



Mark Scheme

March 2018

**Results**

Pearson LCCI  
Certificate in Financial Accounting  
(VRQ) (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 (1)	Mark
<b>1(a)</b>	<p><b>Award 1 mark as indicated.</b></p> <p>A general partner has unlimited liability / a limited partner has limited liability. <b>(1)</b></p>	<b>(1)</b>

Question Number	Answer AO2 (10)	Mark																																																															
<b>1(b)</b>	<p><b>Award 1 mark for each correct figure as indicated.</b></p> <p><b>Award 1 mark for all correct labels and dates.</b></p> <p style="text-align: center;"><b>Realisation Account</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>31 December 2017</td> <td>Non-current assets</td> <td>57 700</td> <td>(1)</td> <td>31 December 2017</td> <td>Trade payables</td> <td>29 300</td> <td>(1)</td> </tr> <tr> <td></td> <td>Trade receivables</td> <td>35 300</td> <td>(1)</td> <td></td> <td>Bank</td> <td>61 400</td> <td>(1)</td> </tr> <tr> <td></td> <td>Bank</td> <td>28 000</td> <td>(1)</td> <td></td> <td>Capital Gee</td> <td>12 200</td> <td>(1)</td> </tr> <tr> <td></td> <td>Bank</td> <td>1 500</td> <td>(1)</td> <td></td> <td>Bank</td> <td>25 300</td> <td>(1)</td> </tr> <tr> <td></td> <td>Capital Gee</td> <td>2 850</td> <td rowspan="2">(1of for both)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Capital Bee</td> <td>2 850</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td><b>128 200</b></td> <td></td> <td></td> <td></td> <td><b>128 200</b></td> <td></td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		31 December 2017	Non-current assets	57 700	(1)	31 December 2017	Trade payables	29 300	(1)		Trade receivables	35 300	(1)		Bank	61 400	(1)		Bank	28 000	(1)		Capital Gee	12 200	(1)		Bank	1 500	(1)		Bank	25 300	(1)		Capital Gee	2 850	(1of for both)						Capital Bee	2 850							<b>128 200</b>				<b>128 200</b>		<b>(10)</b>
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**Additional guidance**

Accept netting of trade receivables and trade payables with labels discount allowed and discount received.

Question Number	Answer AO2 (2)	Mark
<b>1(c)</b>	<p><b>Award marks as indicated.</b></p> <p><b>Gee</b> \$12 100 + \$2 850 <b>(from 1b)</b> = \$14 950 <b>(1of)</b></p> <p><b>Bee</b> \$23 700 + \$2 850 <b>(from 1b)</b> = \$26 550 <b>(1of)</b></p>	<b>(2)</b>

**Additional Guidance**

Correct answer only scores 2 marks.  
No specific layout required.

Question Number	Answer AO2 (5)	Mark																																																							
<b>1(d)</b>	<p><b>Award 1 mark for each correct figure as indicated.</b>  <b>Award 1 mark for all correct labels and dates.</b></p> <p style="text-align: center;"><b>Bank Account</b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>31 December 2017</td> <td>Realisation</td> <td>61 400</td> <td rowspan="2"><b>(1 for both)</b></td> <td>31 December 2017</td> <td>Balance b/d</td> <td>15 700</td> <td><b>(1)</b></td> </tr> <tr> <td></td> <td>Realisation</td> <td>25 300</td> <td></td> <td></td> <td>Realisation</td> <td>28 000</td> <td rowspan="2"><b>(1 for both)</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Realisation</td> <td>1 500</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Capital Gee</td> <td>14 950</td> <td rowspan="2"><b>(1 of from 2(c) for both)</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Capital Bee</td> <td>26 550</td> </tr> <tr> <td></td> <td></td> <td><b>86 700</b></td> <td></td> <td></td> <td></td> <td><b>86 700</b></td> <td></td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		31 December 2017	Realisation	61 400	<b>(1 for both)</b>	31 December 2017	Balance b/d	15 700	<b>(1)</b>		Realisation	25 300			Realisation	28 000	<b>(1 for both)</b>						Realisation	1 500							Capital Gee	14 950	<b>(1 of from 2(c) for both)</b>						Capital Bee	26 550			<b>86 700</b>				<b>86 700</b>		<b>(5)</b>
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**Total for Question 1 = 18 marks**

