



Mark Scheme

September 2018

**FINAL**

Pearson LCCI  
Level 3 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 AO2 (3)	Mark												
<b>1(a)(i)</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>Irrecoverable Debts Account</b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>30 June 2018</td> <td>Trade receivables ledger control</td> <td>840 <b>(1)</b></td> <td>30 June 2018</td> <td>Statement of profit or loss</td> <td>840 <b>(1)</b></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	30 June 2018	Trade receivables ledger control	840 <b>(1)</b>	30 June 2018	Statement of profit or loss	840 <b>(1)</b>	<b>(3)</b>
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<b>1(a)(ii)</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>Irrecoverable Debts Recovered Account</b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>30 June 2018</td> <td>Statement of profit or loss</td> <td>240 <b>(1)</b></td> <td>30 June 2018</td> <td>Trade receivables ledger control</td> <td>240 <b>(1)</b></td> </tr> </tbody> </table> <p>Alternative response:</p> <p style="text-align: center;"><b>Irrecoverable Debts Recovered Account</b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>30 June 2018</td> <td>Statement of profit or loss</td> <td>240 <b>(1)</b></td> <td>30 June 2018</td> <td>Bank</td> <td>240 <b>(1)</b></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	30 June 2018	Statement of profit or loss	240 <b>(1)</b>	30 June 2018	Trade receivables ledger control	240 <b>(1)</b>	Date	Details	\$	Date	Details	\$	30 June 2018	Statement of profit or loss	240 <b>(1)</b>	30 June 2018	Bank	240 <b>(1)</b>	<b>(3)</b>
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<b>1(a)(iii)</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>Allowance for Doubtful Debts Account</b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>30 June 2018</td> <td>Statement of profit or loss</td> <td style="text-align: right;">49 <b>(1of)</b></td> <td>1 July 2017</td> <td>Balance b/d</td> <td style="text-align: right;">1 450</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td style="text-align: right;">1 401</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>1 450</u></td> <td></td> <td></td> <td style="text-align: right;"><u>1 450</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 July 2018</td> <td>Balance b/d</td> <td style="text-align: right;">1 401 <b>(1)</b></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	30 June 2018	Statement of profit or loss	49 <b>(1of)</b>	1 July 2017	Balance b/d	1 450		Balance c/d	1 401						<u>1 450</u>			<u>1 450</u>				1 July 2018	Balance b/d	1 401 <b>(1)</b>	<b>(3)</b>
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<b>1(b)</b>	<p><b>Award marks for correct figures with understandable labels as indicated.</b></p> <p style="text-align: center;"><b>Pierre</b>  <b>Statement of financial position at 30 June 2018</b></p> <table border="1"> <thead> <tr> <th></th> <th>\$</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td><b>Current assets</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td></td> <td style="text-align: right;">18 200</td> <td style="text-align: center;"><b>(1)</b></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">46 700</td> <td></td> <td></td> </tr> <tr> <td>Allowance for doubtful debts.</td> <td style="text-align: right;">(1 401)</td> <td style="text-align: right;">45 299</td> <td style="text-align: center;"><b>(1of)</b></td> </tr> <tr> <td>Petty cash</td> <td></td> <td style="text-align: right;">120</td> <td style="text-align: center;"><b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>63 619</u></td> <td></td> </tr> </tbody> </table>		\$	\$		<b>Current assets</b>				Inventory		18 200	<b>(1)</b>	Trade receivables	46 700			Allowance for doubtful debts.	(1 401)	45 299	<b>(1of)</b>	Petty cash		120	<b>(1)</b>			<u>63 619</u>		<b>(3)</b>
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**Additional guidance**

Award of mark based on allowance for doubtful debts from 1a(iii)

Question number	Answer AO1 (1) AO3 (1)	Mark
<b>1(c)</b>	<p><b>Award 1 mark for identification and 1 mark for linked justification / reasoning.</b></p> <p>Concept Prudence concept <b>(1)</b>.</p> <p>Explanation To avoid overstating profits/ trade receivables. <b>(1)</b></p> <p><b>OR</b></p> <p>To allow for the uncertainties such as an allowance for doubtful debts. <b>(1)</b></p>	<b>(2)</b>
<p><b>Additional guidance</b> Accept accruals concept and related explanation.</p>		

