



Mark Scheme

April 2018

Results

Pearson LCCI

Certificate in Financial Accounting

(VRQ)

Level 3

(ASE20097)

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Question Number	Answer AO1 (1)	Mark
1(a)	<p>Award 1 mark for correct answer.</p> <p>It is used to record the difference in the trial balance until errors are corrected (1).</p> <p>OR</p> <p>When a bookkeeper does not know where to post a transaction (1).</p> <p>Accept any other appropriate responses.</p>	(1)

Question number	Answer AO1 (1) AO3 (2)	Mark
1(b)	<p>Award 1 mark identification of the accounting concept and up to 2 marks for linked justification / reasoning. Maximum 3 marks</p> <p>Prudence (1)</p> <p>If the business anticipates that all of its debts will not be paid, provision should be made for this in the financial statements to avoid overstating the current year's profit (1) and to ensure that the financial statements show a true and fair view (1).</p>	(3)

Question number	Answer AO2 (3)	Mark
1(c)	<p>Award marks as indicated</p> <p>22 300 – 520 (1) + 320 (1) = 22 100 (1of)</p>	(3)
<p>Additional guidance No specific layout required. Correct answer only scores 3 marks.</p>		

Question number	Answer AO2 (3)	Mark
1(d)	<p>Award 1 mark for each correct figure as indicated.</p> <p>16 160 (1) × 5% = 808 (1of) – 580 = 228 (1of)</p>	(3)
<p>Additional guidance No specific layout required. Correct answer only scores 3 marks.</p>		

Question number	Answer A02 (12)	Mark				
1(e)	Award 1 mark for each correct figure against correct label as indicated.					
	Marie – Extended trial balance at 31 January 2018					
	Ledger account		Trial balance	Adjustments		
			Debit \$	Credit \$	Debit \$	Credit \$
	Allowance for doubtful debts			580		228 (1 of from d)
	Bank		2 680			
	Computer equipment		6 100			
	Equity			50 000		
	General expenses		10 990			1 890 (1)
	Purchases		78 520			
	Purchases returns			1 430		
	Revenue			184 230		
	Sales returns		2 390		650 (1)	
	Telephone expenses		1 480		45 (2)	
	Trade payables			7 265		
	Trade receivables		16 810			650 (1)
	Allowance for doubtful debts adjustment				228 (1 of from d)	
	Closing inventory – statement of financial position				22 100 (1 of from c)	
	Closing inventory – statement of profit or loss					22 100 (1 of from c)
Drawings			1 890 (1)			
Other payables				165 (1)		
Other receivables			120 (1)			
				(12)		
Additional guidance						
Accept telephone expenses debit 165 credit 120						

Total for Question 1 = 22 marks

Question Number	Answer AO1 (2)	Mark
2(a)	<p>Award 1 mark for correct answer up to a maximum of 2 marks.</p> <ul style="list-style-type: none"> • No sharing of profit (1) • Flexibility in working hours (1) • You have privacy as you're not sharing your business information (1) • The control is in your hands (1) • Establishing and operating your business is simple (1) • It's easy to change your legal structure later if circumstances change (1) • You can easily wind up your business (1) <p>Accept any other appropriate responses.</p>	(2)

Question number	Answer AO2 (11)	Mark																														
2(b)	<p>Award marks as indicated</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th></th> <th>Gross profit \$</th> <th>Profit for the year \$</th> </tr> </thead> <tbody> <tr> <td>Draft profits</td> <td>56 400</td> <td>9 200</td> </tr> <tr> <td><i>1</i></td> <td><i>+200</i></td> <td><i>+200</i></td> </tr> <tr> <td>2</td> <td>+650 (1)</td> <td>Nil (1)</td> </tr> <tr> <td>3</td> <td>Nil (1)</td> <td>+520 (1)</td> </tr> <tr> <td>4</td> <td>-600 (1)</td> <td>-600 (1)</td> </tr> <tr> <td>5</td> <td>+180 (1)</td> <td>+180 (1)</td> </tr> <tr> <td>6</td> <td>Nil (1)</td> <td>+336 (1)</td> </tr> <tr> <td>Revised profits</td> <td>56 830</td> <td>9 836</td> </tr> <tr> <td></td> <td colspan="2">(1of) for both</td> </tr> </tbody> </table>		Gross profit \$	Profit for the year \$	Draft profits	56 400	9 200	<i>1</i>	<i>+200</i>	<i>+200</i>	2	+650 (1)	Nil (1)	3	Nil (1)	+520 (1)	4	-600 (1)	-600 (1)	5	+180 (1)	+180 (1)	6	Nil (1)	+336 (1)	Revised profits	56 830	9 836		(1of) for both		(11)
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Question number	Answer AO1 (1)	Mark
2(b)(ii)	<p>Award 1 mark as indicated.</p> <p>Business entity (1)</p>	(1)

