjustments are necessary in order to comply with the accruals concept (1).</p> <p>(Simon's) outstanding insurance of the last year is deducted as not belonging to current year / insurance prepaid is deducted as it belongs to next year (1).</p>	(2)

Question Number	Answer AO1 (2)	Mark
1(d)	<p>Award 1 mark for each correct answer up to a maximum 2 marks.</p> <p>Going concern/ Historical cost/ Accounting cost (1) Accruals/ Matching (1) Prudence/ Conservatism (1) Consistency (1) Business entity (1)</p>	(2)

TOTAL FOR QUESTION 1 – 18 MARKS

Question Number	Answer AO1 (2)	Mark
2(a)	<p>Award 1 mark for each correct answer up to a maximum of 2 marks.</p> <p>To check the arithmetical accuracy of the accounts (1).</p> <p>To prepare the financial statements (1).</p>	(2)
<p>Additional guidance Do not accept prevents/detects fraud</p>		

Question Number	Answer AO2 (3)	Mark															
2(b)	<p>Award marks as indicated.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td colspan="2">Inventory provided</td> <td style="text-align: center;">45 000</td> </tr> <tr> <td>A</td> <td style="text-align: center;">100 x 5</td> <td style="text-align: center;">500(1)</td> </tr> <tr> <td>B</td> <td style="text-align: center;">250 x 7</td> <td style="text-align: center;">1 750(1)</td> </tr> <tr> <td colspan="2">Total</td> <td style="text-align: center;">47 250(1of)</td> </tr> </tbody> </table>			\$	Inventory provided		45 000	A	100 x 5	500 (1)	B	250 x 7	1 750 (1)	Total		47 250 (1of)	(3)
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<p>Additional guidance To award of mark, it must have \$45 000 No specific layout required. Correct answer only scores 3 marks.</p>																	

Question Number	Answer AO2 (17)	Mark																																																																																																																																		
2(c)	Award 1 mark for each correct figure against correct label as indicated.																																																																																																																																			
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TOTAL FOR QUESTION 2 – 22 MARKS

Question Number	Answer AO1 (2)	Mark
3(a)	<p>Award 1 mark for each correct answer up to a maximum of 2 marks.</p> <p>Shared workload/ Risk (1) More resources/capital/finance (1) More skills/knowledge (1) Cover for holidays/during illness (1)</p> <p>Accept any other appropriate responses.</p>	(2)
<p>Additional guidance Do not accept sharing of losses.</p>		

Question Number	Answer AO2 (2)	Mark
3(b)	$\$51\,000 - \$27\,000 = \$24\,000$ (1) / 3 = $\$8\,000$ (1of)	(2)
<p>Additional guidance Correct answer only scores 2 marks</p>		

Question Number	Answer AO2 (7)	Mark																														
3(c)	<p>Award 1 mark for each correct figure as indicated understanding. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Capital Account - Cacia</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>31 March 2017</td> <td>Bank</td> <td style="text-align: right;">40 000 (1)</td> <td>1 April 2016</td> <td>Balance b/d</td> <td style="text-align: right;">75 000 (1)</td> </tr> <tr> <td></td> <td>Loan</td> <td style="text-align: right;">68 600 (1of)</td> <td>31 March 2017</td> <td>Goodwill</td> <td style="text-align: right;">20 000 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Current (account) W1</td> <td style="text-align: right;">13 600 (2of)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">108 600</td> <td></td> <td></td> <td style="text-align: right;">108 600</td> </tr> </tbody> </table> <p>W1 (3 400 Debit (1) - (interest on capital 9 000 + share on profits 8 000(from b) = 17 000)) = \$13 600 Credit (2of)</p>	Date	Details	\$	Date	Details	\$	31 March 2017	Bank	40 000 (1)	1 April 2016	Balance b/d	75 000 (1)		Loan	68 600 (1of)	31 March 2017	Goodwill	20 000 (1)					Current (account) W1	13 600 (2of)			108 600			108 600	(7)
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<p>Additional guidance Only award mark for correct figure if label indicates understanding of the process of double-entry bookkeeping.</p>																																

Question Number	Answer AO3 (4) AO5 (1)	Mark
3(d)	<p>Maximum of 4 marks for discussion of limited partnership or a private limited company. Award 1 mark for decision Decision mark can only be awarded if at least one limited partnership point and one private limited company point are given.</p> <ul style="list-style-type: none"> • Liability – Liability of all partners will be limited up to the amount invested if it is a limited company (1). For limited partnership one partner’s liability has to be unlimited (1). • Finance – With limited company you can issue more shares to raise finance (1) but with limited partnership you cannot issue shares (1). <p>Any supported decision (1)</p>	(5)