Question number	Answer AO1 (4)	Mark												
<b>1(d)</b>	<p><b>Award marks as indicated.</b></p> <table border="1"> <thead> <tr> <th>Stakeholder</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td><i>Competitors</i></td> <td><i>To compare performance</i></td> </tr> <tr> <td>Suppliers</td> <td>To ensure payment will be made <b>(1)</b></td> </tr> <tr> <td>Customers <b>(1)</b></td> <td>To ensure continuity of products/services</td> </tr> <tr> <td>Government</td> <td>To ensure taxes are paid <b>(1)</b></td> </tr> <tr> <td>Trade unions <b>(1)</b></td> <td>To protect the interest of workers</td> </tr> </tbody> </table>	Stakeholder	Reason	<i>Competitors</i>	<i>To compare performance</i>	Suppliers	To ensure payment will be made <b>(1)</b>	Customers <b>(1)</b>	To ensure continuity of products/services	Government	To ensure taxes are paid <b>(1)</b>	Trade unions <b>(1)</b>	To protect the interest of workers	<b>(4)</b>
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**Total for Question 1 = 18 marks**

Question number	Answer AO2 (1)	Mark
<b>2(a)(i)</b>	<b>Award 1 mark for correct figure.</b>  \$17 360 <b>(1)</b>	<b>(1)</b>
<b>Additional guidance</b> No specific layout required.		

Question number	Answer AO2 (1)	Mark
<b>2(a)(ii)</b>	<b>Award 1 mark for correct figure.</b>  \$9 625 <b>(1)</b>	<b>(1)</b>
<b>Additional guidance</b> No specific layout required.		

Question number	Answer AO2 (1)	Mark
<b>2(a)(iii)</b>	<b>Award 1 mark for correct figure.</b>  \$16 900 <b>(1)</b>	<b>(1)</b>
<b>Additional guidance</b> No specific layout required.		



Question number	Answer (AO2) 16	Mark
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**2(b)**

**Award marks as indicated against the correct label.**

<b>Marco</b>					
<b>Extended trial balance extract at 31 July 2018</b>					
	Balance	Adjustments		Statement of profit or loss	
		Debit \$	Credit \$	Debit \$	Credit \$
Bank	1 410				
Equity	86 200		11 675 <b>(1)</b>		
Motor vehicles — cost	87 400	24 175 <b>(1)</b>	22 000 <b>(1)</b>		
Motor vehicles — accumulated depreciation	31 600	9 625 <b>(1of from a ii)</b>	16 900 <b>(1of from a iii)</b>		
Purchases	41 620		1 600 <b>(1)</b>	40 020 <b>(1of)</b>	
Trade payables ledger control	8 743				
Closing inventory — statement of financial position		17 360 <b>(1of from a i)</b>			
Closing inventory — statement of profit or loss			17 360 <b>(1of from a i)</b>		17 360 <b>(1of)</b>
Depreciation charge		16 900 <b>(1of from a iii)</b>		16 900 <b>(1of)</b>	
Disposal		22 000 <b>(1)</b>	22 125 <b>(1of) W1</b>		125 <b>(1of)</b>
Drawings		1 600 <b>(1)</b>			

**W1** \$9 625 (from a ii) + \$12 500 = \$22 125

**(16)**

Question number	Answer AO1 (2)	Mark
<b>2(c)</b>	<p><b>Award 1 mark for each correct answer up to a maximum of 2.</b></p> <p>Error made during physical inspection <b>(1)</b></p> <p>Errors in updating register <b>(1)</b></p> <p>Motor vehicles not at current location <b>(1)</b></p> <p><b>Accept any other appropriate responses.</b></p>	<b>(2)</b>

**Total for Question 2 = 21 marks**

Question number	Answer AO1 (1) AO3 (1)	Mark
<b>3(a)</b>	<p><b>Award 1 mark identification and 1 mark for linked justification / reasoning.</b></p> <p>It helps prepare the financial statements <b>(1)</b> as it shows the total of trade payables <b>(1)</b>.</p> <p><b>Or</b></p> <p>It identifies some errors <b>(1)</b> as total can be reconciled to individual accounts <b>(1)</b>.</p> <p><b>Or</b></p> <p>Fraudulent entries may be identified <b>(1)</b> as the control account is prepared by an independent person <b>(1)</b>.</p>	<b>(2)</b>

