## Mark Scheme

## July 2018

Pearson LCCI Level 3 Certificate in Cost and Management Accounting (VRQ)<br>(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. $\quad$\begin{tabular}{l}
Accuracy Mark <br>
This is used to reward candidates who have attained the answer to a <br>
specific calculation representing a method in the question. If stated in <br>
the mark scheme, the own figure rule can be used with the accuracy <br>
mark. <br>
Own Figure rule

$\quad$

Accuracy marks can be awarded where the candidates' answer does <br>
not match the mark scheme, though is accurate based on their valid <br>
method. <br>
Correct Answer Only rule
\end{tabular}

\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|}
\hline Question \& \multicolumn{8}{|l|}{Answer (AO2) 6} \& Mark \\
\hline 1(a) \& \multicolumn{4}{|l|}{\begin{tabular}{|ll}
\hline Material A \& \(4800 \times 6.50=\) \\
Material B \& \(3500 \times 9.70=\) \\
Material C \& \(1700 \times 3.90=\) \\
Labour \& \(600 \times 8.40=\) \\
Overheads \& \(600 \times 23.00=\) \\
Total cost \& \(\mathbf{8 0 0} \times 1.15=\) \\
\begin{tabular}{l} 
Scrap proceeds \\
Net Cost
\end{tabular} \& \(92 \% \times 10000=\) \\
\begin{tabular}{ll} 
Expected output \\
Cost per litre
\end{tabular} \& \(92 \%\) \\
\hline
\end{tabular}} \& \[
\begin{array}{r}
31200 \\
33950 \\
6630 \\
5040 \\
13800 \\
\mathbf{9 0} 620 \\
920 \\
\mathbf{8 9} 700 \\
9200 \\
\mathbf{9 . 7 5}
\end{array}
\] \& \[
\begin{array}{|l}
\hline \begin{array}{l}
\text { )(1) for } \\
\text { ) all } 3 \\
\text { ) }
\end{array} \\
\hline \text { )(1) for } \\
\text { ) all } 3 \\
\text { ) } \\
\hline \text { (1) } \\
\text { (1 of) } \\
\text { (1) } \\
\text { (1 of) } \\
\hline
\end{array}
\] \&  \& \& (6) \\
\hline Question \& \multicolumn{8}{|l|}{Answer (AO2) 4} \& Mark \\
\hline 1(b) \& \begin{tabular}{l}
Material A Material B Material C Labour Overheads Abn Gain \\
Workings: \\
9360 less 9 \\
\(9360 \times \$ 9.7\) \\
\(800 \times \$ 1.15\)
\end{tabular} \& litres
4800
3500
1700

160
10160 \& Pro
$\$ \$$
31200
33950
6630
5040
13800
1560
92180
$\$ 9.75($

260 \& \begin{tabular}{l}
cess Ac <br>
) <br>
) (1) <br>
) for <br>
) all 5 ) <br>
(1)
$$
\mathrm{OF})=\$ 1
$$

 \& 

unt <br>
Output <br>
Normal <br>
Loss

 \& 

litres 9360 800 <br>
10160

\end{tabular} \& \[

$$
\begin{array}{r}
\hline \$ \\
\hline 91260 \\
920 \\
\\
\hline 92180 \\
\hline
\end{array}
$$

\] \& | (1) |
| :--- |
| (1) | \& (4) <br>

\hline Question \& \multicolumn{8}{|l|}{Answer (AO3) 1} \& Mark <br>

\hline 1(c)(i) \& Process Acc \& t \& | Norma |
| :--- | :--- |
| \$ |
| 20 | \& I Loss \& \& \$ \& \multicolumn{2}{|l|}{1of)} \& (1) <br>

\hline Question \& \multicolumn{8}{|l|}{Answer (AO3) 1} \& Mark <br>

\hline 1(c)(ii) \& \& \& \$ Abnor \& mal Gain \& ccount \& $$
\begin{gathered}
\$ \\
\hline 1560 \\
\hline
\end{gathered}
$$ \& \multicolumn{2}{|l|}{(1of)} \& (1) <br>