Question Number	Answer AO1 (2)	Mark
<b>2(a)</b>	<p><b>Award 1 mark for each correct answer. Maximum 2 marks.</b></p> <ul style="list-style-type: none"> <li>It is used to record the difference in the trial balance until errors are corrected <b>(1)</b>.</li> <li>When a bookkeeper does not know where to post a transaction <b>(1)</b>.</li> </ul> <p><b>Accept any other appropriate responses.</b></p>	<b>(2)</b>

Question Number	Answer AO2 (1)	Mark
<b>2(b)(i)</b>	<p><b>Award 1 mark as indicated.</b></p> <p><math>\\$62\,500 \times 100/125 = \\$50\,000</math> <b>(1)</b></p>	<b>(1)</b>
<p><b>Additional Guidance</b> No specific layout required.</p>		

Question Number	Answer AO2 (1)	Mark
<b>2(b)(ii)</b>	<p><b>Award 1 mark as indicated.</b></p> <p><math>\\$62\,500 - \\$50\,000 = \\$12\,500</math> <b>(1of)</b></p>	<b>(1)</b>
<p><b>Additional Guidance</b> No specific layout required.</p>		

Question Number	Answer AO1 (1) AO3 (1)	Mark
<b>2(c)</b>	<p><b>Award 1 mark for identifying the point and 1 mark for linked justification /reasoning.</b></p> <p>The prudence concept states that the assets and profits should not be overstated <b>(1)</b> hence the inventory is valued at the lower of cost or net realisable value <b>(1)</b>.</p> <p><b>Accept any other appropriate responses.</b></p>	<b>(2)</b>

Question Number	Answer A02 (14)	Mark
<b>2(d)</b>	<b>Award 1 mark for each correct figure against correct label as indicated</b>	14

<b>Sahida Extended trial balance extract at 30 November 2017</b>					
	<b>Trial balance</b>		<b>Adjustments</b>		
	<b>Debit \$</b>	<b>Credit \$</b>	<b>Debit \$</b>	<b>Credit \$</b>	
Advertising	12 500		270		<b>(1)</b>
Allowance for doubtful debts		2 500	125		<b>(1)</b>
Bank	13 495				
Closing inventory-statement of financial position	62 500			12 500	<b>(1 of from 2b(ii))</b>
Closing inventory-statement of profit or loss		62 500	12 500		<b>(1 of from 2b(ii))</b>
Commission received		17 500	2 500		<b>(1)</b>
Depreciation charge	5 000		1 000		<b>(1)</b>
Drawings	8 950				
Motor vehicle expenses	22 500			10 000	<b>(1)</b>
Motor vehicles – accumulated depreciation		25 000		1 000	<b>(1)</b>
Motor vehicles - cost	50 000		10 000		<b>(1)</b>
Purchases	335 000			500	<b>(1)</b>
Rent received		16 500	4 500		<b>(1)</b>
Revenue		450 000			
Suspense	2 270			2 270	<b>(1)</b>
Trade and other payables		75 450		4 500	<b>(1)</b>
Trade and other receivables	95 350				
Allowance for doubtful debts adjustment				125	<b>(1)</b>

**Total for Question 2 = 20 marks**



Question Number	Answer AO2 (2)	Mark
<b>3(a)(i)</b>	<b>Award 1 mark as indicated.</b>  \$81 255 <b>(1)</b> + \$18 900 = \$100 155 <b>(1of)</b>	<b>(2)</b>
<b>Additional Guidance</b> Correct answer only scores 2 marks. No specific layout required.		

Question Number	Answer AO2 (1)	Mark
<b>3(a)(ii)</b>	<b>Award 1 mark as indicated.</b>  \$80 785 <b>(1)</b>	<b>(1)</b>
<b>Additional Guidance</b> No specific layout required.		

