



Mark Scheme

January 2019

Pearson LCCI
Certificate in Financial Accounting
(ASE20097)

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Where marks are awarded for own figure answers, these marks can only be awarded if evidence of how the candidate arrived at their values has been provided (their workings).
- If candidate's fail to provide their workings when instructed in the paper, it may not be possible to achieve all marks associated with the question, even if the final answer is correct.
- For calculation questions full marks can be awarded where correct answer is seen with no workings shown, unless question states that candidate must provide workings.

Abbreviation

of Own Figure rule

Accuracy marks can be awarded where the candidates' answer does not match the mark scheme, though is accurate based on their valid method.

cao Correct Answer Only rule

Accuracy marks will only be awarded if the candidates' answer is correct, and in line with the mark scheme.

Question number	Answer AO1 (2)	Mark
1(a)	<p>Award 1 mark as indicated up to maximum of 2 marks.</p> <p>To assist in the preparation of the financial statements (1) To identify any errors in the trade receivables ledger (1) To identify any fraud (1)</p> <p>Accept any other appropriate responses.</p>	(2)

Question Number	Answer AO2 (17)	Mark									
1(b)	Award 1 mark for each row against correct label as indicated. Cyrus-Extended trial balance at 31 December 2018	(17)									
			Balance	Adjustments	Statement of profit or loss	Statement of financial position					
			Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$			
			Bank	19 050				19 050	(1)		
			Closing inventory	27 000			27 000	27 000	(1)		
			Depreciation charge	6 000			6 000		(1)		
			Equity		42 650				42 650	(1)	
			General expenses	56 000		600		56 600		(1)	
			Insurance	2 700			900	1 800		(1)	
			Motor vehicles - accumulated depreciation					24 000		24 000	(1)
			Motor vehicles - cost	60 000					60 000		(1)
Opening Inventory	13 650				13 650			(1)			
Other payables - general expenses			600				600		(1)		

