

Mark Scheme

November 2018

Pearson LCCI Cost and Management Accounting L3 (VRQ) 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.

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.

A1 Accuracy 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.

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.

oe 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 candidates' answer must be equivalent in value to the mark scheme answer.

awrt '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	Answer (AO2) 5						Mark	
1(a)	CR3 Production Buda	et (units)						
		Dec	Jan	Fel)			
	Sales	9 120	7 22	0 7 98	0			
	+ Closing Inventory	1 805	1 99	5 2 37	5	(1)		
		10 925	9 21	5 10 3	55			
	- Opening Inventory	(2 280)	(1 80	5) (199	5)	(1)		
	= Good Output	8 645 (1)	7 410	(1) 8 360	(1)	(1 of)*		
	Defective Units	455	390	44()	(1 of)		
	Units undertaken	9 100	7 80	0 8 80	0	(1 of)**		
	Defective units mus Workings: 8645 / 8645 / *Award marks for e **Only award total	st NOT be 5 0.95 = 910 95 x 100 = each colum figure if a	5% of the 0 x 5% = 9 100 In or row II entries a	good outpu 455 are recorde	ıt		(5)	
Question	Answer (AO2) 6						Mark	
1(b) i								
	Purchases of Material	Is Q Budget Dec	Jan	Feb				
		9 100	7 800	8 800	(o	F)		
	Production + Wastage	<u>X 6.80</u> 61 880 10 920*	<u>X 6.80</u> 53 040 9 360	<u>) X 6.80</u> 0 59 840 10 560) (1) (1	of) of)		
	= Material required	72 800(1)	62 400(1) 70 400(1) (1	of)*		
	+ Closing Inventory	23 200	21 200	19 200) (1)		
		96 000	83 600	0 89 60)			
	- Opening Inventory	(25 200)	(23 200	(23 200) (21 200))	(6)	
	Purchases (kg)	70 800	60 40	0 68 40	0 (1	of)**		
	Workings 61 880 / 0.85 = 72 000 x 15% = 10 920 *Only award materials required mark if wastage is shown *Award marks for the rows or each column **Only award Purchases figure is all entries are present							
Question	Answer (AO2) 1						Mark	
T(D)	Purchases of Material	ls Q <u>Bu</u> dget						
		Dec	Jan	Feb				
	Purchases (\$)	70 800 <u>X 9.50</u> 672 600	60400 <u>X 9.50</u> 573 800	68400 <u>X 9.50</u> 649 800	(OF) (1 o) f)	(1)	

Question	Answer (AO1) 2 (AO3) 2	Mark
1(c)	Award 1 (AO1) mark for benefit and 1 (AO3) mark for development.	
	 Answers may include: Avoiding inventory-outs (1) – ensure that they have enough inventory to ensure that production is not interrupted / customer demands are met (1) Avoiding excess inventory (1) – Eucalyptus can ensure that there is enough enough the inventory (not the much menou is ticd up (1)) 	
	 Resource needs can be identified (1) and ensure finance is available (1) Inventory can be rotated (1) - which will help to minimise waste (1) Inventory levels are known (1) - this can act as a deterrent to theft (1) Maximum of 2 points raised 	(4)

Total for Question 1 = 16 marks

Quest	Answer (AO2) 8						Mark
2(a)	Overheads Reapportionment of Human Resources Reapportionment of Stores	Basis Employees (1) for both Material Requisition MH / DLH Overhead Absorption Rate	Cutting \$ 89 000 13 000 43 125 145 125 2 400 MH \$60.47 / MH (1of)	Finish \$ 53 000 26 000 25 875 104 875 3 200 DLH \$32.77 / DLH (1of)	Stores \$ 65 100 3 900 (69 000) (10f) for both (1) for both	Human Resource \$ 42 900 (42 900) (2) (10F)	
	Reapportionment- Hur stores and human reso	man resources: ources	(1) for bot	h cutting a	nd finishing,	(1) for	(8)
Questio	n Answer (AO2)	4					Mark
2(b)	Cutting Department Finishing Department Overheads Overheads Absorbed Absorbed 2 610 x \$60.47 \$157 827(1of) 3 420 x \$112 073(1of) (OF) \$32.77 (OF) Actual overheads (OF) \$105 200 Over-/Under \$10 227 (1of) \$6 873(1of) Over Over Over The over/under must be appropriate to be awarded the marks. \$105 200						(4)
Ouestio	n Answer (AO1)	1 (AO3) 1					Mark
2(c) (i)	Award 1 (AO1) mar Allocation – is the because it is certain	Award 1 (AO1) mark for basic feature and 1 (AO3) mark for development. Allocation – is the giving of an overhead cost to one particular cost centre (1) because it is certain which cost centre that overhead belongs to (1)					(2)
Questio	n Answer (AO1)	1 (AO3) 1					Mark
2(c) (ii	Award 1 (AO1) man Apportionment – using appropriate b belongs to each cos	rk for basic feat is the division c bases / because st centre (1)	ure and 1 (of overhead it is not ce	AO3) mark costs betv rtain how r	for develop veen cost cer nuch of that	ment. ntres (1) overhead	(2)