Question Number	Answer AO2 (11)	Mark																																																																								
<b>3(b)</b>	<p><b>Award marks as indicated with understandable labels.</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;"><b>Ariana</b></th> </tr> <tr> <th colspan="4" style="text-align: center;"><b>Statement of profit or loss for the year ended 31 December 2017</b></th> </tr> <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;">100 155</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">25 480</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">80 785</td> <td></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(32 435)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(73 830)</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">26 325</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Depreciation charge</td> <td style="text-align: right;">1 500</td> <td></td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">7 215</td> <td></td> <td></td> </tr> <tr> <td>Heat and light <b>W1</b></td> <td style="text-align: right;">1 520</td> <td></td> <td style="text-align: right;"><b>(2)</b></td> </tr> <tr> <td>Loss on disposal</td> <td style="text-align: right;">350</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Rent <b>W2</b></td> <td style="text-align: right;">16 000</td> <td></td> <td style="text-align: right;"><b>(2)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(26 585)</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Loss for the year</td> <td></td> <td style="text-align: right;">(260)</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </tbody> </table> <p><b>W1</b> \$1 495 - \$110 <b>(1)</b> + \$135 <b>(1)</b> = \$1 520</p> <p><b>W2</b> \$16 150 + \$450 <b>(1)</b> - \$600 <b>(1)</b> = \$16 000</p>	<b>Ariana</b>				<b>Statement of profit or loss for the year ended 31 December 2017</b>					\$	\$		Revenue		100 155	<b>(1of)</b>	Cost of sales				Opening inventory	25 480			Purchases	80 785		<b>(1of)</b>	Closing inventory	(32 435)					(73 830)	<b>(1of)</b>	Gross profit		26 325	<b>(1of)</b>	Expenses				Depreciation charge	1 500			General expenses	7 215			Heat and light <b>W1</b>	1 520		<b>(2)</b>	Loss on disposal	350		<b>(1)</b>	Rent <b>W2</b>	16 000		<b>(2)</b>			(26 585)	<b>(1of)</b>	Loss for the year		(260)	<b>(1of)</b>	<b>(11)</b>
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<b>Additional guidance</b> Only award of mark for revenue and purchases if figure matches (a)(i) and (a)(ii).																																																																										

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<b>3(c)</b>	<p><b>Award 1 mark for identifying the point and 1 mark for linked justification /reasoning.</b></p> <p><b>e.g.</b></p> <p>Full accounting records help to calculate the profit correctly <b>(1)</b> which helps to calculate the tax payable correctly <b>(1)</b>.</p> <p>OR</p> <p>Full accounting records are provided to the bank <b>(1)</b> for the purposes of obtaining a loan <b>(1)</b>.</p> <p><b>Accept any other appropriate responses.</b></p>	<b>(2)</b>

Question Number	Answer AO3 (4) AO5 (1)	Mark
<b>3(d)</b>	<p><b>Award 1 mark for each correctly identified point up to a maximum of 4 marks.</b></p> <p><b>Award 1 mark for supported decision.</b></p> <p>She will have more finance/capital/resources available as shares can be issued to family members/friends. As a sole trader she may have limited resources available <b>(1)</b>.</p> <p>She will have limited liability and therefore be more secure as at present her personal assets could be used to pay off business debts <b>(1)</b>.</p> <p>She would have additional legal formalities which a sole trader may not have to deal with <b>(1)</b>.</p> <p>Accounts must be filed for a private limited company, but she does not have to do that in her current business <b>(1)</b>.</p> <p>Any supported decision <b>(1)</b>.</p> <p><b>Accept any other appropriate responses.</b></p>	<b>(5)</b>

**Total for Question 3 = 21 marks**

Question Number	Answer AO1 (1)	Mark
<b>4(a)</b>	<p><b>Award 1 mark as indicated.</b></p> <ul style="list-style-type: none"> <li>• Relevance <b>(1)</b></li> <li>• Faithful representation <b>(1)</b></li> <li>• Understandability <b>(1)</b></li> <li>• Verifiability <b>(1)</b></li> <li>• Comparability <b>(1)</b></li> <li>• Timeliness <b>(1)</b></li> </ul>	<b>(1)</b>

