

Mark Scheme

March 2019

Pearson LCCI Cost and Management Accounting (VRQ) Level 3 (ASE20098)



LCCI Qualifications

LCCI qualifications come from Pearson, the world's leading learning company. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information, please visit our website at <u>www.lcci.org.uk</u>.

Pearson: helping people progress, everywhere

Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: <u>www.pearson.com/uk</u>

March 2019 Publication Code: 63788_MS All the material in this publication is copyright © Pearson Education Ltd 2019

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.

Question	Answer AO2 (5)					Mark	
1(a)							
		April	Мау	June			
	Sales	31 200	28 125	26 725	5		
	+ Closing Inventory	11 250	10 690	13 232	2 (1)		
	- Opening Inventory	(12 480)	(11 250)) (10 690	⁾⁾ (1)		
	= Good Output	29 970	27 565	29 26	7 (1)		
	Defective Units	2 430	2 235	2 373	(1 of)		
	Units undertaken	32 400	29 800	31 64) (1 of)		
	Defective units (1 of)	must not b	e 7.5% of t	he good ou	tput	(5)	
Question	Answer $\Delta O2(7)$					(5) Mark	
1(b)	Allswei AOZ (7)					Plank	
-(-)	Purchases of Materia	Budget					
		April	Мау	June			
	Production	43 740	40 230	42 714	(1of)		
	+ Wastage (/90x10)	4 860	4 470	4 746	(1of)		
	= Material required	48 600	44 700	47 460	(1of)		
	+ Closing Inventory	39 000	37 000	35 000	(1)		
	- Opening Inventory	(41 000) 46 600	(39 000) 42 700	(37 000)	(1) (1 of)		
	Fulchases (kg)	X\$6.40	X\$6.40	43 400 X\$6.40	(10)		
	Purchases (\$)	298 240	273 280	290 944	(1 of)	(7)	
	Answer must have wa	astage for t	he Purchas	es kg mark			
Question	Answer AO2 (2)					Mark	
1(c)(i)	VC = 58 534 - 57 250	1 284 (1)	= \$0.15 pe	r unit (1)			
	36 180 - 27 620	8 560	+0.20 pc			(2)	
o	Answer $AO2(2)$						
Question	AllSwel AO2 (2)					Mark	
1(c)(ll)	High: 58 534 - 5 427 (36 180 x 0.1	.5) (1of) =	\$53 107 (1	of)		
	Or		E) - 452 10	7			
	LOW: 57 250 - 4 145 (2	27 020 X U.I	5) = \$55 10	/		(2)	
Question	Answer AO2 (2)						
1(c)				>			
(iii)	Cost of 39 400 units $= $	53 107 + 5 9	910 (39 400	× 0.15) (10	f) = \$59 017 (1of)	(2)	
()						(2)	

Question	Answer AO1 (2)	Mark
1(d)	 Answers might include: Two required. Reduction / elimination of the risk of running out of inventory (1). Reduction of holding / ordering costs (1). Reduction of risk of theft (1). Reduction of risk of wastage (1). Reduction of capital needlessly tied up in inventory (1). Enabling of advantage to be taken of bulk discounts (1). Maximum 2 marks.	(2)
Question	Answer A01 (1) A03 (1)	Mark
1(e)	 1 AO1 mark for basic description of principal limiting factor and 1 AO3 mark for development of why it is important when producing budgets. Answers may include: A Principal Limiting Factor is one that is in shortest supply / cannot be avoided / restricts the activities of the business (1). Maximum 1 mark. When producing budgets, budgets containing PLFs need to be produced first / budgets containing PLFs take priority over other budgets / other budgets have to work round those containing PLFs (1) Maximum 1 mark. 	(2)

