



Mark Scheme

November 2016

Results

Pearson LCCI (ASE20104)
Certificate in Accounting (VRQ)
Level 3

LCCI Qualifications

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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
1(a)(i)	Award 1 mark for stakeholder. Suppliers-To see if they are likely to receive payment if they supply goods on credit (1).	(1)

Question Number	Answer (AO1) 1	Mark
1(a)(ii)	Award 1 mark for stakeholder. Competitors-To compare their performance with a rival company and from this information they may change their strategy (1).	(1)

Question Number	Answer (AO1) 1	Mark
1(a) (iii)	Award 1 mark for stakeholder. Trade Unions-To ensure the interest of their members are protected (1).	(1)

Question Number	Answer (AO1) 2	Mark
1(b)	Award 1 mark for each correct difference. e.g. Financial accounting is for the use of external stakeholders whereas management accounting is for internal stakeholders. (1). Financial accounting reports the past historical data whereas management accounting is for the future (1). Financial accounting reports must follow a prescribed format whereas management accounting could be in any format (1) Accept other valid responses	(2)

Question Number	Answer (AO1) 1	Mark
1(c)(i)	<p>Award 1 mark for each correct definition.</p> <p>Relevance- Financial information must be capable of making a difference to the decisions made by users (1).</p>	(1)

Question Number	Answer (AO1) 1	Mark
1(c)(ii)	<p>Award 1 mark for each correct definition.</p> <p>Faithful representation-Financial information should be truthful complete, neutral and free from error (1).</p>	(1)

Question Number	Answer (AO1) 4	Mark
1(d)	<p>Award up to 2 mark for advantages and up to 2 marks for disadvantages</p> <p>e.g.</p> <p>Advantages Limited liability (1). Can readily raise finance (1).</p> <p>Disadvantages Have to file accounting records and/or annual reports (1). Legal formalities (1).</p> <p>Accept other valid responses</p>	(4)

Question Number	Answer (AO1) 3	Mark
1(e)	<p>Award 1 mark for each correct reason.</p> <p>e.g.</p> <ul style="list-style-type: none"> • A budget is used for planning and/or forecasting (1). • A budget aids the decision making process (1). • A budget enables performance to be monitored/control by comparing actual results to expected results (1). <p>Accept other valid responses</p>	(3)

Question Number	Answer (AO2) 3	Mark
1(f)	<p>Award 1 mark for each calculation as indicated.</p> <p>Break-even revenue = $\frac{\\$35\,000}{\\$35} \times 80$</p> <p style="text-align: right;">= \$80 000 (1of)</p>	(3)

Question Number	Answer (AO1) 2	Mark
1(g) (i)	<p>Award 1 mark for each correct concept.</p> <ul style="list-style-type: none"> • Accruals/Matching (1) • Consistency (1) 	(2)

Question Number	Answer (AO1) 2	Mark
1(g) (ii)	<p>Award 1 mark for each correct account.</p> <p>Debit Depreciation expense (1)</p> <p>Credit Accumulated depreciation (1)</p>	(2)

TOTAL FOR QUESTION 1 – 21 MARKS

Question Number	Answer (AO2) 3	Mark
2 (a)	Award marks as indicated.	(3)

Question Number	Answer (AO2) 18	Mark
2 (b)	Award marks as indicated.	(18)

Question Number	Answer (AO2) 9	Mark
2 (c)	Award marks as indicated.	(9)

Zoe and Eric – Extended trial balance at 30 September 2016

Ledgers	Balance	Trial Balance		Adjustment		Statement of Profit or Loss	
	\$	Debit \$	Credit \$	Debit \$	Credit \$	Debit \$	Credit \$
Allowance for doubtful debts	280		280		40 (1)		
Capital account - Zoe	15 000		15 000				
Capital account - Eric	15 000		15 000				
Cash and cash equivalents	2 352	2 352					
Current account - Zoe	3 250		3 250				
Current account - Eric	(750)	750					
Fixtures and fittings - accumulated depreciation	18 000		18 000		3 000 (1)		
Fixtures and fittings - cost	30 000	30 000					
General expenses	13 250	13 250				13 250	
Insurance	1 500	1 500			300 (1)	1 200 (1of)	
Inventory - 1 October 2015	35 000	35 000				35 000	
Motor vehicles - accumulated depreciation	12 000		12 000		5 600 (1)		
Motor vehicles - cost	40 000	40 000					
Purchases	75 328	75 328				75 328	
Rent payable	15 000	15 000		3 000 (1)		18 000 (1of)	
Revenue	160 900		160 900				160 900
Trade payables control	28 350		28 350				
Trade receivables control	21 500	21 500			5 500 (1)		
Wages and salaries	18 300	18 300			200 (1)	18 100 (1of)	
Suspense			200 (1of)	200 (1 of)			
Inventory - 30 September 2016 SOFP				37 000 (2)/ (1of)			
Inventory - 30 September 2016 SOPL					37 000 (2)/ (1of)		37 000 (1of)
Irrecoverable debts				5 500 (1)		5 500 (1)	
Allowance for doubtful debts- Adjustment				40 (1)		40 (1of)	
Depreciation charge - fixtures and fittings				3 000 (1)		3 000	1 for both
Depreciation charge - motor vehicles				5 600 (1)		5 600	
Other receivables-(insurance)				300 (1)			
Other payables-(rent payables)					3 000 (1)		
Profit for the year						22 882 (2/1of)	
Total		252 980	252 980 (2cf/1of for both totals)	54 640	54 640	197 900	197 900