Question Number	Answer AO2 (4)	Mark																														
<b>4(b)</b>	<p><b>Award 1 mark for each correct figure as indicated.</b>  <b>Award 1 mark for all correct labels and dates.</b></p> <p style="text-align: center;"><b>Machinery Cost Account</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>1 January 2017</td> <td>Balance b/d</td> <td>175 000</td> <td>30 November 2017</td> <td>Disposal</td> <td>50 000 <b>(1)</b></td> </tr> <tr> <td>31 December 2017</td> <td>Cash book (Bank)</td> <td>75 000 <b>(1of)</b></td> <td>31 December 2017</td> <td>Balance c/d</td> <td>200 000</td> </tr> <tr> <td></td> <td></td> <td>250 000</td> <td></td> <td></td> <td>250 000</td> </tr> <tr> <td>1 January 2018</td> <td>Balance b/d</td> <td>200 000 <b>(1)</b></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	1 January 2017	Balance b/d	175 000	30 November 2017	Disposal	50 000 <b>(1)</b>	31 December 2017	Cash book (Bank)	75 000 <b>(1of)</b>	31 December 2017	Balance c/d	200 000			250 000			250 000	1 January 2018	Balance b/d	200 000 <b>(1)</b>				<b>(4)</b>
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4(c)	<p><b>Award marks for correct figures with understandable labels as indicated.</b></p> <table border="1" data-bbox="395 369 1264 1601"> <thead> <tr> <th colspan="3" data-bbox="395 369 1264 492" style="text-align: center;"><b>Yee Ltd Statement of cash flows for the year ended 31 December 2017</b></th> </tr> <tr> <th data-bbox="395 497 845 533"></th> <th data-bbox="849 497 1053 533" style="text-align: center;">\$</th> <th data-bbox="1056 497 1264 533" style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td data-bbox="395 533 1053 604">Net cash from operating activities</td> <td data-bbox="849 533 1053 604"></td> <td data-bbox="1056 533 1264 604" style="text-align: right;">23 900</td> </tr> <tr> <td colspan="3" data-bbox="395 609 1264 645"><b>Investing activities</b></td> </tr> <tr> <td data-bbox="395 645 845 716">Acquisition of land and buildings</td> <td data-bbox="849 645 1053 716" style="text-align: right;">(200 000) <b>(1)</b></td> <td data-bbox="1056 645 1264 716"></td> </tr> <tr> <td data-bbox="395 721 845 792">Acquisition of machinery</td> <td data-bbox="849 721 1053 792" style="text-align: right;">(75 000) <b>(1)</b></td> <td data-bbox="1056 721 1264 792"></td> </tr> <tr> <td data-bbox="395 797 845 869">Disposal of machinery</td> <td data-bbox="849 797 1053 869" style="text-align: right;">27 000 <b>(1)</b></td> <td data-bbox="1056 797 1264 869"></td> </tr> <tr> <td data-bbox="395 873 845 945">Dividend received</td> <td data-bbox="849 873 1053 945" style="text-align: right;">4 750 <b>(1)</b></td> <td data-bbox="1056 873 1264 945"></td> </tr> <tr> <td data-bbox="395 949 1053 1021">Net cash used in investing activities</td> <td data-bbox="849 949 1053 1021"></td> <td data-bbox="1056 949 1264 1021" style="text-align: right;">(243 250) <b>(1of)</b></td> </tr> <tr> <td colspan="3" data-bbox="395 1025 1264 1061"><b>Financing activities</b></td> </tr> <tr> <td data-bbox="395 1061 845 1133">Issue of shares</td> <td data-bbox="849 1061 1053 1133" style="text-align: right;">120 000 <b>(1)</b></td> <td data-bbox="1056 1061 1264 1133"></td> </tr> <tr> <td data-bbox="395 1137 845 1209">Bank loan received</td> <td data-bbox="849 1137 1053 1209" style="text-align: right;">90 000 <b>(1)</b></td> <td data-bbox="1056 1137 1264 1209"></td> </tr> <tr> <td data-bbox="395 1214 845 1285">Dividend paid</td> <td data-bbox="849 1214 1053 1285" style="text-align: right;">(25 000) <b>(1)</b></td> <td data-bbox="1056 1214 1264 1285"></td> </tr> <tr> <td data-bbox="395 1290 1053 1361">Net cash from financing activities</td> <td data-bbox="849 1290 1053 1361"></td> <td data-bbox="1056 1290 1264 1361" style="text-align: right;">185 000 <b>(1of)</b></td> </tr> <tr> <td data-bbox="395 1366 1053 1438">Net decrease in cash and cash equivalents</td> <td data-bbox="849 1366 1053 1438"></td> <td data-bbox="1056 1366 1264 1438" style="text-align: right;">(34 350) <b>(1)</b></td> </tr> <tr> <td data-bbox="395 1442 1053 1514">Cash and cash equivalents at the beginning of the year</td> <td data-bbox="849 1442 1053 1514"></td> <td data-bbox="1056 1442 1264 1514" style="text-align: right;">29 500*</td> </tr> <tr> <td data-bbox="395 1518 1053 1590">Cash and cash equivalents at the end of the year</td> <td data-bbox="849 1518 1053 1590"></td> <td data-bbox="1056 1518 1264 1590" style="text-align: right;">(4 850)* <b>(1for both)</b></td> </tr> </tbody> </table>	<b>Yee Ltd Statement of cash flows for the year ended 31 December 2017</b>				\$	\$	Net cash from operating activities		23 900	<b>Investing activities</b>			Acquisition of land and buildings	(200 000) <b>(1)</b>		Acquisition of machinery	(75 000) <b>(1)</b>		Disposal of machinery	27 000 <b>(1)</b>		Dividend received	4 750 <b>(1)</b>		Net cash used in investing activities		(243 250) <b>(1of)</b>	<b>Financing activities</b>			Issue of shares	120 000 <b>(1)</b>		Bank loan received	90 000 <b>(1)</b>		Dividend paid	(25 000) <b>(1)</b>		Net cash from financing activities		185 000 <b>(1of)</b>	Net decrease in cash and cash equivalents		(34 350) <b>(1)</b>	Cash and cash equivalents at the beginning of the year		29 500*	Cash and cash equivalents at the end of the year		(4 850)* <b>(1for both)</b>	<b>(11)</b>
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Question Number	Answer A01 (2) A03 (2)	Mark
4(d)	<p><b>Award 1 mark for each reason up to maximum of 2 marks and 1 mark for linked justification for each reason up to maximum of 2 marks.</b></p> <ul style="list-style-type: none"> <li>• Profit is calculated using the accrual basis so cash paid for the year will be adjusted for amounts owing / pre-paid at the year-end date <b>(1)</b>. The bank balance is calculated using cash basis (receipts and payments) hence there may be more payments than receipts during the year <b>(1)</b>.</li> <li>• A bank payment for capital expenditure will lead to cash outflow in excess of the bank balance but would not affect the profit for the year <b>(1)</b> as the capital expenditure would not be shown in the statement of profit or loss <b>(1)</b>.</li> <li>• The owner of the business may have taken drawings by bank, in excess of the bank balance, which would not affect the profit for the year <b>(1)</b> as drawings would not be shown in the statement of profit or loss <b>(1)</b>.</li> </ul> <p><b>Accept any other appropriate responses.</b></p>	<b>(4)</b>