Overhead Distribution Table Expense Total Basis Manuf'g Packing Stores Admin Mach Dep'n 12 400 M Value 8 680 2 480 1 240 - (1) Rent & R 5 600 Area 2 660 840 1 680 420 (1) H L & P 3 300 % Usage 1 650 990 495 165 (1) St Salary 4 700 Direct - - 4 700) (1) for Ad Salary 6 100 Direct 1780 2 150 885 985 (1) Oth O'hds 5 800 Direct 1780 2 150 885 985 (1) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000)	
Overhead Distribution Table Expense Total Basis Manuf'g Packing Stores Admin Mach Dep'n 12 400 M Value 8 680 2 480 1 240 - (1) Rent & R 5 600 Area 2 660 840 1 680 420 (1) H L & P 3 300 % Usage 1 650 990 495 165 (1) St Salary 4 700 Direct - - 4 700) (1) for Ad Salary 6 100 Direct 1780 2150 885 985 (1) Oth O'hds 5 800 Direct 1 780 2150 885 985 (1) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000) - (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
Expense Total Basis Manuf'g Packing Stores Admin Mach Dep'n 12 400 M Value 8 680 2 480 1 240 - (1) Rent & R 5 600 Area 2 660 840 1 680 420 (1) H L & P 3 300 % Usage 1 650 990 495 1655 (1) St Salary 4 700 Direct - - 4 700) (1) for Ad Salary 6 100 Direct - - 6 100) both Oth O'hds 5 800 Direct 1780 2 150 885 985 (1) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000) (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
Mach Dep'n 12 400 M Value 8 680 2 480 1 240 - (1) Rent & R 5 600 Area 2 660 840 1 680 420 (1) H L & P 3 300 % Usage 1 650 990 495 165 (1) St Salary 4 700 Direct - - 4 700) (1) for Ad Salary 6 100 Direct - - 6 100) both Oth O'hds 5 800 Direct 1780 2 150 885 985 (1) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000) - (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
Rent & R 5 600 Area 2 660 840 1 680 420 (1) H L & P 3 300 % Usage 1 650 990 495 165 (1) St Salary 4 700 Direct - - 4 700 -) (1) for Ad Salary 6 100 Direct - - - 6 100) both Oth O'hds 5 800 Direct 1 780 2 150 885 985 (1) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000) - (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
H L & P 3 300 % Usage 1 650 990 495 165 (1) St Salary 4 700 Direct - - 4 700) (1) for Ad Salary 6 100 Direct - - 6 100) both Oth O'hds 5 800 Direct 1780 2 150 885 985 (1) 37 900 14 770 6 460 9 000 7 670 (1 of) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000) (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
St Salary4 700Direct-4 700-) (1) forAd Salary6 100Direct6 100) bothOth O'hds $5 800$ Direct 1780 2150 885 985 (1) 37 90014 7706 4609 0007 670 (1 of)Admin Overheads40/603 0684 602-(7 670)(1 of)Stores OverheadsRequis'ns <u>6 750</u> 2 250(9 000) <u>-</u> (1 of)Revised Total 24 58813 31200 (1 of)	
Ad Salary 6 100 Direct - - - 6 100) both Oth O'hds <u>5 800</u> Direct <u>1 780</u> <u>2 150</u> <u>885</u> <u>985</u> (1) 37 900 14 770 6 460 9 000 7 670 (1 of) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns <u>6 750</u> <u>2 250</u> (<u>9 000</u>) <u>-</u> (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
Oth O hds 5 800 Direct 1780 2150 885 985 (1) 37 900 14 770 6 460 9 000 7 670 (1 of) Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000) _ (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
Admin Overheads 40/60 3 068 4 602 - (7 670) (1 of) Stores Overheads Requis'ns 6 750 2 250 (9 000) _ (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
Stores Overheads Requis'ns 6 750 2 250 (9 000) - (1 of) Revised Total 24 588 13 312 0 0 (1 of)	
Revised Total 24 588 13 312 0 0 (1 of)	
Basis Mark – award (1) if appropriate bases are used.	
Totals – award (1of) if all 6 expenses are attempted)
Admin and stores overhead rows must be complete for each mark	,
Our action An answer AO2 (1)	1.
Question Answer AO2 (1) Mar	κ
2(b)(i)	_
(1))
Question Answer AO2 (1) Mar	
	ĸ
2(D)(II) Packing OAR = \$13 312 (of) / 2 400 DI H = \$5 55 / Direct labour Hour (1of)	
(1))
Question Answer AO2 (2) Mar	k
2(c)(i)	
Manufacturing Department	
Overheads Absorbed	
1 120 x \$20.49 (of) \$22 949 (10f)	
Overheads Incurred <u>\$25 600</u>	
Under-Absorbed \$2 651 (1of)	
(2)	
The over/under must be clearly labelled for the second mark.	
Candidate needs to demonstrate that they have used 1 120 hours	
Question Answer AU2 (2) Mar	K
2(c)(ii)	
Packing Department	
$\begin{array}{ c c c c c c c c c c c c c c c c c c c$	
$\frac{312 500}{\text{Over-Absorbed}}$	
The over/under must be clearly labelled for the second mark.	
Candidate needs to demonstrate that they have used 2 260 hours	

Question	Answer AO3 (2)	Mark
2(d)	 Answers may include: One required. This will ensure that costs are passed onto the customer as and when work is done (1) which will hopefully ensure that all overhead costs are covered during the period (1). This will assist with cost-plus price-setting (1) as it will help to ensure that even the indirect costs are considered when providing a quotation (1). 	(2)