Question Number	Answer (AO3) 3	Mark
2 (d) (i)	<p>1 mark for each point as indicated.</p> <p>Zoe and Eric used straight line method for fixtures and fittings as the decrease in value is constant (1). They used reducing (diminishing) balance method for motor vehicle as the decrease in value will be more in early years (1) and repair costs will increase in later years (1).</p>	(3)

Question Number	Answer (AO5) 2	Mark
2 (d) (ii)	<p>1 mark for each point as indicated.</p> <p>Zoe and Eric, should be straight line method (1) to charge depreciation on building as the decrease in value will be constant (1) over its economic useful life.</p>	(2)

TOTAL FOR QUESTION 2 - 35 MARK

Question Number	Answer (AO2) 11	Mark																																			
3 (a)	<p>Award 1 mark for each item as indicated. Must have correct labels for figures.</p> <p>Flake Ltd – Consolidated statement of profit or loss for the year ended 30 September 2016</p> <p style="text-align: center;">\$</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Revenue</td> <td style="text-align: right;">202 200 (2)</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;"><u>(82 950) (2)</u></td> <td></td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">119 250 (1of)</td> <td></td> </tr> <tr> <td>Distribution costs</td> <td style="text-align: right;">(28 450)</td> <td rowspan="2">} (1) both</td> </tr> <tr> <td>Administrative expenses</td> <td style="text-align: right;"><u>(29 625)</u></td> </tr> <tr> <td>Profit from operations</td> <td style="text-align: right;">61 175</td> <td></td> </tr> <tr> <td>Finance costs</td> <td style="text-align: right;"><u>(8 000) (1)</u></td> <td></td> </tr> <tr> <td>Profit before tax</td> <td style="text-align: right;">53 175</td> <td></td> </tr> <tr> <td>Tax</td> <td style="text-align: right;"><u>(10 635) (1)</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;"><u><u>42 540</u> (1of)</u></td> <td></td> </tr> </table> <p>Attributable to:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Equity holders of the parent</td> <td style="text-align: right;">39 025 (1of)</td> </tr> <tr> <td>Non-controlling interest</td> <td style="text-align: right;"><u>3 515 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>42 540</u></td> </tr> </table> <p>Workings:</p> <p>Revenue $145\,500 + 69\,500 = 215\,000 (1) - 12\,800 (1)$ $= 202\,200$</p> <p>Cost of sales $64\,000 + 31\,750 = 95\,750 (1) - 12\,800 (1) = 82\,950$</p>	Revenue	202 200 (2)		Cost of sales	<u>(82 950) (2)</u>		Gross profit	119 250 (1of)		Distribution costs	(28 450)	} (1) both	Administrative expenses	<u>(29 625)</u>	Profit from operations	61 175		Finance costs	<u>(8 000) (1)</u>		Profit before tax	53 175		Tax	<u>(10 635) (1)</u>		Profit for the year	<u><u>42 540</u> (1of)</u>		Equity holders of the parent	39 025 (1of)	Non-controlling interest	<u>3 515 (1)</u>		<u>42 540</u>	(11)
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Question Number	Answer (AO2) 6	Mark												
3 (b)	<p data-bbox="437 271 1197 300">Award 1 mark for each item as indicated.</p> <table border="1" data-bbox="437 338 1197 636"> <thead> <tr> <th data-bbox="437 338 619 432">Ratios</th> <th data-bbox="619 338 798 432">Flake Ltd</th> <th data-bbox="798 338 976 432">Whirl Ltd</th> <th data-bbox="976 338 1197 432">Flake Ltd (consolidated)</th> </tr> </thead> <tbody> <tr> <td data-bbox="437 432 619 539">Gross profit percentage</td> <td data-bbox="619 432 798 539">56.01% (1)</td> <td data-bbox="798 432 976 539">54.32% (1)</td> <td data-bbox="976 432 1197 539">58.98% (1of)</td> </tr> <tr> <td data-bbox="437 539 619 636">Net profit percentage</td> <td data-bbox="619 539 798 636">28.59% (1)</td> <td data-bbox="798 539 976 636">28.17% (1)</td> <td data-bbox="976 539 1197 636">30.25% (1of)</td> </tr> </tbody> </table>	Ratios	Flake Ltd	Whirl Ltd	Flake Ltd (consolidated)	Gross profit percentage	56.01% (1)	54.32% (1)	58.98% (1of)	Net profit percentage	28.59% (1)	28.17% (1)	30.25% (1of)	(6)
Ratios	Flake Ltd	Whirl Ltd	Flake Ltd (consolidated)											
Gross profit percentage	56.01% (1)	54.32% (1)	58.98% (1of)											
Net profit percentage	28.59% (1)	28.17% (1)	30.25% (1of)											