**Total for Question 4 = 20 marks**

Question Number	Answer A02 (6)	Mark																								
<b>5(a)</b>	<p><b>Award marks as indicated.</b></p> <table border="1" data-bbox="491 331 1177 633"> <thead> <tr> <th></th> <th style="text-align: center;"><b>\$</b></th> <th></th> </tr> </thead> <tbody> <tr> <td>Loss for the year</td> <td style="text-align: right;">(5 150)</td> <td></td> </tr> <tr> <td>Bank interest</td> <td style="text-align: right;">(1 440)</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Irrecoverable debts</td> <td style="text-align: right;">(1 800)</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">3 150</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Inventory A</td> <td style="text-align: right;">960</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Inventory B</td> <td style="text-align: right;">2 970</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Corrected loss for the year</td> <td style="text-align: right;">(1 310)</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </tbody> </table>		<b>\$</b>		Loss for the year	(5 150)		Bank interest	(1 440)	<b>(1)</b>	Irrecoverable debts	(1 800)	<b>(1)</b>	Drawings	3 150	<b>(1)</b>	Inventory A	960	<b>(1)</b>	Inventory B	2 970	<b>(1)</b>	Corrected loss for the year	(1 310)	<b>(1of)</b>	<b>(6)</b>
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<p><b>Additional guidance</b>            Correct answer only scores 6 marks.            No specific layout required.</p>																										

