# Mark Scheme Results 

November 2015

## Pearson LCCI Cost and Management Accounting (ASE20098)

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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

M1

Method Mark
This is used to reward candidates where there is evidence of the candidate having adopted the correct method for a calculation, but where the accuracy of the answer is not necessarily being awarded a mark.

This is used to reward candidates who have attained the answer to a specific calculation representing a method in the question. If stated in the mark scheme, the own figure rule can be used with the accuracy mark.

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

Correct Answer Only rule
Accuracy marks will only be awarded if the candidate's answer is correct, and in line with the mark scheme.

Or Equivalent rule
This rule is used when the value of an answer may be presented in a variety of ways, such as fractions (simplified/non-simplified/mixed), decimals, percentages. The candidate's answer must be equivalent in value to the mark scheme answer.

Anything Which Rounds To rule
This rule is used when the candidate supplies a figure which rounds to the value determined by the mark scheme.

| Question number | Answer | Mark |
| :---: | :---: | :---: |
| 1(a)(i) | Award 1 method mark and 1 correct answer mark. Variances must state adverse or favourable. - Labour (drivers' wage) rate variance $\begin{array}{lrr}  & \$ \\ \text { Actual hours at standard rate } & 720 \\ (72 \times \$ 10) & \\ \text { Actual cost } & \frac{780}{60} & \\ & &  \tag{1}\\ & \text { Adv } & \text { (1) } \end{array}$ | (2) |
| Question number | Answer | Mark |
| 1(a)(ii) | Award 1 method mark and 1 correct answer mark. Variances must state adverse or favourable. - Labour (drivers' wage) efficiency variance $\begin{aligned} & \text { Standard hours at standard rate } 800 \\ & (4 \times 20 \times \$ 10) \end{aligned}$ <br> Actual hours at standard rate 720 $(72 \times \$ 10)$ $\qquad$ | (2) |


| Question number | Answer | Mark |
| :---: | :---: | :---: |
| 1(a) (iii) | Award 1 method mark and 1 correct answer mark. Variances must state adverse or favourable. - Material (fuel) price variance <br> Actual price $\begin{equation*} (1.20 \times 960) \tag{1} \end{equation*}$ $\begin{array}{r} 1180  \tag{1}\\ 28 \\ \text { Adv } \end{array}$ | (2) |


| Question number | Answer |  |  | Mark |
| :---: | :---: | :---: | :---: | :---: |
| 1(a)(iv) | Award 1 method mark and 1 correct answer mark. Variances must state adverse or favourable. - Material (fuel) usage variance |  |  | (2) |

## Question number <br> 1(a)(v)



| Question <br> number | Answer | Mark |  |
| :--- | :--- | :--- | :--- |
| $\mathbf{1 ( a ) ( v i )}$ | Award 1 method mark and 1 correct answer mark. Variances must state A/ Adverse or <br> F/ Favourable. - Fixed overhead volume variance <br> $\$$ |  |  |
|  | Budgeted overhead <br> $(20 \times 4 \times 12)$ <br> Absorbed overhead <br> $(72 \times 12)$ | 960 | (1) |


| Question <br> number | Answer | Mark |
| :--- | :--- | :--- |
| $\mathbf{1 ( b ) ( i )}$ | Award 1 mark for reason and 1 mark for development (of) based on the answer in (a)(i). <br> -Adverse labour (drivers' wage) rate variance <br> For example: <br> Higher rate paid than was originally budgeted (1) due to wage award/union demands (1). | (2) |


| Question <br> number | Answer | Mark |
| :--- | :--- | :--- |
| $\mathbf{1 ( b ) ( \text { ii) }}$ | Award 1 mark for reason and 1 mark for development (of) based on the answer in (a)(ii). <br> - Favourable labour (drivers' wage) efficiency variance <br> For example: <br> Completed the journeys in a quicker time (1) due to efficient scheduling/timetabling (1). | (2) |