Question number	Answer AO2 (6)	Mark																																										
<b>3(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>Trade Payables Ledger Control Account</b></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 Sept 2017</td> <td>Balance b/d</td> <td style="text-align: right;">165</td> <td>1 Sept 2017</td> <td>Balance b/d</td> <td style="text-align: right;">14 365</td> </tr> <tr> <td>31 Aug 2018</td> <td>Returns outwards (day) book</td> <td style="text-align: right;">3 960 <b>(1)</b></td> <td>31 Aug 2018</td> <td>Purchases (day) book</td> <td style="text-align: right;">165 199 <b>(1of)</b></td> </tr> <tr> <td></td> <td>Cash book</td> <td style="text-align: right;">157 685 <b>(1)</b></td> <td></td> <td>Journal</td> <td style="text-align: right;">350 <b>(1)</b></td> </tr> <tr> <td></td> <td>Balance c/d</td> <td style="text-align: right;">18 104</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>179 914</u></td> <td></td> <td></td> <td style="text-align: right;"><u>179 914</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 Sept 2018</td> <td>Balance b/d</td> <td style="text-align: right;">18 104 <b>(1)</b></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	1 Sept 2017	Balance b/d	165	1 Sept 2017	Balance b/d	14 365	31 Aug 2018	Returns outwards (day) book	3 960 <b>(1)</b>	31 Aug 2018	Purchases (day) book	165 199 <b>(1of)</b>		Cash book	157 685 <b>(1)</b>		Journal	350 <b>(1)</b>		Balance c/d	18 104						<u>179 914</u>			<u>179 914</u>				1 Sept 2018	Balance b/d	18 104 <b>(1)</b>	<b>(6)</b>
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Question Number	Answer AO2 (2)	Mark
<b>3(c)(i)</b>	<p><b>Award 1 mark for each correct figure as indicated.</b></p> <p>Rent received \$5 750 <b>(1)</b></p> <p>Insurance \$2 743 <b>(1)</b></p>	<b>(2)</b>
<p><b>Additional guidance</b> No specific layout required.</p>		

Question Number	Answer A02 (5)	Mark																																																
<b>3(c)(ii)</b>	<p><b>Award 1 mark for each correct figure with understandable label as indicated.</b></p> <p style="text-align: center;"><b>Najib</b> <b>Statement of profit or loss for the year ended 31 August 2018</b></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>Revenue</td> <td></td> <td style="text-align: right;">202 700 <b>(1of)</b></td> </tr> <tr> <td><b>Cost of sales</b></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">10 500</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">165 199</td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">(3 960)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">171 739</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(9 579)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>162 160</u> <b>(1)</b></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">40 540 <b>(1of)</b></td> </tr> <tr> <td>Rental income</td> <td></td> <td style="text-align: right;">5 750</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">46 290</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">13 200</td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">2 743</td> <td></td> </tr> <tr> <td>Interest charge</td> <td style="text-align: right;">350</td> <td style="text-align: right;"><u>16 293</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>29 997</u> <b>(2/1of)</b></td> </tr> </tbody> </table>		\$	\$	Revenue		202 700 <b>(1of)</b>	<b>Cost of sales</b>			Opening inventory	10 500		Purchases	165 199		Purchase returns	(3 960)			171 739		Closing inventory	(9 579)				<u>162 160</u> <b>(1)</b>	Gross profit		40 540 <b>(1of)</b>	Rental income		5 750			46 290	General expenses	13 200		Insurance	2 743		Interest charge	350	<u>16 293</u>	Profit for the year		<u>29 997</u> <b>(2/1of)</b>	<b>(5)</b>
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<p><b>Additional guidance</b> Award revenue of mark only if it is 125% of cost of sales.</p>																																																		

Question number	Answer A01 (2)	Mark
<b>3(d)</b>	<p><b>Award marks as indicated</b></p> <p>Current ratio <b>(1)</b></p> <p>Quick ratio (acid test) <b>(1)</b></p>	<b>(2)</b>

Question number	Answer A03 (2)	Mark
<b>3(e)</b>	<p><b>Award 1 mark for identification and 1 mark for linked justification / reasoning.</b></p> <p>Liquidity will be worsened <b>(1)</b> as cash, which is a current asset, will be reduced <b>(1)</b></p>	<b>(2)</b>

Question number	Answer AO1 (2)	Mark
<b>3(f)</b>	<b>Award 1 mark for each correct answer up to a maximum of 2</b>  Honesty / Integrity <b>(1)</b> Objectivity / Independence <b>(1)</b>	<b>(2)</b>
<b>Additional guidance</b> Accept professional behaviour, professional competence and due care, and confidentiality.		

**Total for Question 3 = 21 marks**

Question number	Answer AO2 (1)	Mark
<b>4(a)</b>	<b>Award 1 mark as indicated.</b>  \$1 875 <b>(1)</b>	<b>(1)</b>
<b>Additional guidance</b> No specific layout required.		

