



Mark Scheme

September 2017
Results

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

LCCI Qualifications

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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 AO2(15)	Mark																																																								
1(a)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Devi Statement of profit or loss for the year ended 31 December 2016</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">\$</th> <th style="width: 20%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">450 000 (1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">25 000</td> <td rowspan="2" style="text-align: center;">(1 for both)</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">199 000</td> </tr> <tr> <td>Goods for personal consumption</td> <td style="text-align: right;">(1 000) (1)</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;">2 000 (1)</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(34 000) (1)</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;">(191 000) (1of)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">259 000 (1of)</td> </tr> <tr> <td>Allowance for doubtful debts adjustment.</td> <td></td> <td style="text-align: right;">575 (1)</td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">154 300 (1)</td> <td></td> </tr> <tr> <td>Bank interest</td> <td style="text-align: right;">800 (1)</td> <td></td> </tr> <tr> <td>Depreciation charge: Machinery W1</td> <td style="text-align: right;">9 030 (2/1)</td> <td></td> </tr> <tr> <td>Office equipment</td> <td style="text-align: right;">1 200 (1)</td> <td></td> </tr> <tr> <td>Irrecoverable debts</td> <td style="text-align: right;">1 500 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(166 830)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">92 745 (1of)</td> </tr> </tbody> </table> <p>W1 Machinery: 30 100 (1) x 30% = 9 030 (1). 35 000 x 30% = 10 500 (1).</p>		\$	\$	Revenue		450 000 (1)	Cost of sales			Opening inventory	25 000	(1 for both)	Purchases	199 000	Goods for personal consumption	(1 000) (1)		Carriage inwards	2 000 (1)		Closing inventory	(34 000) (1)		Cost of sales		(191 000) (1of)	Gross profit		259 000 (1of)	Allowance for doubtful debts adjustment.		575 (1)	Expenses			General expenses	154 300 (1)		Bank interest	800 (1)		Depreciation charge: Machinery W1	9 030 (2/1)		Office equipment	1 200 (1)		Irrecoverable debts	1 500 (1)				(166 830)	Profit for the year		92 745 (1of)	(15)
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<p>Additional Guidance Must have opening inventory and purchases to get cost of sales. Accept net purchase of 198 000 (1) Award 10 230 = 3 for depreciation.</p>																																																										

Question Number	Answer AO1(1)	Mark
1(b)	<p>Award 1 mark for correct answer.</p> <p>Personal assets of the owner can be used to pay off business debts (1).</p> <p>Accept any other appropriate response.</p>	(1)

Question Number	Answer AO1(2)	Mark
1(c)	<p>Award 1 mark for correct answer. Max 2 marks.</p> <ul style="list-style-type: none"> • Faithful representation (1) • Relevance (1) • Comparability (1) • Verifiability (1) • Understand ability (1) • Timeliness (1) 	(2)

TOTAL FOR QUESTION 1 – 18 MARKS

Question Number	Answer A03(4)	Mark									
2(a)	<p>Award 1 mark for identification of error and 1 mark for linked justification /reasoning.</p> <table border="1"> <thead> <tr> <th>Error</th> <th>Type of error</th> <th>Effect</th> </tr> </thead> <tbody> <tr> <td>A cheque received from the disposal of a motor vehicle has been recorded as sales.</td> <td>Principle (1)</td> <td>Assets will be increased. (1)</td> </tr> <tr> <td>A payment by a cheque of \$2 000 for rent has been recorded incorrectly as \$20 000.</td> <td>Original entry (1)</td> <td>Assets will be decreased. (1)</td> </tr> </tbody> </table>	Error	Type of error	Effect	A cheque received from the disposal of a motor vehicle has been recorded as sales.	Principle (1)	Assets will be increased. (1)	A payment by a cheque of \$2 000 for rent has been recorded incorrectly as \$20 000.	Original entry (1)	Assets will be decreased. (1)	(4)
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<p>Additional Guidance Candidates can still be awarded "effect" if incorrect "type of error" is given.</p>											