Question Number	Answer AO1 (2) AO3 (2)	Mark
3(e)	<p>Award 1 mark for identification of a ratio and 1 mark for linked justification/reasoning up to a maximum of 4 marks.</p> <p>Business can measure liquidity:</p> <ul style="list-style-type: none"> • Current ratio (1) which indicates whether the business can pay its short term debts (1). • Quick ratio (acid test) (1) which indicates whether the business can pay its short term debts from its liquid assets (i.e. excluding inventory) (1). 	(4)

TOTAL FOR QUESTION 3 – 20 MARKS

Question Number	Answer AO1 (1)	Mark
4(a)	<p>Award 1 mark for the correct answer.</p> <p>To know whether business will be able to pay the loan/overdraft back or not/ service the loan (1).</p> <p>To know if the business is going to need loans in the future (1).</p> <p>Accept any other appropriate responses.</p>	(1)

Question Number	Answer AO1 (1)	Mark
4(b)	<p>Award 1 mark for the correct answer.</p> <p>To know whether correct profit is calculated to pay tax (1).</p> <p>Accept any other appropriate responses.</p>	(1)

Question Number	Answer AO2 (3)	Mark
4(c)	<p>Award marks as indicated.</p> <p>$(\\$14\,500 + \\$240\,000)$ (1) - $(\\$235\,000 + \\$500)$ (1) $= \\$19\,000$ (1of)</p>	(3)
<p>Additional guidance No Specific layout is required. Correct answer only scores 3 marks.</p>		

Question Number	Answer AO2 (3)	Mark
4(d)	<p>Award marks as indicated.</p> <p>$(\\$18\,750 + \\$196\,500 = \\$215\,250)$ (1) - $(\\$190\,000)$ (1) $= \\$25\,250$ (1of)</p>	(3)
<p>Additional guidance No Specific layout is required. Correct answer only scores 3 marks.</p>		

Question Number	Answer AO2 (5)	Mark																																
4(e)	<p>Award 1 mark for each correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Aisha Statement of profit or loss for the year ended 31 March 2017</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 30%;"></td> </tr> <tr> <td>Revenue</td> <td></td> <td></td> <td style="text-align: right;">240 000 (1)</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;">17 500</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">196 500 (1)</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory (Bal Fig)</td> <td style="text-align: right;">(14 000) (1of)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>200 000</u> (1)</td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">40 000 (1of)</td> <td style="text-align: right;">(5)</td> </tr> </table>		\$	\$		Revenue			240 000 (1)	Less cost of sales				Opening inventory	17 500			Purchases	196 500 (1)			Closing inventory (Bal Fig)	(14 000) (1of)					<u>200 000</u> (1)		Gross profit		40 000 (1of)	(5)	
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Question Number	Answer AO2 (9)	Mark																																																																																							
4(f)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Aisha Statement of Financial Position at 31 March 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Assets</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Non-current assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Machinery W1</td> <td></td> <td></td> <td style="text-align: right;">29 160 (2of)</td> </tr> <tr> <td>Motor vehicle W2</td> <td></td> <td></td> <td style="text-align: right;">9 000 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">38 160</td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td></td> <td style="text-align: right;">14 000</td> <td rowspan="2" style="text-align: right;">from (e) from (c) (1of for both)</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">19 000</td> <td></td> </tr> <tr> <td>Allowance for doubtful debts</td> <td style="text-align: right;">(1 760)</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">17 240</td> <td></td> </tr> <tr> <td>Cash and cash equivalents W3</td> <td></td> <td style="text-align: right;">5 300</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">36 540</td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td style="text-align: right;">74 700</td> </tr> <tr> <td>Equity and liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Equity</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening equity</td> <td></td> <td style="text-align: right;">47 250</td> <td></td> </tr> <tr> <td>Profit for the year W4</td> <td></td> <td style="text-align: right;">7 200</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Drawings</td> <td></td> <td style="text-align: right;">(5000)</td> <td></td> </tr> <tr> <td>Total equity</td> <td></td> <td></td> <td style="text-align: right;">49 450 (1of)</td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td></td> <td style="text-align: right;">25 250 from (d)</td> </tr> <tr> <td>Total equity and liabilities</td> <td></td> <td></td> <td style="text-align: right;">74 700 (1of for both)</td> </tr> </tbody> </table> <p>W1 \$40 000 – \$7 600 = \$32 400 (1) – \$3 240 = \$29 160 (1of)</p> <p>W2 \$10 000 – \$1 000 = \$9 000 (1)</p> <p>W3 \$(2 850+235 000=237 850 - \$(232 550) = \$5 300 (1)</p> <p>W4 \$240 000 x 3%= \$7 200 (1)</p>	Assets	\$	\$	\$	Non-current assets				Machinery W1			29 160 (2of)	Motor vehicle W2			9 000 (1)				38 160	Current assets				Inventory		14 000	from (e) from (c) (1of for both)	Trade receivables	19 000		Allowance for doubtful debts	(1 760)		(1)			17 240		Cash and cash equivalents W3		5 300	(1)				36 540	Total assets			74 700	Equity and liabilities				Equity				Opening equity		47 250		Profit for the year W4		7 200	(1)	Drawings		(5000)		Total equity			49 450 (1of)	Current liabilities				Trade payables			25 250 from (d)	Total equity and liabilities			74 700 (1of for both)	(9)
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TOTAL FOR QUESTION 4 – 22 MARKS

