## 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.
awrt

Correct Answer Only rule
Accuracy marks will only be awarded if the candidates' 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 candidates' 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 | Answer (AO2) 5 |  |  |  |  | Mark |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1(a) | CR3 Production Bud <br> Sales <br> + Closing Inventory <br> - Opening Inventory <br> = Good Output <br> Defective Units <br> Units undertaken <br> Defective units mu <br> Workings: 8645 / <br> 8645 / <br> * Award marks for <br> **Only award tota | Dec <br> 9120 <br> 1805 <br> 10925 <br> $(2280)$ <br> $\mathbf{8 6 4 5 ( 1 )}$ <br> 455 <br> $\mathbf{9 1 0 0}$ <br> NOT be 5 $0.95=910$ <br> $95 \times 100=$ ach colum figure if al | Jan <br> 7220 <br> 1995 <br> 9215 <br> $(1805)$ <br> $\mathbf{7 4 1 0 ( 1 )}$ <br> 390 <br> $\mathbf{7 8 0 0}$ <br> \% of the go $\begin{aligned} & 0 \times 5 \%=45 \\ & 9100 \\ & \text { n or row } \\ & \text { l entries are } \end{aligned}$ | Feb <br> 7980 <br> 2375 <br> 10355 <br> $(1995)$ <br> $\mathbf{8 3 6 0 ( 1 )}$ <br> 440 <br> $\mathbf{8 8 0 0}$ <br> od output 5 <br> recorded | (1) <br> (1) <br> (1 of)* <br> (1 of) <br> (1 of)** | (5) |
| Question | Answer (AO2) 6 |  |  |  |  | Mark |
| 1(b) i | Purchases of Materi <br> Workings 61880 <br> *Only award mate <br> *Award marks for <br> **Only award Pur | s Q Budget <br> Dec <br> 99100 <br> $\times 6.80$ <br> 61880 <br> $10920^{*}$ <br> $72800(1)$ <br> 23200 <br> 96000 <br> $(25200)$ <br> $\mathbf{7 0 8 0 0}$${ }^{230}$ <br> $0.85=72$ ials require he rows or hases figur | Jan <br> 7800 <br> $\times 6.80$ <br> 53040 <br> 9360 <br> $62400(1)$ <br> 21200 <br> 83600 <br> $(23200)$ <br> $\mathbf{6 0 4 0 0}$ <br> $000 \times 15 \%$ mark if w each colum e is all entri | Feb <br> 8800 <br> $\times 6.80$ <br> 59840 <br> 10560 <br> $70400(1)$ <br> 19200 <br> 89600 <br> $(21200)$ <br> $\mathbf{6 8 4 0 0}$ <br> $=10920$ astage is sh n <br> es are prese | (OF) <br> (1 of) <br> (1 of) <br> (1 of)* <br> (1) <br> (1) <br> (1 of)** <br> hown <br> ent | (6) |
| Question | Answer (AO2) 1 |  |  |  |  | Mark |
| 1(b) ii | Purchases of Materia $\square$ <br> Purchases (\$) | s Q Budget <br> Dec <br> $\mathbf{7 0 8 0 0}$ <br> $\times 9.50$ <br> $\mathbf{6 7 2 6 0 0}$ | Jan <br> 60400 <br> $\times 9.50$ <br> 573800 | Feb <br> 68400 <br> $\times 9.50$ <br> 649800 <br>  <br>  <br>  | (OF) <br> (1 of) | (1) |


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

## Total for Question 1 = 16 marks



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

Total for Question 2 = 22 marks


| 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) |  |  |\(\quad\left\{\begin{array}{l}(4) <br>

\hline\end{array}\right.\)

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



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

Total for Question 4 = 20 marks