Question number	Answer AO1 (1)	Mark
2(c)(i)	<p>Award 1 mark for correct reason Maximum 1 mark</p> <p>To identify errors in the books of account (1) To identify errors made by the bank (1) To identify out of date cheques (1) To identify fraud (1)</p> <p>Accept any other appropriate responses.</p>	(1)
Question number	Answer AO1 (2)	Mark
2(c)(ii)	<p>Award 1 mark for each correct answer Maximum 2 marks</p> <p>Standing orders (1) Direct debits (1) Bank charges (1) Bank interest (received) (1) Bank interest (paid) (1) Credit transfers (1)</p>	(2)
Question number	Answer AO1 (2)	Mark
2(d)	<p>Award 1 mark for correct answer. Maximum 1 mark.</p> <p>To decide future course of action (1) To compare with previous year or competitors (1)</p> <p>Accept any other appropriate responses.</p>	(2)

Total for Question 2 = 19 marks

Question number	Answer A02 (2)	Mark																																			
3(a)	<p>Award 1 mark for figure and label as indicated.</p> <p style="text-align: center;">Journal</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Debit \$</th> <th style="text-align: center;">Credit \$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Goodwill</td> <td style="text-align: center;">18 000</td> <td></td> <td rowspan="4" style="font-size: 3em; vertical-align: middle;">}</td> </tr> <tr> <td>Capital account Asif</td> <td></td> <td style="text-align: center;">9 000</td> </tr> <tr> <td>Capital Account Bharti</td> <td></td> <td style="text-align: center;">6 000</td> </tr> <tr> <td>Capital account Cao</td> <td></td> <td style="text-align: center;">3 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">(1)</td> </tr> <tr> <td>Capital account Asif</td> <td style="text-align: center;">12 000</td> <td></td> <td rowspan="3" style="font-size: 3em; vertical-align: middle;">}</td> </tr> <tr> <td>Capital account Cao</td> <td style="text-align: center;">6 000</td> <td></td> </tr> <tr> <td>Goodwill</td> <td></td> <td style="text-align: center;">18 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">(1)</td> </tr> </tbody> </table>		Debit \$	Credit \$		Goodwill	18 000		}	Capital account Asif		9 000	Capital Account Bharti		6 000	Capital account Cao		3 000				(1)	Capital account Asif	12 000		}	Capital account Cao	6 000		Goodwill		18 000				(1)	(2)
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Question number	Answer A02 (7)	Mark																																								
3(b)(i)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Current account - Bharti</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <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>1 Feb 2017</td> <td>Balance b/d</td> <td style="text-align: center;">1 800</td> <td style="text-align: center;">(1)</td> <td>31 Jan 2018</td> <td>Appropriation</td> <td style="text-align: center;">20 000</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td>31 Jan 2018</td> <td>Drawings</td> <td style="text-align: center;">15 000</td> <td style="text-align: center;">(1)</td> <td></td> <td>Appropriation</td> <td style="text-align: center;">1 500</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td></td> <td>Capital</td> <td style="text-align: center;">12 700</td> <td style="text-align: center;">(1of)</td> <td></td> <td>Appropriation</td> <td style="text-align: center;">8 000</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">29 500</td> <td></td> <td></td> <td></td> <td style="text-align: center;">29 500</td> <td></td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		1 Feb 2017	Balance b/d	1 800	(1)	31 Jan 2018	Appropriation	20 000	(1)	31 Jan 2018	Drawings	15 000	(1)		Appropriation	1 500	(1)		Capital	12 700	(1of)		Appropriation	8 000	(1)			29 500				29 500		(7)
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Question number	Answer AO2 (6)	Mark																																								
3(b)(ii)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Capital account – Bharti</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 Jan 2018</td> <td>Revaluation</td> <td>3 000</td> <td>(1)</td> <td>1 Feb 2017</td> <td>Balance b/d</td> <td>30 000</td> <td></td> </tr> <tr> <td></td> <td>Bank</td> <td>15 000</td> <td>(1)</td> <td>31 Jan 2018</td> <td>Goodwill</td> <td>6 000</td> <td>(1of from (a))</td> </tr> <tr> <td></td> <td>Loan</td> <td>30 700</td> <td>(1of)</td> <td></td> <td>Current</td> <td>12 700</td> <td>(1of from (b)(i))</td> </tr> <tr> <td></td> <td></td> <td>48 700</td> <td></td> <td></td> <td></td> <td>48 700</td> <td></td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		31 Jan 2018	Revaluation	3 000	(1)	1 Feb 2017	Balance b/d	30 000			Bank	15 000	(1)	31 Jan 2018	Goodwill	6 000	(1of from (a))		Loan	30 700	(1of)		Current	12 700	(1of from (b)(i))			48 700				48 700		(6)
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Question number	Answer AO3 (4) AO5 (1)	Mark
3(c)	<p>Max 4 marks for discussion of a partnership and a private limited company. Award 1 mark for justified/supported decision.</p> <p>Partnership may find it difficult to raise additional finance whereas a private limited company may have access to greater resources/finances by issuing shares. (1)</p> <p>Partnerships have unlimited liability, which means their assets can be used to pay business debts, whereas in a private limited company the members will have limited liability. (1)</p> <p>Private limited companies are subject to additional legal and filing requirements that do not apply to partnerships. (1)</p> <p>Private limited companies are subject to additional record keeping requirements that do not apply to partnerships. (1)</p> <p>Setting up of a private limited company involves additional formation expenses that do not apply to partnerships. (1)</p> <p>There is no necessity to have partnership financial statements audited whereas larger private limited companies must appoint auditors. (1)</p> <p>Any supported decision (1)</p> <p>Accept any other appropriate responses</p>	(5)