TOTAL FOR QUESTI ON 1 - 16 MARKS

| Question <br> number | Answer | Mark |
| :--- | :--- | :--- |
| 2(a)(i) | Award 1 mark for each correct answer. - Rate of inventory (stock) turnover |  |
|  | Year $13=365 /(390000 / 65000)=60.83=61$ days $\quad(1)$   <br>  Year $14=365 /(381600 / 72000)=68.86=69$ days $\quad(1)$ (2) $\mathbf{l}$ |  |


| Question <br> number | Answer | Mark |
| :--- | :--- | :--- |
| 2(a)(ii) | Award 1 mark for each correct answer. - Trade receivables (debtors) collection period |  |
|  | Year $13=\left(\begin{array}{ll}43200 / 657000) \times 365=24 \text { days } \quad(1) & \\ & \text { Year } 14=(72000 / 730000) \times 365=36 \text { days } \quad \text { (1) }\end{array}\right.$ | (2) |


| Question <br> number | Answer | Mark |
| :--- | :--- | :--- |
| 2(a)(iii) | Award 1 mark for each correct answer. - Trade payables (creditors) payment period |  |
|  | Year $13=(42000 / 438000) \times 365=35$ days $\quad$ (1)   <br>  Year $14=(56000 / 511000) \times 365=40$ days $\quad$ (1) (2) $\mathbf{l}$ |  |


| Question number | Answer | Mark |
| :---: | :---: | :---: |
| 2(b) | Award 1 mark for recalling procedure. Award 1 mark for development of management technique. <br> - The rate of inventory turnover needs to increase (1) by promotions, discounts, marketing campaigns (1). <br> - Trade receivables need to pay quicker (1) the company needs to improve its credit control (1). <br> - Trade payables may need to be paid quicker (1) if the company improves the first two factors it should have the necessary working capital to do this (1). | (6) |
| Question number | Answer | Mark |
| 2(c) | Award own figure marks based on values used from 2(a) - Working capital cycle (days)  <br>  Year <br>  $\mathbf{1 4}$ <br>  69 <br>  (1of) <br> Rate of inventory turnover 36 <br> Trade receivables collection period  <br>  105 <br>   <br> Less trade payables payment period 40 <br> Working capital cycle -65 <br> (1of)  | (4) |


| Question number | Answer | Mark |
| :---: | :---: | :---: |
| 3(a) |  <br> Workings <br> W1 Production/Sales units at $80 \%$ capacity $=11700 \times 0.80 / 0.90=10400$ units [1] <br> W2 Unit sales price 187200 / $11700=\$ 16$ per unit [1] <br> Sales revenue at $80 \%$ capacity $=10400 \times \$ 16=\$ 166400$ [1of] <br> W3 Direct material unit cost $=\$ 46800 / 11700=\$ 4$ per unit [1] <br> Direct material cost at $80 \%$ capacity $=10400 \times \$ 4=\$ 41600$ [1of] <br> W4 Direct labour cost at $90 \%$ capacity $11700 \times \$ 2.50=\$ 29250$ <br> Fixed indirect labour cost $=41250-29250=\$ 12000$ [1] <br> Labour cost at $80 \%$ capacity $=(10400 \times \$ 2.50)+12000=\$ 38000$ [1] |  |
|  |  | (13) |



| Question <br> number |
| :--- |
| 3(b) |
|  |
|  |


| Answer | Mark |
| :--- | :--- |
| Award 1 mark for each benefit, maximum 3 marks |  |
| For example: |  |
| 1. Provides a basis for control. (Progress can be measured against plan.) (1) |  |
| 2. Provides motivation for managers and workforce. (Provided managers have participated in |  |
| the initial budgeting process for their department.)(1) |  |
| 3. Provides coordination between departments. (Each department is part of the overall |  |
| budget.)(1) | (3) |


| Question <br> number | Answer | Mark |
| :--- | :--- | :--- |
| 3(c) | Award 1 mark for stating a difference and 1 mark for development. <br> For example: <br> A fixed budget is based on one level of activity (1). Unlike a flexible budget which has all its <br> variable costs and revenues adjusted for different levels of activity (1). <br> A fixed budget may be used for planning (1) where as a flexible budget may be used as a <br> tool of control.(1) | (2) |


| Question <br> number | Answer |  |
| :--- | :--- | :--- |
| 3(d) | Award 1 mark for advantage and 1 mark for development. <br> For example: <br> Flexible budgets recognise how costs behave and allow costs to be predicted/adjusted for a <br> range of activity levels (1). This allows for a more meaningful comparison of actual costs with <br> budgeted costs (1). | Mark |