Question Number	Answer AO2 (13)	Mark																																										
5(a)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Sesse Ltd Statement of cash flows for the year ended 31 March 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> </tr> </thead> <tbody> <tr> <td>Net cash from operating activities</td> <td></td> <td style="text-align: right;">93 600</td> </tr> <tr> <td>Investing activities</td> <td></td> <td></td> </tr> <tr> <td>Acquisition of land and buildings W1</td> <td style="text-align: right;">(95 000) (3 of)</td> <td></td> </tr> <tr> <td>Acquisition of machine W2</td> <td style="text-align: right;">(25 000) (3 of)</td> <td></td> </tr> <tr> <td>Disposal of machine W3</td> <td style="text-align: right;">11 600 (1)</td> <td></td> </tr> <tr> <td>Net cash used in investing activities</td> <td></td> <td style="text-align: right;">(108 400) (1of)</td> </tr> <tr> <td>Financing activities</td> <td></td> <td></td> </tr> <tr> <td>Issue of shares</td> <td style="text-align: right;">150 000 (1)</td> <td></td> </tr> <tr> <td>Repayment of loan</td> <td style="text-align: right;">(100 000) (1)</td> <td></td> </tr> <tr> <td>Net cash from financing activities</td> <td></td> <td style="text-align: right;">50 000 (1of)</td> </tr> <tr> <td>Net increase of cash and cash equivalents</td> <td></td> <td style="text-align: right;">35 200 (1)</td> </tr> <tr> <td>Cash and cash equivalents at the beginning of the year</td> <td style="text-align: right;">(1 for both)</td> <td style="text-align: right;">(45 200)</td> </tr> <tr> <td>Cash and cash equivalents at the end of the year</td> <td></td> <td style="text-align: right;">(10 000)</td> </tr> </tbody> </table> <p>W1 Acquisition of land and buildings = \$(695 000-500 000=195 000) (1) -\$100 000 (1) =\$95 000 (1of)</p> <p>W2 Acquisition of machine = \$(115 000-100 000=15 000) (1) +\$(8 100+1 900=10 000) (1) = \$25 000 (1)</p> <p>W3 Disposal of machine=\$ (8 100 + 3 500) = \$11 600 (1)</p>		\$	\$	Net cash from operating activities		93 600	Investing activities			Acquisition of land and buildings W1	(95 000) (3 of)		Acquisition of machine W2	(25 000) (3 of)		Disposal of machine W3	11 600 (1)		Net cash used in investing activities		(108 400) (1of)	Financing activities			Issue of shares	150 000 (1)		Repayment of loan	(100 000) (1)		Net cash from financing activities		50 000 (1of)	Net increase of cash and cash equivalents		35 200 (1)	Cash and cash equivalents at the beginning of the year	(1 for both)	(45 200)	Cash and cash equivalents at the end of the year		(10 000)	(13)
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Specific format is not required for the acquisition workings. Accept split of issue of shares into share capital and share premium.																																												

Question Number	Answer AO4 (4) AO5 (1)	Mark
5(b)	<p>Award 1 mark for each point of analysis data up to a maximum of 4 marks. Award 1 mark for decision. Evaluation mark can only be awarded if at least two analysis marks are awarded.</p> <ul style="list-style-type: none"> • They are generating positive net cash flows from operating activities/ have reduced their overdraft so they are able to pay their day to day expenses/ liabilities (1). • They have invested in non-current assets, which indicates a potential increase in revenue/ profit (1). • They invested in non-current assets by using their own resources/issue of shares (1). • The shares were issued at premium indicating investors confidence (1). • They have repaid a bank loan which will reduce/ decrease interest payable/ finance costs (1). <p>Evaluation Business may be successful in obtaining loan (1)</p>	(5)

TOTAL FOR QUESTION 5 – 18 MARKS

TOTAL FOR PAPER = 100 MARKS