Question number	Answer AO2 (1)	Mark
<b>4(b)</b>	<b>Award 1 mark as indicated.</b>  \$30 150 <b>(1)</b>	<b>(1)</b>
<b>Additional guidance</b> No specific layout required.		

Question number	Answer AO2 (7)	Mark																														
<b>4(c)</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>Capital Account - Jenny</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 15%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 15%;">\$</th> </tr> </thead> <tbody> <tr> <td>31 December 2017</td> <td>Revaluation</td> <td style="text-align: right;">1 875 <b>(1)</b></td> <td>1 April 2017</td> <td>Balance b/d</td> <td style="text-align: right;">60 000</td> </tr> <tr> <td></td> <td>Bank</td> <td style="text-align: right;">68 300 <b>(1)</b></td> <td>31 December 2017</td> <td>Goodwill</td> <td style="text-align: right;">37 000 <b>(1)</b></td> </tr> <tr> <td></td> <td>Loan</td> <td style="text-align: right;">67 000 <b>(2/1of)</b></td> <td></td> <td>Current account <b>W1</b></td> <td style="text-align: right;">40 175 <b>(1of)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>137 175</u></td> <td></td> <td></td> <td style="text-align: right;"><u>137 175</u></td> </tr> </tbody> </table> <p><b>W1</b> 10 025 + 30 150 <b>(from b)</b> = 40 175 <b>(1of)</b></p>	Date	Details	\$	Date	Details	\$	31 December 2017	Revaluation	1 875 <b>(1)</b>	1 April 2017	Balance b/d	60 000		Bank	68 300 <b>(1)</b>	31 December 2017	Goodwill	37 000 <b>(1)</b>		Loan	67 000 <b>(2/1of)</b>		Current account <b>W1</b>	40 175 <b>(1of)</b>			<u>137 175</u>			<u>137 175</u>	<b>(7)</b>
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<b>4(d)(i)</b>	<b>Award marks as indicated.</b>  \$2 010 <b>(1of)</b>	<b>(1)</b>
<b>Additional guidance</b> No specific layout required. Correct answer only scores 1 marks. Award of mark based on loan figure from c.		

Question Number	Answer AO2 (3)	Mark																											
<b>4(d)(ii)</b>	<p><b>Award 1 mark for each correct figure with understandable label as indicated.</b></p> <p style="text-align: center;"><b>Katie and Leo</b>  <b>Appropriation account for the three month ended</b>  <b>31 March 2018</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Profit for the period</td> <td></td> <td style="text-align: right;">20 100 <b>(1)</b></td> </tr> <tr> <td>Salary:</td> <td></td> <td></td> </tr> <tr> <td>Katie</td> <td></td> <td style="text-align: right;">(5 400) <b>(1)</b></td> </tr> <tr> <td>Profit available for distribution</td> <td></td> <td style="text-align: right;">14 700</td> </tr> <tr> <td>Share of profit:</td> <td></td> <td></td> </tr> <tr> <td>Katie</td> <td></td> <td style="text-align: right;">7 350</td> </tr> <tr> <td>Leo</td> <td></td> <td style="text-align: right;">7 350 <b>(1of both)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>14 700</u></td> </tr> </tbody> </table>		\$	\$	Profit for the period		20 100 <b>(1)</b>	Salary:			Katie		(5 400) <b>(1)</b>	Profit available for distribution		14 700	Share of profit:			Katie		7 350	Leo		7 350 <b>(1of both)</b>			<u>14 700</u>	<b>(3)</b>
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<b>4(e)</b>	<p><b>Award 1 mark for each point of discussion of a partnership and a private limited company up to a maximum of 4 marks.</b>  <b>Award 1 mark for supported decision.</b></p> <p>Katie and Leo may find it difficult to raise additional finance as a partnership whereas a private limited company may have access to greater resources/finances by issuing shares. <b>(1)</b></p> <p>Katie and Leo have unlimited liability as partners, which means their personal assets can be used to pay business debts, whereas in a private limited company the members will have limited liability. <b>(1)</b></p> <p>There is no necessity for Katie and Leo to have partnership financial statements audited whereas larger private limited companies must appoint auditors. <b>(1)</b></p> <p>As a partnership, Katie and Leo do not have to submit financial statements for public scrutiny whereas a private limited company is required to file financial statements. <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 4 = 18 marks**