TOTAL FOR QUESTI ON 3-20 MARKS

| Question number | Answer |  |  |  |  |  |  |  |  | Mark |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 4(a) | Process account ( Net sales value basis) |  |  |  |  |  |  |  |  |  |
|  |  |  | kg | \$ | Product |  | kg | \$ |  |  |
|  | Direct material P <br> Direct material Q <br> Direct labour <br> Overheads <br> Waste disposals (W1) |  | 600 | 6000 | A | (W2) | 400 | 7600 | (30f) |  |
|  |  |  | 400 | 2400 | B | (W3) | 270 | 6480 | (2of) |  |
|  |  |  |  | 4000 | C | (W4) | 200 | 3920 | (40f) |  |
|  |  |  |  | 6000 | D |  | 50 | 800 |  |  |
|  |  |  |  | 400 | Normal Loss |  | 80 |  | (1) |  |
|  |  |  | 1000 | 18800 |  |  | 1000 | 18800 |  |  |
|  | Workings |  |  |  |  |  |  |  |  |  |
|  | W1 Waste disposals $=(1000-920) \times \$ 5=\$ 400$ [1] debit side [1] |  |  |  |  |  |  |  |  |  |
|  | W2 Labour/Overhead cost $=400 / 8 \times(\$ 8+\$ 12)=\$ 1000$ [1] <br> Net sales $=(400 \times \$ 50)-\$ 1000=\$ 19000$ [1] <br> Apportionment $=(18800-800) \times 19000 / 45000=\$ 7600[1]$ |  |  |  |  |  |  |  |  |  |
|  | w3 Net sales $=270 \times \$ 60=\$ 16200$ [1] <br> Apportionment $=(18800-800) \times 16200 / 45000=\$ 6480[1]$ |  |  |  |  |  |  |  |  |  |
|  | W4 Container cost $=200 / 4 \times \$ 6=\$ 300$ [1] <br> Labour/Overhead cost $=(200 / 4) / 10 \times(\$ 8+\$ 12)=\$ 100[1]$ <br> Net sales $=(200 \times \$ 51)-(\$ 300+\$ 100)=\$ 9800[1]$ <br> Apportionment $=(18800-800) \times 9800 / 45000=\$ 3920[1]$ <br> Total net sales $=19000+16200+9800=\$ 45000$ |  |  |  |  |  |  |  |  | (13) |



| Question <br> number |  |
| :--- | :--- |
| 4(c)(i) |  |
|  |  |
|  |  |


| Answer | Mark |
| :--- | :--- |
| Award 1 mark for definition and 1 mark for development. - Joint products |  |
| Two or more products separated in processing (1), each having a sufficiently high saleable value to <br> merit recognition as a main product (1). | (2) |


| Question <br> number | Answer | Mark |
| :--- | :--- | :--- |
| 4(c)(ii) | Award 1 mark for definition and 1 mark for development. - By-product <br> A product that is not the main product for which the production process is intended (1) but has a <br> commercial value (1). | (2) |
| Question <br> number Answer Mark <br> 4(d) Award 1 mark for each method. - Methods of apportioning process cost  | 1. Sales revenue (1) <br> 2. Units produced (1) <br> 3. Product weight (1) | (3) |


| Question number | Answer | Mark |
| :---: | :---: | :---: |
| 5(a) | Award 1 mark for each correct contribution. Award 1 mark for all four unit contributions per machine hours. Award 1 mark for all four production priorities. Award 1 mark for units of each of Products C, D and A. Award up to 3 marks for units of Product B. <br> Working <br> W1 Total machine hours required to produce products C, D, and A = 8800 hrs [1] Therefore number of machine hours available to produce Product B $=10000-8800=1200 \mathrm{hrs}[1]$ <br> Number of Product B units $=(1200 / 6)=200$ units [1] | (12) |



| Question number | Answer | Mark |
| :---: | :---: | :---: |
| 5(c) | Award up to 3 marks for each analysis of options (max 5 total) and award 1 mark for appropriate option stated. <br> Working overtime ( 3 maximum) <br> - What is the additional cost of overtime, will it exceed income (1)? <br> - Will the workforce be prepared to work overtime (1)? <br> - Would those unable (not selected) to work overtime be resentful (1)? <br> - Will productivity be maintained at the same level as normal production (1)? <br> Subcontracting work out (3 maximum) <br> - Will the cost of contractor exceed income (1)? <br> - Will the subcontractor be able to deliver on time (1)? <br> - Will product quality be maintained (1)? <br> - What would prevent the supplier from negotiating a deal to supply the customer direct (1)? <br> Appropriate advice given (1). | (6) |