Question Number	Answer A02(1)	Mark
2(b) (i)	<p>Award 1 mark as indicated.</p> <p>\$955 (1)</p>	(1)
<p>Additional Guidance Correct answer only scores 1 mark. No specific layout required.</p>		

Question Number	Answer A02(1)	Mark
2(b) (ii)	<p>Award 1 mark as indicated.</p> <p>\$450 (1)</p>	(1)
<p>Additional Guidance Correct answer only scores 1 mark. No specific layout required.</p>		

Question Number	Answer A02(13)	Mark
2(b) (iii)	<p>Award 1 mark for each correct figure against correct label as indicated.</p>	(13)

Tina-Extended trial balance at 30 June 2017					
	Trial balance		Adjustments		Notes
	Debit \$	Credit \$	Debit \$	Credit \$	
Administration expenses	3 925			450 (1of)	From b(ii)
Bank		425			
Closing inventory statement of financial position	12 500			955 (1of)	From b(i)
Closing inventory statement of profit or loss		12 500	955 (1of)		From b(i)
Commission received		3 250	345 (1)		
Depreciation charge	4 500				
Equity		85 000			
Opening inventory	10 750				
Premises accumulated depreciation		4 000			
Premises Cost	100 000				
Purchases	110 000			100 (1)	
Revenue		175 000			
Shop fittings accumulated depreciation		5 000			
Shop fittings cost	25 000				
Suspense	13 800			13 800 (1)	Accept 100 Dr and 13 900 in Cr.
Trade payables		18 325			
Trade receivables	14 325			525 (1)	
Travel expenses	750		9 (1)		
Wages and salaries	7 950		150 (1)		
Other receivables			450 (1of)		From b(ii)
Other payables				150 (1)	
Drawings			13 546 (1)		
Sales Returns			525 (1)		
	303 500	303 500	15 980	15 980	

Question Number	Answer AO1(2)	Mark
2(c)	<p>Award 1 mark for correct answer up to a maximum of 2 marks.</p> <ul style="list-style-type: none"> • Accruals/Matching (1) • Going concern (1) • Consistency (1) • Prudence (1) <p>Accept any other appropriate responses.</p>	(2)

TOTAL FOR QUESTION 2 – 21 MARKS

Question Number	Answer AO1 (2)	Mark
3(a)	<p>Award 1 mark for correct answer up to a maximum of 2 marks.</p> <ul style="list-style-type: none"> • Bank (1) • Government (1) • Employees (1) • Managers (1) • Owners/shareholders/partners (1) <p>Accept any other appropriate responses.</p>	(2)

Question Number	Answer AO1 (1)	Mark
3(b)	<p>Award 1 mark for correct answer.</p> <ul style="list-style-type: none"> • Capital accounts record the structural changes in the partnership/current accounts record the day to day transactions (1). <p>or</p> <ul style="list-style-type: none"> • Capital accounts are fixed in nature / current accounts are flexible (1). <p>or</p> <ul style="list-style-type: none"> • Capital accounts record goodwill and revaluation/ current accounts record interest on capital, interest on drawings, profit or loss share, salaries (1). <p>Accept any other appropriate responses.</p>	(1)

Question Number	Answer AO2 (1)	Mark
3(c)	<p>Award 1 mark for correct answer.</p> <p>\$20 000 (1)</p>	(1)