Question number	Answer AO1 (4)	Mark																										
2(a)	<p>Award 1 mark for each stakeholder up to a maximum of two marks and 1 mark for their interest up to a maximum of two marks.</p> <table border="1" data-bbox="277 409 1366 1395"> <thead> <tr> <th data-bbox="277 409 604 454">Stakeholder</th> <th data-bbox="604 409 1366 454">Interest</th> </tr> </thead> <tbody> <tr> <td data-bbox="277 454 604 528">Customers (1)</td> <td data-bbox="604 454 1366 528">To ensure continuity of products/services (1)</td> </tr> <tr> <td data-bbox="277 528 604 602">Suppliers (1)</td> <td data-bbox="604 528 1366 602">to ensure the payment will be made (1)</td> </tr> <tr> <td data-bbox="277 602 604 676">Government (1)</td> <td data-bbox="604 602 1366 676">to ensure the right amount of tax is paid (1)</td> </tr> <tr> <td data-bbox="277 676 604 786">Banks/providers of external finance (1)</td> <td data-bbox="604 676 1366 786">to ensure repayment of the finance provided/finance is serviced (1)</td> </tr> <tr> <td data-bbox="277 786 604 893">Local communities (1)</td> <td data-bbox="604 786 1366 893">to ensure the business is contributing towards the community in terms of job opportunities etc (1)</td> </tr> <tr> <td data-bbox="277 893 604 967">Potential investors (1)</td> <td data-bbox="604 893 1366 967">to ensure to have a return on the investment (1)</td> </tr> <tr> <td data-bbox="277 967 604 1041">Managers (1)</td> <td data-bbox="604 967 1366 1041">to know the performance of their strategies (1)</td> </tr> <tr> <td data-bbox="277 1041 604 1115">Owners (1)</td> <td data-bbox="604 1041 1366 1115">to know the overall profitability and liquidity of the business (1)</td> </tr> <tr> <td data-bbox="277 1115 604 1189">Employees (1)</td> <td data-bbox="604 1115 1366 1189">to know the security of their job/bonus (1)</td> </tr> <tr> <td data-bbox="277 1189 604 1263">Trade associations (1)</td> <td data-bbox="604 1189 1366 1263">to know how the business is operating in the industry (1)</td> </tr> <tr> <td data-bbox="277 1263 604 1337">Trade unions (1)</td> <td data-bbox="604 1263 1366 1337">to know how the business is complying with policies to protect its members (1)</td> </tr> <tr> <td data-bbox="277 1337 604 1395">Competitors (1)</td> <td data-bbox="604 1337 1366 1395">to know comparative business performance (1)</td> </tr> </tbody> </table> <p>Accept any other appropriate responses.</p>	Stakeholder	Interest	Customers (1)	To ensure continuity of products/services (1)	Suppliers (1)	to ensure the payment will be made (1)	Government (1)	to ensure the right amount of tax is paid (1)	Banks/providers of external finance (1)	to ensure repayment of the finance provided/finance is serviced (1)	Local communities (1)	to ensure the business is contributing towards the community in terms of job opportunities etc (1)	Potential investors (1)	to ensure to have a return on the investment (1)	Managers (1)	to know the performance of their strategies (1)	Owners (1)	to know the overall profitability and liquidity of the business (1)	Employees (1)	to know the security of their job/bonus (1)	Trade associations (1)	to know how the business is operating in the industry (1)	Trade unions (1)	to know how the business is complying with policies to protect its members (1)	Competitors (1)	to know comparative business performance (1)	(4)
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Question Number	Answer AO2 (6)	Mark																																																
2(b)(i)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct labels and dates. Allowance for Doubtful Debts Account</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>31 December 2017</td> <td>Balance c/d</td> <td>6 000</td> <td>1 January 2017</td> <td>Balance b/d</td> <td>5 000 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>31 December 2017</td> <td>Statement of profit or loss</td> <td>1 000 (1)</td> </tr> <tr> <td></td> <td></td> <td>6 000</td> <td></td> <td></td> <td>6 000</td> </tr> <tr> <td>31 December 2018</td> <td>Statement of profit or loss</td> <td>800 (1)</td> <td>1 January 2018</td> <td>Balance b/d</td> <td>6 000 (1)</td> </tr> <tr> <td>31 December 2018</td> <td>Balance c/d</td> <td>5 200</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>6 000</td> <td></td> <td></td> <td>6 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 January 2019</td> <td>Balance b/d</td> <td>5 200 (1)</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	31 December 2017	Balance c/d	6 000	1 January 2017	Balance b/d	5 000 (1)				31 December 2017	Statement of profit or loss	1 000 (1)			6 000			6 000	31 December 2018	Statement of profit or loss	800 (1)	1 January 2018	Balance b/d	6 000 (1)	31 December 2018	Balance c/d	5 200						6 000			6 000				1 January 2019	Balance b/d	5 200 (1)	(6)
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2(b)(ii)	<p>Award mark as indicated.</p> <p>\$ 46 800 (1of)</p>	(1)
<p>Additional guidance No specific layout required. Correct answer only scores 1 mark.</p>		

Question Number	Answer AO1 (1)	Mark
2(c)	<p>Award 1 mark as indicated.</p> <p>Revaluation (1)</p> <p>Accept any other appropriate responses.</p>	(1)

