



Mark Scheme

July 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.

Abbreviations

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
1(a)	<p>Award marks as indicated.</p> <p>\$ 275 (3) W</p> <p>W \$ 900 (1) (625) (1) <u>275</u> (1of)</p>	(3)
<p>Additional guidance No specific layout required. Correct answer only scores 3 marks.</p>		

Question Number	Answer AO2 (15)	Mark																																																																																																
1(b)	Award marks as indicated.																																																																																																	
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Total for Question 1 = 18 marks

Question number	Answer AO1 (5)	Mark												
2(a)	Award marks as indicated.	(5)												
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Question Number	Answer AO2 (1)	Mark
2(b)(i)	Award mark as indicated.	(1)
	\$3 288 (1)	
Additional guidance		
No specific layout required.		
Correct answer only scores 1 mark.		

Question Number	Answer AO2 (3)	Mark																														
2(b)(ii)	Award 1 mark for each correct figure as indicated. Award 1 mark for all correct dates and details.	(3)																														
	Allowance for Doubtful Debts Account																															
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Question number	Answer AO1 (1)	Mark
2(b)(iii)	Award mark as indicated. Current assets (1) .	(1)

Question Number	Answer AO2(3)	Mark												
2(c)(i)	<p>Award 1 mark for correct date, details and amount in combination. Award 1 mark for each correct narrative.</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Account</th> <th>Debit \$</th> <th>Credit \$</th> </tr> </thead> <tbody> <tr> <td>1 December 2018</td> <td>Drawings</td> <td>3 750 (1)</td> <td></td> </tr> <tr> <td></td> <td>Irrecoverable debt recovered</td> <td></td> <td>3 750 (1)</td> </tr> </tbody> </table> <p>Being an irrecoverable debt received and used for personal expenses. (1)</p>	Date	Account	Debit \$	Credit \$	1 December 2018	Drawings	3 750 (1)			Irrecoverable debt recovered		3 750 (1)	(3)
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Question Number	Answer AO1 (2)	Mark
2(d)	<p>Award marks as indicated up to a maximum of 2 marks.</p> <p>Obtain credit references for new customers. (1) Send invoices and statements promptly. (1) Set credit limit for each customer. (1)</p> <p>Accept any other appropriate responses.</p>	(2)

Question Number	Answer AO3 (2)	Mark
2(e)	<p>Award 1 mark for identification and 1 mark for linked justification /reasoning.</p> <p>In order to comply with the business entity concept, cash taken for own use should be accounted for as drawings (1), she should only record business transactions in the business books (1).</p> <p>Accept any other appropriate responses.</p>	(2)

Total for Question 2 = 20 marks

Question number	Answer AO1 (1)	Mark
3(a)	Award mark as indicated. The amount of the partner's liability is limited to the amount invested (1) .	(1)

Question number	Answer AO3 (2)	Mark
3(b)	Award 1 mark for identification and 1 mark for linked justification/reasoning. To reward retiring partner (1) as this partner contributed to the increase in the value of the assets (1) .	(2)