Total for Question 3 = 20 marks

Question number	Answer AO2 (4)	Mark
4(a)	Award 1 mark for each correct figure as indicated 34 200 + 164 680 – 2 180 (1) – 2 440 (1) – 154 900 – 1 420 (1) = 37 940 (1of)	(4)
Additional guidance Correct answer only scores 4 marks. No specific layout required.		

Question number	Answer AO2 (1)	Mark
4(b)(i)	Award 1 mark as indicated. \$1 215 (1)	(1)

Question number	Answer AO2 (1)	Mark
4(b)(ii)	Award 1 mark as indicated. \$115 (loss) (1)	(1)

Question number	Answer AO2 (1)	Mark
4(b)(iii)	Award 1 mark as indicated. \$435 (1)	(1)

Question number	Answer AO2 (1)	Mark
4(b)(iv)	Award 1 mark as indicated. \$3 915 (1)	(1)

Question number	Answer AO2 (4)	Mark
4(c)	Award 1 mark for each correct figure as indicated. 25 095 – 300 (1) – 115 (1of) – 435 (1of) = 24 245 (1of)	(4)
Additional guidance Correct answer only scores 4 marks. No specific layout required.		

Question number	Answer AO2 (6)	Mark																																																																								
4(d)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Kelly Statement of financial position at 31 December 2017</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%; text-align: center;">\$000</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Assets</td> <td></td> <td></td> </tr> <tr> <td>Non-current assets</td> <td></td> <td></td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>3 915</u></td> <td></td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">24 200</td> <td></td> </tr> <tr> <td>Trade and other receivables</td> <td style="text-align: right;">38 780</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>62 980</u></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;"><u>66 895</u></td> <td></td> </tr> <tr> <td>Equity and liabilities</td> <td></td> <td></td> </tr> <tr> <td>Equity</td> <td></td> <td></td> </tr> <tr> <td>Balance at 1 January 2017</td> <td style="text-align: right;">29 530</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;"><u>24 245</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">53 775</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;"><u>(21 850)</u></td> <td></td> </tr> <tr> <td>Total equity</td> <td style="text-align: right;"><u>31 925</u></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Non-current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Bank loan (2019)</td> <td style="text-align: right;"><u>3 500</u></td> <td></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: right;">2 660</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade and other payables</td> <td style="text-align: right;">28 810</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>31 470</u></td> <td></td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;"><u>34 970</u></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Total equity and liabilities</td> <td style="text-align: right;"><u>66 895</u></td> <td style="text-align: right;">(1of)</td> </tr> </tbody> </table>		\$000		Assets			Non-current assets			Fixtures and fittings	<u>3 915</u>		Current assets			Inventory	24 200		Trade and other receivables	38 780			<u>62 980</u>	(1of)	Total assets	<u>66 895</u>		Equity and liabilities			Equity			Balance at 1 January 2017	29 530		Profit for the year	<u>24 245</u>			53 775		Drawings	<u>(21 850)</u>		Total equity	<u>31 925</u>	(1of)	Non-current liabilities			Bank loan (2019)	<u>3 500</u>		Current liabilities			Bank overdraft	2 660	(1)	Trade and other payables	28 810	(1)		<u>31 470</u>		Total liabilities	<u>34 970</u>	(1of)	Total equity and liabilities	<u>66 895</u>	(1of)	(6)
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<p>Additional guidance Total equity and liabilities 1of mark must be equal to total assets.</p>																																																																										