Question Number	Answer AO2 (3)	Mark																																				
2(d)	<p>Award 1 mark for each correct figure as indicated.</p> <p style="text-align: center;">Non-current assets register extract</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Year ended 31 December</th> <th>Acquisition date</th> <th>Cost \$</th> <th>Depreciation charge \$</th> <th>Carrying amount \$</th> </tr> </thead> <tbody> <tr> <td colspan="6">Computer equipment</td> </tr> <tr> <td>Computer - Carta</td> <td>2016</td> <td>1 June 2016</td> <td>1 000</td> <td>350</td> <td>650</td> </tr> <tr> <td></td> <td>2017</td> <td></td> <td></td> <td>350</td> <td>300</td> </tr> <tr> <td></td> <td>2018</td> <td></td> <td></td> <td>300 (1)</td> <td>-</td> </tr> <tr> <td>Computer - Magna</td> <td>2018</td> <td>5 December 2018</td> <td>800 (1)</td> <td>280</td> <td>520 (1of)</td> </tr> </tbody> </table>	Description	Year ended 31 December	Acquisition date	Cost \$	Depreciation charge \$	Carrying amount \$	Computer equipment						Computer - Carta	2016	1 June 2016	1 000	350	650		2017			350	300		2018			300 (1)	-	Computer - Magna	2018	5 December 2018	800 (1)	280	520 (1of)	(3)
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Question Number	Answer AO2 (5)	Mark																														
2(e)(i)	<p>Award 1 mark for each correct figure as indicated.</p> <p>Award 1 mark for all correct labels and dates.</p> <p style="text-align: center;">Disposal Account</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>15 November 2018</td> <td>Motor vehicle- Cost</td> <td>20 000 (1)</td> <td>15 November 2018</td> <td>Motor vehicle- Accumulate d depreciation</td> <td>7 200 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>15 November 2018</td> <td>Bank</td> <td>11 000 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>31 December 2018</td> <td>Statement of profit or loss</td> <td>1 800 (1of)</td> </tr> <tr> <td></td> <td></td> <td>20 000</td> <td></td> <td></td> <td>20 000</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	15 November 2018	Motor vehicle- Cost	20 000 (1)	15 November 2018	Motor vehicle- Accumulate d depreciation	7 200 (1)				15 November 2018	Bank	11 000 (1)				31 December 2018	Statement of profit or loss	1 800 (1of)			20 000			20 000	(5)
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Question Number	Answer AO3 (2)	Mark
2(e)(ii)	<p>Award 1 mark for identification and 1 mark for linked justification /reasoning.</p> <p>Loss on disposal would be lower (1) as using the straight line method of depreciation would have resulted in higher accumulated depreciation (1).</p> <p>Accept any other appropriate responses.</p>	(2)

Total for Question 2 = 22 marks

Question Number	Answer AO2 (6)	Mark																														
3(a)	<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 - Khine</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>1 January 2019</td> <td>Current</td> <td>15 000 (1)</td> <td>1 January 2019</td> <td>Balance b/d</td> <td>100 000</td> </tr> <tr> <td></td> <td>Loan</td> <td>80 000 (1)</td> <td></td> <td>Goodwill</td> <td>32 000 (1)</td> </tr> <tr> <td></td> <td>Bank</td> <td>47 500 (1of)</td> <td></td> <td>Revaluation</td> <td>10 500 (1)</td> </tr> <tr> <td></td> <td></td> <td>142 500</td> <td></td> <td></td> <td>142 500</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	1 January 2019	Current	15 000 (1)	1 January 2019	Balance b/d	100 000		Loan	80 000 (1)		Goodwill	32 000 (1)		Bank	47 500 (1of)		Revaluation	10 500 (1)			142 500			142 500	(6)
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Question Number	Answer AO2 (8)	Mark																																																																						
3(b)	<p>Award 1 mark for each correct figure with understandable label as indicated.</p> <p style="text-align: center;">Lwin and Myat Statement of financial Position at 1 January 2019</p> <table border="1"> <thead> <tr> <th></th> <th>\$</th> <th>\$</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Equity and liabilities</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Equity</td> <td>Lwin</td> <td>Myat</td> <td></td> <td></td> </tr> <tr> <td>Capital account W1</td> <td>102 500 (2)</td> <td>81 250 (2)</td> <td>183 750</td> <td></td> </tr> <tr> <td>Current account</td> <td>7 900</td> <td>14 350</td> <td>22 250</td> <td>(1)</td> </tr> <tr> <td>Total Equity</td> <td></td> <td></td> <td>206 000</td> <td>(1of)</td> </tr> <tr> <td>Non-current liabilities</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>12% loan</td> <td></td> <td></td> <td>70 000</td> <td></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td></td> <td>45 000</td> <td></td> </tr> <tr> <td>12% loan</td> <td></td> <td></td> <td>10 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>55 000</td> <td>(1)</td> </tr> <tr> <td>Total liabilities</td> <td></td> <td></td> <td>125 000</td> <td></td> </tr> <tr> <td>Total equity and liabilities</td> <td></td> <td></td> <td>331 000</td> <td>(1of)</td> </tr> </tbody> </table> <p>W1 Lwin \$100 000+(\$32 000+\$10 500) (1)-\$40 000 (1) =\$102 500 Myat \$50 000+(\$50 000+ \$16 000+\$5 250) (1) -\$40 000 (1) =\$81 250</p>		\$	\$	\$		Equity and liabilities					Equity	Lwin	Myat			Capital account W1	102 500 (2)	81 250 (2)	183 750		Current account	7 900	14 350	22 250	(1)	Total Equity			206 000	(1of)	Non-current liabilities					12% loan			70 000		Current liabilities					Trade payables			45 000		12% loan			10 000					55 000	(1)	Total liabilities			125 000		Total equity and liabilities			331 000	(1of)	(8)
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Question Number	Answer A03 (4) A05 (1)	Mark
3(c)	<p>Award 1 mark for each correctly identified point up to a maximum of 4 marks. Award 1 mark for decision.</p> <p>The current account records the fluctuating balance between the partner and the business (1) whereas the capital account records the partners fixed investment (1).</p> <p>By maintaining the capital account, the partnership can correctly calculate the amount of money due to each partner in respect of their interest on capital (1) which can then be posted to their current account (1).</p> <p>Decision</p> <p>It is clearly important for the partnership to maintain these separate accounts in order to allow both partners to control the amounts owing to them or owing by them to the partnership (1).</p> <p>Accept any other appropriate responses.</p>	(5)