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<b>5(b)</b>	<p><b>Award marks for correct figures with understandable labels as indicated.</b></p> <p style="text-align: center;"><b>Sarah</b> <b>Statement of financial position at</b> <b>31 December 2017</b></p> <table border="1"> <thead> <tr> <th><b>Assets</b></th> <th><b>\$</b></th> <th><b>\$</b></th> <th><b>\$</b></th> <th></th> </tr> </thead> <tbody> <tr> <td><b>Non-current assets</b></td> <td>Cost</td> <td>Accumulated depreciation</td> <td>Carrying value</td> <td></td> </tr> <tr> <td>Property, plant and equipment</td> <td>50 000</td> <td>18 450</td> <td>31 550</td> <td><b>(1)</b></td> </tr> <tr> <td><b>Current assets</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td></td> <td>18 930</td> <td></td> <td><b>(1of)</b></td> </tr> <tr> <td>Trade receivables</td> <td></td> <td>6 550</td> <td></td> <td><b>(1of)</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td>25 480</td> <td></td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td>57 030</td> <td><b>*</b></td> </tr> <tr> <td><b>Equity and liabilities</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Equity</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening equity</td> <td></td> <td>28 000</td> <td></td> <td></td> </tr> <tr> <td>Additional equity</td> <td></td> <td>5 000</td> <td></td> <td></td> </tr> <tr> <td>Loss for the year</td> <td></td> <td>(1 310)</td> <td></td> <td></td> </tr> <tr> <td>Drawings</td> <td></td> <td>(15 150)</td> <td></td> <td><b>(1)</b></td> </tr> <tr> <td><b>Total equity</b></td> <td></td> <td></td> <td>16 540</td> <td></td> </tr> <tr> <td><b>Non-current liabilities</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>8% bank loan (2028)</td> <td></td> <td></td> <td>36 000</td> <td></td> </tr> <tr> <td><b>Current liabilities</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade and other payables</td> <td></td> <td>3 240</td> <td></td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td></td> <td>1 250</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>4 490</td> <td></td> </tr> <tr> <td>Total liabilities</td> <td></td> <td></td> <td>40 490</td> <td><b>(1of)</b></td> </tr> <tr> <td><b>Total equity and liabilities</b></td> <td></td> <td></td> <td>57 030</td> <td><b>(1of)* for both</b></td> </tr> </tbody> </table>	<b>Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>Non-current assets</b>	Cost	Accumulated depreciation	Carrying value		Property, plant and equipment	50 000	18 450	31 550	<b>(1)</b>	<b>Current assets</b>					Inventory		18 930		<b>(1of)</b>	Trade receivables		6 550		<b>(1of)</b>				25 480		Total assets			57 030	<b>*</b>	<b>Equity and liabilities</b>					<b>Equity</b>					Opening equity		28 000			Additional equity		5 000			Loss for the year		(1 310)			Drawings		(15 150)		<b>(1)</b>	<b>Total equity</b>			16 540		<b>Non-current liabilities</b>					8% bank loan (2028)			36 000		<b>Current liabilities</b>					Trade and other payables		3 240			Bank overdraft		1 250						4 490		Total liabilities			40 490	<b>(1of)</b>	<b>Total equity and liabilities</b>			57 030	<b>(1of)* for both</b>	<b>(6)</b>
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<p><b>Additional guidance:</b> Only award of mark if total assets and total equity and liabilities are equal.</p>																																																																																																																					

Question Number	Answer AO4 (4) AO5 (1)	Mark
<b>5(c)</b>	<p><b>Award 1 mark for analysis of each ratio up to a maximum of 4 marks.</b>  <b>Award 1 mark for evaluation.</b>  <b>Evaluation mark can only be awarded if at least two ratios are analysed.</b></p> <p>Luke's gross profit percentage/margin is better than Jay's, indicating higher revenue in comparison to cost of sales <b>(1)</b>.</p> <p>Profit for the year to revenue percentage/margin of Luke is better than Jay due to higher gross profit margin as the ratios of operating expenses to sales of both businesses were the same <b>(1)</b>.</p> <p>Return on capital employed of Jay is better than Luke, indicating efficient use of resources to generate higher return on each dollar invested <b>(1)</b>.</p> <p>Inventory turnover of Jay is better than Luke, indicating inventory is turned into revenue and profit more frequently <b>(1)</b>.</p> <p>Any supported evaluation <b>(1)</b></p> <p><b>Accept any other appropriate responses.</b></p>	<b>(5)</b>

**Additional guidance**

Accept answers from either perspective.

Question Number	Answer AO1 (2)	Mark
<b>5(d)</b>	<p><b>Award 1 mark for each correct answer.</b></p> <p>The capital account must be split into both capital and current accounts <b>(1)</b></p> <p>An appropriation account (profit will be shared) must be prepared <b>(1)</b></p>	<b>(2)</b>

Question Number	Answer AO1 (2)	Mark
<b>5(e)</b>	<p><b>Award 1 mark for each correct answer up to a maximum of 2 marks.</b></p> <p>Limited partnership <b>(1)</b></p> <p>Private limited company <b>(1)</b></p> <p>Public limited company <b>(1)</b></p> <p><b>Accept any other appropriate responses.</b></p>	<b>(2)</b>

**Total for Question 5 = 21 marks**

**TOTAL FOR PAPER = 100 MARKS**