TOTAL FOR QUESTION 3 - 17 MARKS

Question Number	Answer (AO2) 10	Mark																								
4(a)	<p>Award 1 mark for each item as indicated. Must have correct label.</p> <p style="text-align: center;">Shamima plc Reconciliation of profit for the year to net cash from operating activities for the year ended 30 September 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">\$</th> <th style="width: 30%;"></th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td style="text-align: right;">33 148</td> <td>(1)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">27 700</td> <td>(4)W1</td> </tr> <tr> <td>Profit on disposal</td> <td style="text-align: right;">(5 000)</td> <td>(1)</td> </tr> <tr> <td>Increase in trade receivables</td> <td style="text-align: right;">(1 195)</td> <td>(1)</td> </tr> <tr> <td>Increase in inventories</td> <td style="text-align: right;">(2 514)</td> <td>(1)</td> </tr> <tr> <td>Increase in trade payables</td> <td style="text-align: right;"><u>3 901</u></td> <td>(1)</td> </tr> <tr> <td>Net cash from operating activities</td> <td style="text-align: right;"><u>56 040</u></td> <td>(1of)</td> </tr> </tbody> </table> <p>W1 125 650 * + 120 000 (1) - 30 000 (1) - 187 950 * (1) both = 27 700 (1of)</p>		\$		Profit for the year	33 148	(1)	Depreciation	27 700	(4)W1	Profit on disposal	(5 000)	(1)	Increase in trade receivables	(1 195)	(1)	Increase in inventories	(2 514)	(1)	Increase in trade payables	<u>3 901</u>	(1)	Net cash from operating activities	<u>56 040</u>	(1of)	(10)
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Question Number	Answer (AO2) 8	Mark																										
4 (b)	<p>Award 1 mark for each item as indicated.</p> <p style="text-align: center;">Shamima plc - Statement of cash flows for the year ended 30 September 2016</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Net cash flow from operating activities</td> <td style="text-align: right;">56 040</td> </tr> <tr> <td colspan="2"><u>Cash flows from investing activities</u></td> </tr> <tr> <td>Purchase of property</td> <td style="text-align: right;">(120 000)(1)</td> </tr> <tr> <td>Proceeds from sale of equipment</td> <td style="text-align: right;"><u>35 000 (1)</u></td> </tr> <tr> <td>Net cash used in investing activities</td> <td style="text-align: right;">(85 000)(1of)</td> </tr> <tr> <td colspan="2"><u>Cash flows from financing activities</u></td> </tr> <tr> <td>Proceeds from share issue</td> <td style="text-align: right;">45 000(1)</td> </tr> <tr> <td>Redemption of bank loan</td> <td style="text-align: right;"><u>(10 000)(1)</u></td> </tr> <tr> <td>Net cash from financing activities</td> <td style="text-align: right;"><u>35 000(1of)</u></td> </tr> <tr> <td>Net increase in cash and cash equivalents</td> <td style="text-align: right;">6 040(1)</td> </tr> <tr> <td>Cash and cash equivalents at the beginning of year</td> <td style="text-align: right;"><u>4 819</u></td> </tr> <tr> <td>Cash and cash equivalents at the end of year</td> <td style="text-align: right;"><u>10 859(1)</u></td> </tr> </table>		\$	Net cash flow from operating activities	56 040	<u>Cash flows from investing activities</u>		Purchase of property	(120 000)(1)	Proceeds from sale of equipment	<u>35 000 (1)</u>	Net cash used in investing activities	(85 000)(1of)	<u>Cash flows from financing activities</u>		Proceeds from share issue	45 000(1)	Redemption of bank loan	<u>(10 000)(1)</u>	Net cash from financing activities	<u>35 000(1of)</u>	Net increase in cash and cash equivalents	6 040(1)	Cash and cash equivalents at the beginning of year	<u>4 819</u>	Cash and cash equivalents at the end of year	<u>10 859(1)</u>	(8)
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TOTAL FOR QUESTION 4 - 18 MARKS