Question Number	Answer AO2 (5)	Mark																																										
3(c)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct dates and details.</p> <p style="text-align: center;">Revaluation Account</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: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>1 May 2019</td> <td>Fixtures and fittings</td> <td style="text-align: right;">27 540 (1)</td> <td>1 May 2019</td> <td>Land and buildings</td> <td style="text-align: right;">75 000 (1)</td> </tr> <tr> <td></td> <td>Capital:</td> <td></td> <td></td> <td>Inventory</td> <td style="text-align: right;">1 650 (1)</td> </tr> <tr> <td></td> <td>- Agnes</td> <td style="text-align: right;">16 370</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>- Brea</td> <td style="text-align: right;">16 370</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>- Carleen</td> <td style="text-align: right;">16 370 (1of)</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>76 650</u></td> <td></td> <td></td> <td style="text-align: right;"><u>76 650</u></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	1 May 2019	Fixtures and fittings	27 540 (1)	1 May 2019	Land and buildings	75 000 (1)		Capital:			Inventory	1 650 (1)		- Agnes	16 370					- Brea	16 370					- Carleen	16 370 (1of)						<u>76 650</u>			<u>76 650</u>	(5)
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Question Number	Answer A02 (8)	Mark																																																																		
3(d)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct dates and details.</p> <p style="text-align: center;">Capital Account - Brea</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 May</td> <td>Goodwill</td> <td>75 600 (1)</td> <td>1 May</td> <td>Balance b/d</td> <td>90 000</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>72 770</td> <td></td> <td>Goodwill</td> <td>42 000 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Revaluation</td> <td>16 370 (1of)</td> </tr> <tr> <td></td> <td></td> <td><u>148 370</u></td> <td></td> <td></td> <td><u>148 370</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>2 May</td> <td>Balance b/d</td> <td>72 770 (1of)</td> </tr> </tbody> </table> <p style="text-align: center;">Capital Account - Agnes</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 May</td> <td>Current</td> <td>6 800 (1)</td> <td>1 May</td> <td>Balance b/d</td> <td>115 000</td> </tr> <tr> <td></td> <td>Loan</td> <td>50 000 (1)</td> <td></td> <td>Goodwill</td> <td>42 000</td> </tr> <tr> <td></td> <td>Bank</td> <td>116 570 (1of)</td> <td></td> <td>Revaluation</td> <td>16 370</td> </tr> <tr> <td></td> <td></td> <td><u>173 370</u></td> <td></td> <td></td> <td><u>173 370</u></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	1 May	Goodwill	75 600 (1)	1 May	Balance b/d	90 000		Balance c/d	72 770		Goodwill	42 000 (1)					Revaluation	16 370 (1of)			<u>148 370</u>			<u>148 370</u>				2 May	Balance b/d	72 770 (1of)	Date	Details	\$	Date	Details	\$	1 May	Current	6 800 (1)	1 May	Balance b/d	115 000		Loan	50 000 (1)		Goodwill	42 000		Bank	116 570 (1of)		Revaluation	16 370			<u>173 370</u>			<u>173 370</u>	(8)
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Question number	Answer A01 (1)	Mark
3(e)	<p>Award mark as indicated.</p> <p>Non-current liabilities (1).</p>	(1)

Question Number	Answer AO4(4) and AO5(1)	Mark
3(f)	<p>Award up to max 4 mark for analysis. Award 1 mark for evaluation. Evaluation mark can only be awarded if at least two points are analysed.</p> <p>Sample answer Profit for the year as a percentage of revenue of Hay Ltd is better than Garker Ltd showing that Hay Ltd is better at converting sales into profit (1).</p> <p>Garker Ltd has a better return on capital employed than Hay Ltd, however both are below the return that Agnes will receive on the loan to the partnership. (1).</p> <p>Both businesses are able to pay off their short term liabilities, but Hay Ltd is better than Garker Ltd as it can pay off its short term liabilities better from current assets / but Hay Ltd may have too much capital tied up in current assets. (1)</p> <p>The quick (acid test) ratio shows that Hay Ltd is better able to pay its short term liabilities from its liquid assets whilst Garker Ltd may struggle / As the current ratio and quick ratio of Hay Ltd is the same it would appear that Hay Ltd does not hold any inventory. (1).</p> <p>Agnes should invest in Garker Ltd if looking for a higher return on capital. (1).</p> <p>Accept any other appropriate responses.</p>	(5)