Question Number	Answer AO2(4)	Mark																																														
3(d)	<p>Award 1 mark for each correct figure as indicated with understandable label. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Revaluation Account</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Amount \$</th> <th></th> <th>Date</th> <th>Details</th> <th>Amount \$</th> <th></th> </tr> </thead> <tbody> <tr> <td>1 April 2017</td> <td>Machinery</td> <td>5 000</td> <td>(1)</td> <td>1 April 2017</td> <td>Premises</td> <td>50 000</td> <td>(1)</td> </tr> <tr> <td></td> <td>Capital - Amy</td> <td>22 500</td> <td rowspan="3">(1 for all three).</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Capital - Bernie</td> <td>15 000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Capital - Collin</td> <td>7 500</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>50 000</td> <td></td> <td></td> <td></td> <td>50 000</td> <td></td> </tr> </tbody> </table>	Date	Details	Amount \$		Date	Details	Amount \$		1 April 2017	Machinery	5 000	(1)	1 April 2017	Premises	50 000	(1)		Capital - Amy	22 500	(1 for all three).						Capital - Bernie	15 000						Capital - Collin	7 500							50 000				50 000		(4)
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3(e)	<p>Award 1 mark for each correct figure as indicated with understandable label. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Capital Account – Bernie</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 April 2017</td> <td>Bank</td> <td>30 000</td> <td>1 April 2017</td> <td>Balance b/d</td> <td>50 000</td> </tr> <tr> <td></td> <td></td> <td>(1)</td> <td></td> <td></td> <td>(1)</td> </tr> <tr> <td></td> <td>Loan</td> <td>58 250</td> <td></td> <td>Current (account)</td> <td>3 250</td> </tr> <tr> <td></td> <td></td> <td>(1of)</td> <td></td> <td></td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Goodwill</td> <td>20 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(1of from b)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Revaluation</td> <td>15 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>(1of from c)</td> </tr> <tr> <td></td> <td></td> <td>88 250</td> <td></td> <td></td> <td>88 250</td> </tr> </tbody> </table>	Date	Details	Amount \$	Date	Details	Amount \$	1 April 2017	Bank	30 000	1 April 2017	Balance b/d	50 000			(1)			(1)		Loan	58 250		Current (account)	3 250			(1of)			(1)					Goodwill	20 000						(1of from b)					Revaluation	15 000						(1of from c)			88 250			88 250	(7)
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Question Number	Answer A03 (4) A05 (1)	Mark
3(f)	<p>Max 4 marks for discussion of sole trader or Private limited company Award 1 mark for decision Decision mark can only be awarded if both types of organisations are discussed.</p> <p>Sole trader (max 3 marks) Control is with owner (1) Profit is not shared (1) Unlimited liability (1) No one to share the ideas/knowledge/on her own (1)</p> <p>Private limited company (max 3 marks) Limited liability (1) Easy to raise finance/credit worthiness (1) Rules and regulations to follow (1)</p> <p>Any supported decision (1)</p> <p>Accept any other appropriate response.</p>	(5)

TOTAL FOR QUESTION 3 – 20 MARKS

Question Number	Answer AO2 (1)	Mark
4(a)(i)	Award 1 mark as indicated. 53 480 (1)	(1)

Question Number	Answer AO2 (2)	Mark
4(a)(ii)	Award marks as indicated. \$53 480 (from a(i)) + (\$4 750 - \$5 500) (1 mark for both) = \$52730 (1of)	(2)
Additional guidance Correct answer only scores 2 marks. No specific layout required.		

Question Number	Answer AO2(3)	Mark
4(b)	Award marks as indicated. \$52 730 (from a(ii)) + \$2 170 (1of for both) - \$53 000 (1) = \$1 900(1of)	(3)
Additional guidance Correct answer only scores 3 marks. No specific layout required.		

Question Number	Answer AO2(3)	Mark
4(c)	Award marks as indicated. \$66 850 + \$5 450 (1of for both) - \$64 800(1) = \$7 500(1of)	(3)
Additional guidance Correct answer only scores 3 marks. No specific layout required.		