Total for Question 3 = 19 marks

Question Number	Answer AO2(3)	Mark
4(a)	<p>Award 1 mark for each correct figure as indicated.</p> <p>\$8 214 (3) W</p> <p>W</p> <p style="padding-left: 40px;">\$</p> <p style="padding-left: 40px;">44 640</p> <p style="padding-left: 40px;">37 500 (1)</p> <p style="padding-left: 40px;">(7 290) (1)</p> <p style="padding-left: 40px;"><u>(66 636)</u></p> <p style="padding-left: 40px;"><u>8 214</u> (1of)</p>	(3)
<p>Additional guidance No specific layout required. Correct answer only scores 3 marks.</p>		

Question Number	Answer AO2(15)	Mark																																																									
4(b)	<p>Award marks for correct figures with understandable labels as indicated.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;">Chen</th> </tr> <tr> <th colspan="3" style="text-align: center;">Statement of profit or loss for the year ended 30 September 2018</th> </tr> <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;">238 000 (2/1of)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">49 600</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">164 650 (1)</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">(7 500) (1of)</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(36 750) (1)</td> <td style="text-align: right;">(170 000 (1of 40% mark-up))</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">68 000 (1of)</td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> </tr> <tr> <td>Loss on disposal</td> <td style="text-align: right;">155 (1)</td> <td></td> </tr> <tr> <td>Depreciation charge</td> <td style="text-align: right;">8 214 (1of from a)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">34 480 (1)</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">4 280 (1)</td> <td></td> </tr> <tr> <td>Irrecoverable debts</td> <td style="text-align: right;">6 000 (1)</td> <td></td> </tr> <tr> <td>Interest on 10% bank loan</td> <td style="text-align: right;">500 (1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(53 629) (1of)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">14 371 (1of)</td> </tr> </tbody> </table>	Chen			Statement of profit or loss for the year ended 30 September 2018				\$	\$	Revenue		238 000 (2/1of)	Cost of sales			Opening inventory	49 600		Purchases	164 650 (1)		Drawings	(7 500) (1of)		Closing inventory	(36 750) (1)	(170 000 (1of 40% mark-up))	Gross profit		68 000 (1of)	Expenses			Loss on disposal	155 (1)		Depreciation charge	8 214 (1of from a)		General expenses	34 480 (1)		Wages	4 280 (1)		Irrecoverable debts	6 000 (1)		Interest on 10% bank loan	500 (1)				(53 629) (1of)	Profit for the year		14 371 (1of)	(15)
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Total for Question 4 = 18 marks