Question Number	Answer (AO2) 4	Mark								
5 (a) (i)	<p>Award 1 mark for each item as indicated.</p> <p style="text-align: center;">\$</p> <table> <tr> <td>Cash flow - year 1</td> <td>20 000 (1)</td> </tr> <tr> <td>Cash flow - year 2</td> <td>22 500 (1)</td> </tr> <tr> <td>Cash flow - year 3</td> <td>25 250 (1)</td> </tr> <tr> <td>Cash flow - year 4</td> <td>19 200 (1)</td> </tr> </table>	Cash flow - year 1	20 000 (1)	Cash flow - year 2	22 500 (1)	Cash flow - year 3	25 250 (1)	Cash flow - year 4	19 200 (1)	(4)
Cash flow - year 1	20 000 (1)									
Cash flow - year 2	22 500 (1)									
Cash flow - year 3	25 250 (1)									
Cash flow - year 4	19 200 (1)									

Question Number	Answer (AO2) 2	Mark
5 (a) (ii)	<p>Award 1 mark for each item as indicated.</p> <p>2 years 8.3 months (2/1of)</p>	(2)

Question Number	Answer (AO2) 6	Mark																								
5 (a) (iii)	<p>1 mark for each item as indicated.</p> <p>[Average profit = total net cash flow] - depreciation/ years</p> <p>= $\frac{\\$[20\,000 + 22\,500 + 25\,250 + 19\,200 (1of)] - \\$60\,000 (1)}{4 (1)}$</p> <p>Average investment = \$30 000 (1)</p> <p>Accounting rate of return = <u>22.46%</u> (2/1of)</p> <p style="text-align: center;">OR</p> <table> <thead> <tr> <th>Year</th> <th>Cash flow \$</th> <th>Depreciation \$</th> <th>Profit \$</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>20 000</td> <td>15 000</td> <td>5 000</td> </tr> <tr> <td>2</td> <td>22 500</td> <td>15 000</td> <td>7 500</td> </tr> <tr> <td>3</td> <td>25 250</td> <td>15 000</td> <td>10 250</td> </tr> <tr> <td>4</td> <td>19 200</td> <td>15 000</td> <td>4 200</td> </tr> <tr> <td>Total</td> <td>86 950(1)</td> <td>60 000(1)</td> <td>26 950</td> </tr> </tbody> </table> <p>Average profit = \$26 950/4 (1) = \$6737.50</p> <p>Average investment = \$30 000 (1)</p> <p>Accounting rate of return = <u>22.46%</u> (2/1of)</p>	Year	Cash flow \$	Depreciation \$	Profit \$	1	20 000	15 000	5 000	2	22 500	15 000	7 500	3	25 250	15 000	10 250	4	19 200	15 000	4 200	Total	86 950(1)	60 000(1)	26 950	(6)
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Question Number	Answer (AO2) 6	Mark																												
5 (a) (iv)	<p>1 mark for each item as indicated.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Net Cash Flow \$</th> <th>10% DF</th> <th>Present Value\$</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>60 000</td> <td>1.000</td> <td>(60 000) (1)</td> </tr> <tr> <td>1</td> <td>20 000</td> <td>0.909</td> <td>18 180 (1of)</td> </tr> <tr> <td>2</td> <td>22 500</td> <td>0.826</td> <td>18 585 (1of)</td> </tr> <tr> <td>3</td> <td>25 250</td> <td>0.751</td> <td>18 963 (1of)</td> </tr> <tr> <td>4</td> <td>19 200</td> <td>0.683</td> <td><u>13 114</u> (1of)</td> </tr> <tr> <td></td> <td>Net present value</td> <td></td> <td><u><u>8 842</u></u> (1of)</td> </tr> </tbody> </table>	Year	Net Cash Flow \$	10% DF	Present Value\$	0	60 000	1.000	(60 000) (1)	1	20 000	0.909	18 180 (1of)	2	22 500	0.826	18 585 (1of)	3	25 250	0.751	18 963 (1of)	4	19 200	0.683	<u>13 114</u> (1of)		Net present value		<u><u>8 842</u></u> (1of)	(6)
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Question Number	Answer (AO4) 4 (AO5) 2	Mark
5 (b)	<p>1 mark for each point as indicated. Award marks for stating lower/higher only if it is further developed.</p> <p>Naheeda should purchase Machine B (1of) because its NPV is better (1of).</p> <p>Although Machine A has better payback period (1of) and better ARR (1of), NPV is best for decision making (1) as it considers time value of money (1).</p> <p>Accept other valid responses</p>	(6)

TOTAL FOR QUESTION 5 - 24 MARKS

TOTAL FOR PAPER = 115 MARKS