Total for Question 4 = 18 Marks

Question number	Answer AO1 (1) AO3 (1)	Mark
5(a)(i)	<p>Award marks as indicated</p> <p>To check the liquidity of the company (1) to assess job security (1)</p> <p>OR</p> <p>To check the profitability of the company (1) to assess the ability to pay future wage demands (1)</p> <p>Accept any other appropriate responses.</p>	(2)

Question number	Answer AO1 (1) AO3 (1)	Mark
5(a)(ii)	<p>Award marks as indicated</p> <p>To check the liquidity of the company (1) to assess the security of repayment of loan (1)</p> <p>OR</p> <p>To check the profitability of the company (1) to assess the ability to pay loan interest (1)</p> <p>Accept any other appropriate responses.</p>	(2)

Question number	Answer AO2 (6)	Mark																								
5(b)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Gradel Ltd</p> <p style="text-align: center;">Reconciliation of profit for the year to net cash from operating activities for the year ended 31 December 2017</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Loss for the year</td> <td style="text-align: right;">(28 200)</td> <td></td> </tr> <tr> <td>Depreciation charge</td> <td style="text-align: right;">53 200</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Loss on sale of non-current assets</td> <td style="text-align: right;">250</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Increase in inventory</td> <td style="text-align: right;">(8 780)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Increase in trade receivables</td> <td style="text-align: right;">(18 570)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Increase in trade payables</td> <td style="text-align: right;">18 850</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Net cash from operating activities</td> <td style="text-align: right;">16 750</td> <td style="text-align: right;">(1of)</td> </tr> </tbody> </table>		\$		Loss for the year	(28 200)		Depreciation charge	53 200	(1)	Loss on sale of non-current assets	250	(1)	Increase in inventory	(8 780)	(1)	Increase in trade receivables	(18 570)	(1)	Increase in trade payables	18 850	(1)	Net cash from operating activities	16 750	(1of)	(6)
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5(c)	<p>Award marks for correct figures with understandable labels as indicated.</p> <p style="text-align: center;">Gradel Ltd</p> <p style="text-align: center;">Statement of cash flows for the year ended 31 December 2017</p> <table border="1" data-bbox="357 495 1366 1115"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Net cash from operating activities</td> <td></td> <td style="text-align: right;">16 750</td> <td></td> </tr> <tr> <td>Investing activities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Acquisition of land and buildings</td> <td style="text-align: right;">(60 000)</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Disposal of motor vehicles</td> <td style="text-align: right;">20 000</td> <td></td> <td></td> </tr> <tr> <td>Cash used in investing activities</td> <td></td> <td style="text-align: right;">(40 000)</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Financing activities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Share capital issued</td> <td style="text-align: right;">30 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Increase in bank loan</td> <td style="text-align: right;">25 000</td> <td></td> <td></td> </tr> <tr> <td>Cash from financing activities</td> <td></td> <td style="text-align: right;">55 000</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Net increase in cash and cash equivalents</td> <td></td> <td style="text-align: right;">31 750</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Cash and cash equivalents at the start of the year</td> <td></td> <td style="text-align: right;">(13 900)</td> <td style="text-align: right;">(1 for both)</td> </tr> <tr> <td>Cash and cash equivalents at the end of the year</td> <td></td> <td style="text-align: right;">17 850</td> <td style="text-align: right;">both</td> </tr> </tbody> </table>		\$	\$		Net cash from operating activities		16 750		Investing activities				Acquisition of land and buildings	(60 000)		(1)	Disposal of motor vehicles	20 000			Cash used in investing activities		(40 000)	(1of)	Financing activities				Share capital issued	30 000		(1)	Increase in bank loan	25 000			Cash from financing activities		55 000	(1of)	Net increase in cash and cash equivalents		31 750	(1of)	Cash and cash equivalents at the start of the year		(13 900)	(1 for both)	Cash and cash equivalents at the end of the year		17 850	both	(6)
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Question number	Answer AO4 (4) AO5 (1)	Mark
5(d)	<p>Award 1 mark for each analysis of working capital up to a maximum of 4 marks.</p> <p>Award 1 mark for evaluation.</p> <p>Evaluation mark can only be awarded if at least two elements of working capital are analysed.</p> <p>The increase in trade receivables indicates either that Gradel Ltd have poor credit control OR have sold more goods on credit. (1)</p> <p>The increase in inventory indicates either business growth OR insufficient inventory control. (1)</p> <p>The increase in trade payables indicates that the company has purchased more goods on credit OR delaying payment to suppliers. (1)</p> <p>The increase in cash and cash equivalents indicates that the additional sources of finance are compensating for trading losses OR they are planning for future expansion. (1)</p> <p>Any supported evaluation (1)</p> <p>Accept any other appropriate responses.</p>	(5)

Total for Question 5 = 21 marks

TOTAL FOR PAPER = 100 MARKS