Total for Question 3 = 22 marks

Question Number	Answer AO2 (11)	Mark																																																																																															
4(a)	<p>Award 1 mark for each correct figure with label as indicated.</p> <p style="text-align: center;">Sellan Statement of financial position at 31 January 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 10%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Assets</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Non-current assets</td> <td></td> <td></td> <td style="text-align: right;">91 100</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory W1</td> <td style="text-align: right;">29 000</td> <td style="text-align: right;">(2)</td> <td></td> <td></td> </tr> <tr> <td>Trade receivables W2</td> <td style="text-align: right;">28 750</td> <td style="text-align: right;">(2)</td> <td></td> <td></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;"><u>8 300</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total assets</td> <td></td> <td></td> <td style="text-align: right;"><u>66 050</u> <u>157 150</u></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Equity and liabilities</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Equity</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening balance</td> <td style="text-align: right;">60 240</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;"><u>60 000</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">120 240</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;"><u>(67 700)</u></td> <td style="text-align: right;">(1of)</td> <td></td> <td></td> </tr> <tr> <td>Total equity</td> <td></td> <td></td> <td style="text-align: right;">52 540</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Loan</td> <td style="text-align: right;">74 950</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade and other payables</td> <td style="text-align: right;"><u>29 660</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total equity and liabilities</td> <td></td> <td></td> <td style="text-align: right;"><u>104 610</u> <u>157 150</u></td> <td style="text-align: right;">(1) (1of)</td> </tr> </tbody> </table> <p>W1 \$50 000 (1) - \$21 000 = \$29 000 (1of) W2 \$230 000 X 45/360(1) = \$28 750 (1of)</p>		\$		\$		Assets					Non-current assets			91 100	(1)	Current assets					Inventory W1	29 000	(2)			Trade receivables W2	28 750	(2)			Cash and cash equivalents	<u>8 300</u>				Total assets			<u>66 050</u> <u>157 150</u>	(1of)	Equity and liabilities					Equity					Opening balance	60 240	(1)			Profit for the year	<u>60 000</u>					120 240				Drawings	<u>(67 700)</u>	(1of)			Total equity			52 540	(1of)	Current liabilities					Loan	74 950				Trade and other payables	<u>29 660</u>				Total equity and liabilities			<u>104 610</u> <u>157 150</u>	(1) (1of)	(11)
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Question number	Answer AO1 (1)	Mark
4(b)(i)	<p>Award mark as indicated.</p> <p>Sell inventory quicker (1)</p> <p>Accept any other appropriate responses.</p>	(1)

Question number	Answer AO1 (1)	Mark
4(b)(ii)	<p>Award mark as indicated.</p> <p>Offer early payment discount (1)</p>	(1)

Question Number	Answer AO3 (4) AO5 (1)	Mark
4(c)	<p>Award 1 mark for each correctly identified point up to a maximum of 4 marks.</p> <p>Award 1 mark for supported decision.</p> <p>Sample answer</p> <p>If Sellan takes out a loan he retains control of the business (1) whereas if he forms a partnership, decisions are taken together (1).</p> <p>A loan requires interest to be paid, the remaining profit will be Sellan's (1) whereas if he forms a partnership profits will have to be shared (1).</p> <p>Sellan should take out another loan as the current profit for the year is insufficient to be split with a new partner, whilst maintaining current level of drawings (1).</p> <p>Accept any other appropriate responses.</p>	(5)

Total for Question 4 = 18 marks

Question Number	Answer AO2 (6)	Mark																
5(a)	<p>Award marks for correct figures with labels as indicated.</p> <p style="text-align: center;">Zelah Ltd Reconciliation of profit for the year to net cash from operating activities for the year ended 30 June 2019</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td style="text-align: right;">68 360</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">18 205 (1)</td> </tr> <tr> <td>Loss on disposal</td> <td style="text-align: right;">1 750 (1)</td> </tr> <tr> <td>Increase in inventory</td> <td style="text-align: right;">(18 610) (1)</td> </tr> <tr> <td>Increase in trade receivables</td> <td style="text-align: right;">(7 070) (1)</td> </tr> <tr> <td>Decrease in trade payables</td> <td style="text-align: right;">(3 940) (1)</td> </tr> <tr> <td>Net cash from operating activities</td> <td style="text-align: right;">58 695 (1of)</td> </tr> </tbody> </table>		\$	Profit for the year	68 360	Depreciation	18 205 (1)	Loss on disposal	1 750 (1)	Increase in inventory	(18 610) (1)	Increase in trade receivables	(7 070) (1)	Decrease in trade payables	(3 940) (1)	Net cash from operating activities	58 695 (1of)	(6)
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Question Number	Answer AO2(2)	Mark					
5(b)(i)	<p>Award marks as indicated.</p> <p>\$2 410 (2) W1</p> <p>W1</p> <table style="margin-left: 20px;"> <tr><td>\$</td></tr> <tr><td>28 600</td></tr> <tr><td>18 205 (1)</td></tr> <tr><td><u>(44 395)</u></td></tr> <tr><td><u>2 410 (1of)</u></td></tr> </table>	\$	28 600	18 205 (1)	<u>(44 395)</u>	<u>2 410 (1of)</u>	(2)
\$							
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<u>(44 395)</u>							
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<p>Additional guidance No specific layout required. Correct answer only scores 2 marks.</p>							