\hline
\end{tabular}

| Question | Answer (AO1) 2 (AO3) 2 | Mark |
| :--- | :--- | :--- |
| $\mathbf{1 ( d )}$ | AO1 mark for basic point and 1 AO3 mark for development. <br> Answers may include: | Process costing is suitable where production takes time / there is likely to be <br> work-in-progress at the period end (1) - the use of "equivalent units" enables <br> the value of finished product and work-in-progress can be calculated (1) <br> Process costing is suitable when there are several stages to production / <br> goods are transferred from one stage to another (1) - this will enable costs of <br> each stage to be identified (1) <br> Process costing is suitable where there are joint and or by-products (1) - this <br> will enable the common-costs to be attributed to the relevant products (1) |
| Question | Maximum 2 points raised | (4) |

Total marks for Question 1 = 20 marks

| Question | Answer (AO2) 1 | Mark |
| :---: | :---: | :---: |
| 2(a)(i) | Selling price $=\frac{540000}{80000}$ or $\frac{742500}{110000}=\$ 6.75$ per unit (1) | (1) |
| Question | Answer (AO2) 1 | Mark |
| 2(a)(ii) | Labour fixed $=95600-8000(80000 \times \$ 0.10)=\$ 87600$ (1) | (1) |
| Question | Answer (AO2) 1 | Mark |
| 2(a)(iii) | Heat, light and power variable $=\frac{(17400-15000) 2400}{80000}=\mathbf{\$ 0 . 0 3}$ per unit (1) | (1) |
| Question | Answer (AO2) 1 | Mark |
| 2(a)(iv) | Cost of hiring 1 machine $=\$ 31600 / 4=\$ 7900$ (1) | (1) |
| Question | Answer (AO2) 4 | Mark |
| 2(a)(v) | $\begin{aligned} & \text { Variable cost per unit }=\frac{(\$ 149100-142500) 6600}{(110000-80000) 30000}(\mathbf{1})=\$ 0.22 \text { per unit (1of) } \\ & \text { Fixed Cost }=\$ 149100-24200(110000 \times \$ 0.22)(\mathbf{1})=\$ \mathbf{1 2 4} \mathbf{9 0 0}(\mathbf{1 o f}) \\ & \quad \text { Or } \$ 142500-17600(80000 \times \$ 0.22) \end{aligned}$ | (4) |
| Question | Answer (AO2) 8 | Mark |
| 2(b) |  Revised <br> Budget <br> Revenue $\mathbf{8 6 4 ~ 0 0 0}$ <br> Costs: 275200 <br> Materials 100400 <br> Labour 18840 <br> Heat, Light \& Power 47400 <br> Machine Hire 153060 <br> Production Overheads 88300 <br> Non-Production Overheads $\mathbf{6 8 3 2 0 0}$ <br> Total Costs $\mathbf{1 8 0} \mathbf{8 0 0}$ <br> Net Profit  <br> (OF) (1) for (OF) both (10F) (10F) <br> Revenue $=128000 \times 6.75$ (OF) $=\$ 864000$ <br> Materials $=128000 \times 2.15=\$ 275200$ <br> Labour $=87600(O F)+12800(128000 \times 0.10)=\$ 100400$ (10F) <br> Heat, Light \& Power $=15000+(128000 \times \mathbf{0 . 0 3}$ OF) $3840=\$ 18840$ (10F) <br> Machine Hire $=6 \times 7 \mathbf{9 0 0}$ (OF) $=\$ 47400$ (10F) <br> Prod overheads $=124900$ OF +28160 OF (128 $000 \times 0.22$ OF) $=153060$ (1) <br> Full workings must be shown for all own figures. | (8) |


| Question | Answer (AO3) 2 | Mark |
| :--- | :--- | :--- |
| 2(c) | Answers may include: <br> Differences between fixed and flexed budgets: <br> Fixed budgets assume that output / level of activity will be at a given (or <br> original) level (1) whereas flexed budgets are changed to reflect the amount of <br> activity actually undertaken (1). <br> - Fixed budgets do not take into account the fact that some costs are variable and <br> that increases in output require more input / cost (1) whereas Flexed budgets <br> recognize that some costs are variable / that increases in output require more <br> cost (1). | (2) |