Question Number	Answer AO1(1)	Mark
5(a)	<p>Award 1 mark as indicated.</p> <p>Honesty (1) Integrity (1) Objectivity (1) Independence (1) Professional behaviour (1) Professional competence and due care (1) Confidentiality (1)</p>	(1)

Question Number	Answer AO3(2)	Mark
5(b)	<p>Award 1 mark for identification and 1 mark for linked justification/reasoning.</p> <p>It is a statutory requirement for a company to prepare a statement of cash flows (1) as it provides information/reasons for the changes in the cash and cash equivalents during a year (1).</p> <p>Accept any other appropriate responses.</p>	(2)

Question Number	Answer AO2 (2)	Mark
5(c) (i)	<p>Award marks as indicated.</p> <p>\$100 000 (2) W W \$ 150 000 <u>(50 000) (1)</u> <u>100 000 (1)</u></p>	(2)
<p>Additional guidance No specific layout required. Correct answer only scores 2 marks.</p>		

Question Number	Answer AO2 (2)	Mark
5(c) (ii)	<p>Award marks as indicated.</p> <p>\$200 000 (2) W W \$ 55 000 <u>145 000 (1)</u> <u>200 000 (1)</u></p>	(2)
<p>Additional guidance No specific layout required. Correct answer only scores 2 marks.</p>		

Question Number	Answer AO2 (3)	Mark
5(c)(iii)	<p>Award marks as indicated.</p> <p>(\$270 400) (3) W</p> <p style="padding-left: 40px;">\$</p> <p style="padding-left: 40px;">(100 000) (from c (i))</p> <p style="padding-left: 40px;">(200 000) (from c (ii))</p> <p style="padding-left: 40px;">24 600 (1)</p> <p style="padding-left: 40px;"><u>5 000</u> (1)</p> <p style="padding-left: 40px;"><u>(270 400)</u> (1of)</p>	(3)
<p>Additional guidance No specific layout required. Correct answer only scores 3 marks.</p>		

Question Number	Answer AO2 (3)	Mark
5(c)(iv)	<p>Award marks as indicated.</p> <p>(\$80 900) (3) W</p> <p>W</p> <p style="padding-left: 40px;">\$</p> <p style="padding-left: 40px;">33 250 (1)</p> <p style="padding-left: 40px;"><u>(47 650)</u> (1)</p> <p style="padding-left: 40px;"><u>(80 900)</u> (1of)</p> <p>OR</p> <p style="padding-left: 40px;">\$</p> <p style="padding-left: 40px;">224 500</p> <p style="padding-left: 40px;">(270 400) (1of from b)</p> <p style="padding-left: 40px;"><u>(35 000)</u> (1)</p> <p style="padding-left: 40px;"><u>(80 900)</u> (1of)</p>	(3)
<p>Additional guidance No specific layout required. Correct answer only scores 3 marks.</p>		

Question Number	Answer AO1 (4)	Mark
5(d)(i)	Award marks as indicated.	
	Ratio	Formula
	Profit for the year as a percentage of revenue	$\frac{\text{Profit for the year} \times 100}{\text{Revenue}}$ (1)
	Return on capital employed (ROCE)	$\frac{\text{Profit for the year} \times 100}{\text{Capital employed}}$ (1)
	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$ (1)
Quick ratio (acid test)	$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$ (1)	
		(4)

Question Number	Answer AO4(4) and AO5(1)	Mark
5(d)(ii)	<p>Award max 2 marks for an analysis of profitability. Award max 2 marks for an analysis of liquidity. Award 1 mark for evaluation. Evaluation mark can only be awarded if at least two ratios are analysed.</p> <p>Sample answer</p> <p>Profitability</p> <p>Although business B has a better profit for the year as a percentage of revenue than business A but it has a worse return on capital employed (1) which could be due to inefficient use of resources (1).</p> <p>Liquidity</p> <p>Although business A has a better current ratio than business B but its quick ratio is worse (1) possibly meaning business A is less able to settle its short term liabilities from its liquid assets (1).</p> <p>Any supported evaluation (1)</p> <p>Accept any other appropriate responses.</p>	(5)

Total for Question 5 = 20 marks
TOTAL FOR PAPER = 100 MARKS