Question Number	Answer AO2(3)	Mark
5(b)(ii)	<p>Award marks as indicated.</p> <p>\$11 900 (3) W1</p> <p>W1</p> <p>\$</p> <p>7 740</p> <p>2 410 (1of)</p> <p><u>1 750</u> (1)</p> <p><u>11 900</u> (1of)</p>	(3)
<p>Additional guidance No specific layout required. Correct answer only scores 3 marks.</p>		

Question Number	Answer AO2(2)	Mark
5(b)(iii)	<p>Award marks as indicated.</p> <p>\$28 700 (2) W1</p> <p>W1</p> <p>\$</p> <p>98 900</p> <p>(82 100)</p> <p><u>11 900</u> (1of)</p> <p><u>28 700</u> (1of)</p> <p>Or</p> <p>\$98 900 – \$70 200 (1of) = \$28 700 (1of)</p>	(2)
<p>Additional guidance No specific layout required. Correct answer only scores 2 marks.</p>		

Question Number	Answer A02 (9)	Mark																																																
5(c)	<p>Award marks for correct figures with understandable labels as indicated.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Zelah Ltd</th> </tr> <tr> <th colspan="3" style="text-align: center;">Statement of cash flows for the year ended 30 June 2019</th> </tr> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Net cash from operating activities</td> <td></td> <td style="text-align: right;">58 695 (1of)</td> </tr> <tr> <td>Investing activities</td> <td></td> <td></td> </tr> <tr> <td>Acquisition of property, plant and equipment</td> <td style="text-align: right;">(28 700) (1of)</td> <td></td> </tr> <tr> <td>Disposal proceeds of property, plant and equipment</td> <td style="text-align: right;">7 740</td> <td></td> </tr> <tr> <td>Net cash used in investing activities</td> <td></td> <td style="text-align: right;">(20 960) (1of)</td> </tr> <tr> <td>Financing activities</td> <td></td> <td></td> </tr> <tr> <td>Issue of shares</td> <td style="text-align: right;">18 000 (1)</td> <td></td> </tr> <tr> <td>Bank loan received</td> <td style="text-align: right;">15 000 (1)</td> <td></td> </tr> <tr> <td>Equity dividend paid</td> <td style="text-align: right;">(6 000) (1)</td> <td></td> </tr> <tr> <td>Net cash from financing activities</td> <td></td> <td style="text-align: right;">27 000 (1of)</td> </tr> <tr> <td>Net increase in cash and cash equivalents</td> <td></td> <td style="text-align: right;">64 735 (1of)</td> </tr> <tr> <td>Cash and cash equivalents at the beginning of the year</td> <td></td> <td style="text-align: right;">(32 590)</td> </tr> <tr> <td>Cash and cash equivalents at the end of the year</td> <td></td> <td style="text-align: right;">32 145 (1 for both)</td> </tr> </tbody> </table>	Zelah Ltd			Statement of cash flows for the year ended 30 June 2019				\$	\$	Net cash from operating activities		58 695 (1of)	Investing activities			Acquisition of property, plant and equipment	(28 700) (1of)		Disposal proceeds of property, plant and equipment	7 740		Net cash used in investing activities		(20 960) (1of)	Financing activities			Issue of shares	18 000 (1)		Bank loan received	15 000 (1)		Equity dividend paid	(6 000) (1)		Net cash from financing activities		27 000 (1of)	Net increase in cash and cash equivalents		64 735 (1of)	Cash and cash equivalents at the beginning of the year		(32 590)	Cash and cash equivalents at the end of the year		32 145 (1 for both)	(9)
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Total for Question 5 = 22 marks

TOTAL FOR PAPER = 100 MARKS