Total marks for Question 2 = 22 marks


| Question | Answer (AO4) 3 (AO5) 2 | Mark |
| :---: | :---: | :---: |
| 3(d) | Answers may include: |  |
|  | Positive factors: <br> - The company has over-absorbed by $\$ 19210$ and is on track to over-absorb by $\$ 38420$ for the year (1) - which means that the actual overhead costs per |  |
|  | - If the company continues to do more work than budgeted (1) actual overhead |  |
|  | - If the company is charging a cost plus price (1), then the over-absorption will result in more profit being made (1). |  |
|  | Negative factors: <br> - If the market is competitive then prices quoted might be higher than they |  |
|  | General point: <br> Both under- or over-absorption of overheads can cause a problem (1) - but it is better to over-absorb than under-absorb overheads (1). |  |
|  | Maximum of 4 marks for arguing only one side of the argument. <br> Award 1 mark for conclusion that is compatible with the points made. | (5) |


| Question | Answer (AO2) 3 | Mark |
| :---: | :---: | :---: |
| 4(a)(i) | Labour efficiency: (2057-1870) 187 (1) $\times 9.00$ (10F) = $\mathbf{1} 683$ Fav (1of) <br> Standard quantity $=(2376 / 1080) \times 935=\mathbf{2} 057$ hours <br> Standard rate $=21384 / 2376=\$ 9.00$ <br> Variance must be correctly identified as favorable to get the final mark. | (3) |
| Question | Answer (AO2) 2 | Mark |
| 4(a)(ii) | Labour rate: $(9.00-9.60) \mathbf{0 . 6 0 ( 1 )} \times 1870=1122$ Adv (1of) <br> Actual rate $=17952 / 1870=\$ 9.60$ <br> Variance must be correctly identified as adverse to get the final mark. | (2) |
| Question | Answer (AO2) 1 | Mark |
| 4(a)(iii) | Overhead expenditure: =58320-56190=2130 Fav (1) <br> The variance must be correctly identified as favourable to get the mark. | (1) |
| Question | Answer (AO2) 3 | Mark |
| 4(a)(iv) | Overhead volume: 54.00 (1) $\times 145$ (935-1 080)(1) = $\mathbf{7 8 3 0}$ Adv (1of) $\mathrm{OAR}=58320 / 1080=\$ 54.00$ <br> Variance must be correctly identified as adverse to get the final mark. <br> Alternative answers: $\begin{aligned} & 58320 \text { (1) less } 50490(1)(58320 / 1080 \times 935)=7830 \mathrm{Adv}(1) \\ & 319 \text { (1) (2 } 376-2057) \times \$ 24.545 \text { (1) }(58320 / 2376)=7830 \text { Adv (1) } \end{aligned}$ | (3) |
| Question | Answer (AO1) 1 | Mark |
| 4(b)(i) | Material usage (adverse): lower quality of material used, more wastage, more production problems than expected, lower skilled staff, inappropriate standard setting at the start of the process (1) <br> Candidates should only be rewarded once for using inappropriate standard. | (1) |
| Question | Answer (AO1) 1 | Mark |
| 4(b)(ii) | Material price (favourable): lower quality of material used, use of alternative supplier, market excess of material, inappropriate standard setting at the start of the process (1) <br> Candidates should only be rewarded once for using inappropriate standard. | (1) |



Total marks for Question 4 = 24 marks

| Question | Answer (AO2) 6 | Mark |
| :---: | :---: | :---: |
| 5(a) |  $\text { Labour }(\text { fixed })=(30 \times 180 \times 6.25) 33750(1) / 9000=\$ 3.75 \text { (1) }$ | (6) |
| Question | Answer (AO2) 7 | Mark |
| 5(b) |  | (7) |
| Question | Answer (AO3) 2 (AO4) 2 | Mark |
| 5(c) | Answers may include: <br> The closing inventory figure using marginal costing is valued at the variable production cost ( $900 \times \$ 13.95$ ) $=\$ 12555$. (1) <br> The closing inventory figure using absorption costing is valued at the total production cost $(900 \times \$ 25)=\$ 22,500$, which makes the inventory valuation \$9 945 higher ( $900 \times \$ 11.05$ ) (1) <br> This means that the cost of sales figure under absorption costing is lower <br> (1) and the profit is therefore higher - $\$ 56700$ for absorption costing as opposed to $\$ 46755$ using marginal costing (1). | (4) |