Question	Answer (AO4) 3 (AO5) 3	Mark
2(d)	Answers may include:	
	Positive implications:	
	The company has succeeded in passing an additional \$17 100 (1 of) of its costs / overheads onto the customer (1) The real cost of making the product was less than expected (1 of) and so the company's profit will be increased (1 of) The actual machine hours and labour hours were more than budgeted, so Yewtree probably produced more output than budgeted (1) which will increase contribution and therefore profit (1) Although overheads were \$2 800 more than expected (1), this excess may have been covered by the extra output (1)	
	Negative implications:	
	If a cost-plus approach is used, the selling price will be higher than it needed to be (1) and this might have deterred some customers than would have been the case had the right price been charged (1) The over absorption may have been the result of inefficiency (1) and the number of direct labour hours / machine hours does not reflect a higher level of output (1)	(6)
	Maximum 4 marks for arguing only one side	
	Candidates may have calculated an under-absorption of overheads and in this case, own figure marks should be awarded for appropriate points raised	

Total for Question 2 = 22 marks

Juestion	Answer (AO2) 12					Mark			
3(a)		Nov \$	Dec \$	Jan \$]				
	Receipts:								
	1 Month Sales	5 005	5 320	5 635	(1)				
	2 Month Sales	8 820	9 009	9 576	(1)				
	Total Receipts	13 825	14 329	15 211	1				
	Payments:								
	Purchases	7 150	7 480	7 860	(1)				
	Wages & salaries	2 240	2 240	2 240	ງ (1) for				
	Drawings	1 500	1 500	1 500	∫both				
	Heat, light & power			675	(1)				
	Other costs	1 720	1 765	1 790	(1)				
	Bank charges & interest	145 (1)	124 (1)	99 (1)	of				
	Total Payments	12 755	13 109	14 164					
	Monthly Net Cash Flow	1 070	1 220	1 047	(1 of)				
	Opening Balance	(7 250)	(6 180)	(4 960)	(1 of)				
	Closing Balance	(6 180)	(4 960)	(3 913)	(1 of)				
	 Opening Balance: All 3 balances for (1) Receipts: (1) for 1 month sales, (1) for 2 month sales, (1 of for correctly adding 1 month and 2 month sales) Total Payments: May, June and July for correct additions but must not include depreciation (1 of) 								
	Monthly net cash flow: (1 of) if total receipts – total payments Do not award if depreciation or non-current assets included as an alien Closing Balances: May, June and July (1 of) if Opening Balance + Receipts – Payments = Closing Balance								

Question	Answer (AO1) 2 (AO3) 2	Mark
3(b)	Award 1 (AO1) mark for basic point and 1 (AO3) mark for development Answers may include:	
	 The business will be able to identify potential cash shortages or surpluses (1) - and be able to arrange the necessary loans / overdrafts or investments (1) The business will be able to identify whether an action is affordable (1) - and be able to make changes if they are not (1) If the business runs short of money (1) - it will not be able to afford to pay its day-to-day costs (1) If the business is unable to pay its creditors (1) then it will not receive any more supplies / may face a winding up order (1) 	(4)

Question	Answer (AO4) 4 (AO5) 4	Mark
3(c)	 Advantages may include: Positive factors: The business will have a positive net cash flow in every month (1) – the overdraft will potentially reduce by \$3 337 during the 3 months (1) The overdraft is forecast to reduce (1) and will potentially disappear by November/December (1) The business is potentially profitable (1) so it is unlikely that creditors will become worried and look to collect what they are owed before scheduled (1) 	
	 Negative factors: The business is forecast to be overdrawn for a several months (1) - and will continue to incur bank charges and interest (1) The non-current assets are within a few months of the end of their useful life (1) - and so the business is potentially facing a large cash outflow soon (1) 	
	 Other factors: The cash budget only covers a 3-month period (1) – it is difficult to assess whether sales and cash flows are going to continue to improve (1) 	
	Maximum of 4 marks for only arguing one side of the argument	
	Conclusion: 1 mark for conclusion compatible with factors used in main response.	(8)