Question number	Answer AO2 (6)	Mark																																
<b>5(a)</b>	<p><b>Award marks for correct figures with understandable labels as indicated.</b></p> <p style="text-align: center;"><b>Nipang Ltd</b></p> <p style="text-align: center;"><b>Reconciliation of profit for the year to net cash from operating activities for the year ended 30 June 2018</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">68 968</td> <td></td> </tr> <tr> <td>Depreciation for the year</td> <td></td> <td style="text-align: right;">36 330</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Loss on disposal of equipment</td> <td></td> <td style="text-align: right;">1 720</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Decrease in inventory</td> <td></td> <td style="text-align: right;">2 668</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Increase in trade receivables</td> <td></td> <td style="text-align: right;">(1 841)</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Increase in trade payables</td> <td></td> <td style="text-align: right;">3 271</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Net cash from operating activities</td> <td></td> <td style="text-align: right;"><u>111 116</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </tbody> </table>		\$	\$		Profit for the year		68 968		Depreciation for the year		36 330	<b>(1)</b>	Loss on disposal of equipment		1 720	<b>(1)</b>	Decrease in inventory		2 668	<b>(1)</b>	Increase in trade receivables		(1 841)	<b>(1)</b>	Increase in trade payables		3 271	<b>(1)</b>	Net cash from operating activities		<u>111 116</u>	<b>(1of)</b>	<b>(6)</b>
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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>Nipang Ltd</b></p> <p style="text-align: center;"><b>Statement of cash flows for the year ended 30 June 2018</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <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;">111 116</td> <td></td> </tr> <tr> <td>Investing activities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchase of property, plant and equipment</td> <td style="text-align: right;">(120 370)</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Proceeds from disposal of property, plant and equipment</td> <td style="text-align: right;">9 590</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Net cash used in investing activities</td> <td></td> <td style="text-align: right;">(110 780)</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Financing activities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Increase in bank loan (2025)</td> <td style="text-align: right;">5 000</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Issue of shares</td> <td style="text-align: right;">10 000</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Equity dividends paid</td> <td style="text-align: right;">(4 250)</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Net cash from financing activities</td> <td></td> <td style="text-align: right;"><u>10 750</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Net increase in cash and cash equivalents</td> <td></td> <td style="text-align: right;">11 086</td> <td style="text-align: right;"><b>(2/1of)</b></td> </tr> <tr> <td>Cash and cash equivalents at the start of the year</td> <td></td> <td style="text-align: right;"><u>(8 099)</u></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Cash and cash equivalents at the end of the year</td> <td></td> <td style="text-align: right;"><u>2 987</u></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </tbody> </table>		\$	\$		Net cash from operating activities		111 116		Investing activities				Purchase of property, plant and equipment	(120 370)		<b>(1)</b>	Proceeds from disposal of property, plant and equipment	9 590		<b>(1)</b>	Net cash used in investing activities		(110 780)	<b>(1of)</b>	Financing activities				Increase in bank loan (2025)	5 000		<b>(1)</b>	Issue of shares	10 000		<b>(1)</b>	Equity dividends paid	(4 250)		<b>(1)</b>	Net cash from financing activities		<u>10 750</u>	<b>(1of)</b>	Net increase in cash and cash equivalents		11 086	<b>(2/1of)</b>	Cash and cash equivalents at the start of the year		<u>(8 099)</u>	<b>(1)</b>	Cash and cash equivalents at the end of the year		<u>2 987</u>	<b>(1of)</b>	<b>(11)</b>
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<b>5(c)</b>	<p><b>Award max 1 mark for analysis of each ratio.</b>  <b>Award 1 mark for evaluation.</b>  <b>Evaluation mark can only be awarded if at least two ratios analysed.</b></p> <p>The inventory turnover has worsened, indicating the slower conversion of inventory into turnover <b>(1)</b>.</p> <p>The return on capital employed has worsened, indicating a less efficient use of resources <b>(1)</b>.</p> <p>Trade payables payment period has decreased, which may improve the relationships with suppliers / it may have a negative effect on cash flow <b>(1)</b>.</p> <p>Trade receivables collection period has worsened, indicating poor credit control/ it may have a negative effect on cash flow <b>(1)</b>.</p> <p><b>Evaluation</b></p> <p>Overall, P Ltd's performance has deteriorated. <b>(1)</b></p> <p><b>Accept any other appropriate responses.</b></p>	<b>(5)</b>

**Total for Question 5 = 22 marks**

**TOTAL FOR PAPER = 100 MARKS**