Question Number	Answer AO2 (12)	Mark																																																																												
4(d)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Shironji 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> <tr> <th style="text-align: left;">Non-current assets</th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Accumulated depreciation</th> <th style="text-align: center;">Carrying value</th> </tr> </thead> <tbody> <tr> <td>Property, plant and equipment</td> <td style="text-align: right;">30 000</td> <td style="text-align: right;">5 250</td> <td style="text-align: right;">24 750 (1)</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;">4 750 (1)</td> <td></td> </tr> <tr> <td>Trade and other receivables</td> <td></td> <td style="text-align: right;">7 950 (1of)</td> <td></td> </tr> <tr> <td>Cash and cash equivalent</td> <td></td> <td style="text-align: right;">8 600 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">21 300</td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td style="text-align: right;">46 050</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;">31 660 (1)</td> <td></td> </tr> <tr> <td>Additional equity</td> <td></td> <td style="text-align: right;">15 000 (1)</td> <td></td> </tr> <tr> <td>Profit for the year W1</td> <td></td> <td style="text-align: right;">5 490 (4)</td> <td></td> </tr> <tr> <td>Drawings</td> <td></td> <td style="text-align: right;">(8 000) (1)</td> <td></td> </tr> <tr> <td>Total equity</td> <td></td> <td></td> <td style="text-align: right;">44 150</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;">1 900</td> </tr> <tr> <td>Total equity and liabilities</td> <td></td> <td></td> <td style="text-align: right;">46 050 (1of)</td> </tr> </tbody> </table> <p>W1 Profit for the year= Gross profit ($\\$66\,850 \times 25/125 = \\$13\,370$) (1) or ($\\$66\,850 - 53\,480$ from (a)(i) = $\\$13\,370$) (1of) Expenses \$5 130 (1) Depreciation \$2 750 (1) = \$5 490 (1of).</p>	Assets	\$	\$	\$	Non-current assets	Cost	Accumulated depreciation	Carrying value	Property, plant and equipment	30 000	5 250	24 750 (1)	Current assets				Inventory		4 750 (1)		Trade and other receivables		7 950 (1of)		Cash and cash equivalent		8 600 (1)					21 300	Total assets			46 050	Equity and liabilities				Equity				Opening equity		31 660 (1)		Additional equity		15 000 (1)		Profit for the year W1		5 490 (4)		Drawings		(8 000) (1)		Total equity			44 150	Current liabilities				Trade payables			1 900	Total equity and liabilities			46 050 (1of)	(12)
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<p>Additional guidance For equity, 46 660 is equal to (2) marks. Accept for 7 950, a split of 7 500 and 450. Total equity and liabilities (1of) mark must be equal to total assets.</p>																																																																														

TOTAL FOR QUESTION 4 – 21 MARKS

Question Number	Answer AO1 (2)	Mark
5(a)	<p>Award 1 mark for correct answer up to a maximum of 2 marks.</p> <ul style="list-style-type: none"> • Professional competence and due care (1) • Professional behaviour (1) • Confidentiality (1) • Integrity/honesty (1) • Objectivity/independence (1) 	(2)

Question Number	Answer AO1 (1)	Mark
5(b)	<p>Award 1 mark for correct answer.</p> <p>Private sector objective is to earn profit / public sector objective is to serve the public (1).</p>	(1)