Total for Question 3 = 24 marks

Question	Answer (AO1) 1					Mark		
4(a)(i)				<u> </u>				
	Marginal cost – the	extra / vari	able cost	of produc	ing one unit of output (1)	(1)		
Question	Answer (AO1) 1					Mark		
4(a)(ii)								
	Absorption cost – th	ne total cos	t (of one ι	ınit) inclu	ding fixed and variable costs (1)	(1)		
Ouestion	Answer (AO2) 2					Mark		
4(b)(i)								
-(-)(-)	Marginal costing							
	Materials \$8.40 and	Labour \$1.	25(1) = 5	9.65 (1)				
Question	Answer (AO2) 4					Mark		
4(b)(ii)								
4(6)(1)			Α	bsorptio	n			
	Materials			\$8.4	40			
	Labour (I)			\$3. \$1.2	25 (2) 25			
	Overheads (f) 42	400 / 8 000) =	\$5.3	30 (1)			
				\$18.1	l0 (1of)			
	Labour (fixed) = 24 x	175 x 6.00) = 25 200	/ 8 000	(1) = \$3.15 (1)	(4)		
	A							
Question	Answer (AO2) 6					Mark		
4(c)(ı)			Marg		Workings			
	Revenue		\$152.00	0 (1)	7 600 x \$20.00 = \$152 000			
	Opening Inventory	\$10 400		(1)	1 300 x \$8 = 10 400			
	Cost of Production	\$77 200	(10F)		8 000 x \$9.65 = \$77 200			
	Closing Inventory	\$16 405	(20F)		1 300 + 8 000 - 7 600 = 1 700 (1) x \$9.65 (OF)			
	Cost of Sales		(\$71 195	5)	(1 mark for both – correctly			
			+00.001		labelled)			
	Contribution		\$80 803)	(1 mark for both – correctly labelled)			
	Labour (fixed)	\$25 200			(1) for both			
	Overheads	\$42 400	(67 600)	_				
	Net Profit		\$13 20	5	(1 mark for both – correctly labelled)			
						(6)		
Question	Answer (AO2) 6					Mark		
4(c)(ii)								
			A	bsorp				
	Revenue	¢10.5(\$152 00 (1)	2 000	Mark awarded in ci			
	Cost of Production	\$144 80)0 (1)		8 000 x \$18.10 (OF)			
	Closing Inventory	\$30 7	70 (1)		1 700 x \$18.10 (OF)			
	Cost of Sales		(\$133	530)	(1 of) both – correctly			
	Gross Profit		\$18	470	(1 of) both - correctly			
					labelled			
	Labour (fixed)							
	Overheads		¢10	470	(1 of) both - correctly	(6)		
		NET Profit \$18 470 (1 of) both - correctly labelled						

Question	Answer (AO3) 2	Mark
4(d)	The difference in profit figures is due to the difference in closing inventory valuations (1) – the valuation under absorption costing is carries forward a proportion of the fixed overheads which makes the cost of sales lower and the profit higher. (1) Answer must refer to inventory	(2)

Total for Question 4 = 20 marks

Question	Answer (AC	02) 6							Mark
5(a)									
	Matarial A		1 20	0 2 0 00 -	\$		for		
	Material A		1 30	$0 \times 8.00 =$ $\times 6.40 =$	10 4 4 4	00)(1) 80) all	тог З		
	Material C		1 00	$1\ 000 \times 7.50 = 7\ 500$					
	Labour		400	x 9.30 =	37	20)(1)) for		
	Overheads		400	x 15.00 =	60	00) all	3		
	Total cost				32 1	00)			
	Scrap procee	eds	300	x 3.50 =	(1 05	50) (1)	6		
	Expected out	nut			31 U: 2 7	50 (1)	OT)		
	Cost per lit	re			11.	50 (1)	of)		(6)
							2		
Question	<u>3 000 - 300</u>	0 = 2700							Monte
		, ,							Магк
5(D)			Pro	cess Acco	unt			_	
		litres	\$	_		litres	\$		
	Material A	1 300	10 400)	Output	2 820	32 430	(1of)	
	Material B	1 000	4 480) (1 0ī)) for	Normal	300	1 050	(1of)	
	Labour	1 000	3 720) all 5	Loss	500	1 050	(101)	
	Overheads		6 000)					
	Abn Gain	120	1 380	(1of)				_	
		3 120	33 480			3 120	33 480		(4)
	Abnormal gair	n = 120 x	\$11.50 = \$	\$1 380 (NC	T 120 x \$3	.50 = \$42	20)		(-)
	Output = 2.82	20 x \$11.5	0 = \$32 4	30.					
	Check working	gs for OF o	output as it	is not a ba	alancing fig	ure			
	Normal loss =	300 x \$3	.50 = \$1.0	50					
Question	Answer (AC	02) 2							Mark
5(c)			Norma						
			\$	II LUSS					
	Process Acco	unt 1	1 050				(1of)		
			A Ia a a a						
			ADNOFI	mai Gain		¢			
				Process Ac	count	1 380	(1of)		(2)
	Label must be	correct fo	r the mort	<i>(</i>)					
Question	Answer (AC)1)2(A	03) 2	(5					Mark
5(d)	Answers may	include:							THUIK
5(4)	,								
	Process co	osting is su	uitable whe	ere product	ion takes ti	me / ther	e is likely t	o be	
	work-in-p	rogress at	the period	end e.g. c	hemicals (1	L) - the u	se of "equi	valent	
	units" ena	bles the v	alue of fini	shed produ	ict and wor	k-in-progi	ess to be		
	calculated	(1)							
	Process co	ostina is si	uitable whe	en there are	e several st	ages to pi	oduction /	aoods	
	are transfe	erred from	one stage	e to anothe	r (1) – this	will enab	le costs of	each	
	stage to b	e identifie	d (1)						
	•						_	_	
	Process co	osting is su	uitable whe	ere there ar	e joint and	or by-pro	ducts (1)	– this	
		e uie comi	HUH-COSTS	to be attrib	uted to the	reievant	products (1	(4)
	Maximum 2	points rai	ised						
Tota	al for Quest	ion 5 =	16 mar	ks T(DTAL FO	R PAPE	R – 100	MARKS	5