Question Number	Answer AO2 (4)	Mark																														
5(c)	<p>Award 1 mark for each correct figure as indicated with understandable label.</p> <p>Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Property, Plant and Equipment Accumulated Depreciation Account</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 January 2017</td> <td>Disposal</td> <td style="text-align: right;">15 500 (1)</td> <td>1 April 2016</td> <td>Balance b/d</td> <td style="text-align: right;">88 000</td> </tr> <tr> <td>31 March 2017</td> <td>Balance c/d</td> <td style="text-align: right;">110 000</td> <td>31 March 2017</td> <td>Depreciation charge</td> <td style="text-align: right;">37 500 (1of)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">125 500</td> <td></td> <td></td> <td style="text-align: right;">125 500</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 April 2017</td> <td>Balance b/d</td> <td style="text-align: right;">110 000 (1for both)</td> </tr> </tbody> </table>	Date	Details	Amount \$	Date	Details	Amount \$	1 January 2017	Disposal	15 500 (1)	1 April 2016	Balance b/d	88 000	31 March 2017	Balance c/d	110 000	31 March 2017	Depreciation charge	37 500 (1of)			125 500			125 500				1 April 2017	Balance b/d	110 000 (1for both)	(4)
Date	Details	Amount \$	Date	Details	Amount \$																											
1 January 2017	Disposal	15 500 (1)	1 April 2016	Balance b/d	88 000																											
31 March 2017	Balance c/d	110 000	31 March 2017	Depreciation charge	37 500 (1of)																											
		125 500			125 500																											
			1 April 2017	Balance b/d	110 000 (1for both)																											
<p>Additional guidance Accept depreciation expense for depreciation charge.</p>																																

Question Number	Answer AO2 (7)	Mark																
5(d)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Damallo Ltd Reconciliation of profit of the year to net cash from operating activities for the year ended 31 March 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Profit for year</td> <td style="text-align: right;">74 600 (1)</td> </tr> <tr> <td>Depreciation charge for the year</td> <td style="text-align: right;">37 500 (1of from c)</td> </tr> <tr> <td>Loss on disposal of Machinery</td> <td style="text-align: right;">6 250 (1)</td> </tr> <tr> <td>Increase in inventory</td> <td style="text-align: right;">(50 000) (1)</td> </tr> <tr> <td>Increase in trade receivables</td> <td style="text-align: right;">(22 500) (1)</td> </tr> <tr> <td>Inrease in trade payables</td> <td style="text-align: right;">18 400 (1)</td> </tr> <tr> <td>Net cash from operating activities</td> <td style="text-align: right;">64 250 (1of)</td> </tr> </tbody> </table>		\$	Profit for year	74 600 (1)	Depreciation charge for the year	37 500 (1of from c)	Loss on disposal of Machinery	6 250 (1)	Increase in inventory	(50 000) (1)	Increase in trade receivables	(22 500) (1)	Inrease in trade payables	18 400 (1)	Net cash from operating activities	64 250 (1of)	(7)
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Question Number	Answer AO4 (4) AO5 (1)	Mark
5(e)	<p>Award 1 mark for analysis of each ratio up to a maximum of 4 marks. Award 1 mark for evaluation of overall performance. Evaluation mark can only be awarded if at least two ratios are analysed.</p> <p>Trade receivables collection period has deteriorated in 2017 compared to 2016 (1). Both years credit terms were over 30 days, this indicates either the company has not got strict credit control procedures in place (1) or the company has relaxed the credit terms to boost the sales as indicated by inventory turnover (1).</p> <p>Trade payables payment period has deteriorated from cash flow point of view in 2017 compared to 2016 (1). As the company is keeping money collected from receivables for a shorter period of time in business (1).</p> <p>or</p> <p>Trade payables payment period has improved as it is closer to normal credit period (1) but it is still over 30 days which will affect the relationships with supplier / future suppliers (1).</p> <p>The inventory turnover has improved (1) which indicates the faster/quick conversion of the inventory into profit (1). This also helps to reduce the holding cost of the inventory (1).</p> <p>Evaluation Overall company's performance has improved as can pay to suppliers quicker and converts inventory into sales (1).</p> <p>Or</p> <p>Overall company's performance has deteriorated as taking longer to get money from receivables and paying suppliers quicker (1).</p> <p>Accept any other appropriate responses.</p>	(5)

Question Number	Answer AO1 (1)	Mark
5(f)	<p>Award 1 mark for correct answer.</p> <ul style="list-style-type: none"> • Gross profit percentage / margin • Net profit percentage / margin • Current ratio • Quick ratio (acid test) • Return on capital employed 	(1)

TOTAL FOR QUESTION 5 – 20 MARKS