Question	Answer AO4 (4) AO5 (2)	Mark
2(e)	 Answers may include: Positives: Each overhead is apportioned using an appropriate basis – this ensures that each cost centre is given a fair share of that overhead (1). Where possible, an overhead is allocated directly to the relevant cost centre – t0 ensure that cost centres are only charged for the costs they cause (1). The choice of method is suitable as it represents the nature of the activities – Manufacturing is machine/capital-intensive (1 200 machine hours) whereas Packing is more labour intensive (2 400 labour hours) (1) also Manufacturing has a high value of machinery compared to Packing (\$490 000 to only \$140 000) (1). 	
	 Negatives: The number of machine and labour hours was over-estimated (1) - this means that Orcus Ltd might be pricing its products incorrectly / too low (1). The costs were greater than expected (1) - this meant that Orcus Ltd was struggling to cover its costs (1). Orcus Ltd under-absorbed its overheads by £2 408 / 6.5% (1) - which, if a regular occurrence, represents a major failing in the main objective of any method used to absorb overheads (1). 	
	Alternative argument: It is difficult to evaluate a method based on one month's data (1) – other months might see an over-absorption / costs and output may be difficult to forecast accurately (1).	
	Conclusion: The method used to absorb overheads is effective / ineffective (1).	(6)

Question	Answer AC	2 (10)							Mark
3(a)								_	
		kg	\$			kg	\$		
	Mat Wye	9 000	67 500	(1)	Prod Aye	6 500	73 676	OF	
	Mat Zed	7 000	40 250	both	Prod Bee	3 200	31 737	OF	
	Labour		10 000	(1)	Prod Cee	4 700	26 637	OF	
	Overheads		19 000	both	By-Prod Dee	1 000	6 500	(1)	
	Disposal		1 800	(1)	Norm Loss	600	0	(1)	
		16 000	138 550			16 000	138 550		
	Disposal cost	s = 600 kg	g x \$3.00 =	= \$1 80	00				
	Credit side:	Net Costs	= 138 550	- 6 50	00 = \$132 050	(1)			
	Total revenue	2:	10 000						
	Product Aye =	= 6500 x	40 = 260 (000					
	Product Cee :	= 3 200 x = 4 700 x	20 = 94 00	00 Tot	al = \$466 000	(1)			
	Apportionme	nt of joint-	costs:						
	Product Aye =	= (260 00	0 / 466 000) OF) x	132 050 OF = 9	\$73 676 (10F)		
	Product Bee = Product Cee =	= (112 00) = (94 000	0 / 466 000 / 466 000)	0) x 13) x 132	2 050 = \$31 73 050 = \$26 637	7 (10F) (10F)			(10)
	OF figures o	an be aw	arded pro	vided	sales value me	ethod ha	s been us	ed	
	and full wor	kings are	esnown						
Question	Answer AC	1 (2)							Mark
3(b)	Answers may include:								
	i wo required.								
	Physical units /unit of output (1)								
	Physical weight (or volume) (1)						(2)		
	• Net Sales	s value (1	L)						(-)
Question	Answer AC	2 (3)							Mark
3(c)(i)									
	Material	Cost 3 480 + = 34 68	t\$ 312004 05	Tota 200 + 5 100	ll Equiv units (60% x 1 500)	Cost p \$6	.80 (1)	
	Labour &	4 950 +	39 465 4	200 +	(35% x 1 500)	\$9	.40 (1)	
	overheads	= 44 41	5 4	725					
	TOLAT COSL					\$10	5.20		(2)
	Value of Goods sent to customer = 4 200 x \$16.20 OF = \$ 68 040 (1of)						(3)		
Question	Answer AC	2 (3)							Mark
3(c)(ii)	Value of closi	ng work-ir	n-progress:						
	Material		900 equ	iv units	x 6.80 OF=	\$6 1	20 (1	of)	
	Labour & ov	erheads	525 equ	iv units	x 9.40 OF =	<u>\$4 9</u>	<u>35</u> (1	of)	
	Total cost		·			\$11 C) <u>55</u> (1	of)	
							、-	2	(3)
									(-)

Question	Answer AO2 (2)	Mark
4(a)(i)	Material price: (11.00 - 9.80) \$1.20 x 49 600 = \$59 520 Fav (1)	
	Actual price = 486 080 / 49 600 kg = \$9.80 / kg (1)	
	Variance must be correctly identified as favourable/adverse for the final mark.	(2)
Question	Answer AO2 (3)	Mark
4(a)(ii)	Material usage: $(50\ 800\ -\ 49\ 600)\ 1\ 200\ (1of)\ x\ 11.00\ =\ $13\ 200\ Fav\ (1of)$	
	The variance must be correctly identified as favourable or adverse to get the final mark.	(3)

Question	Answer AO2 (2)								
4(a)(iii)	Labour rate: $(7.50 - 8.25) \pm 0.75 \times 9 \ 300 = \pm 6 \ 975 \ Adv (1)$								
	Actual rate = 76 725 / 9 300 hours = \$8.25 / hour (1)								
	The variance must be correctly identified as favourable or adverse to get the final mark.								
Question	Answer AO2 (3)					Mark			
4(a)(iv)	Labour efficiency: (9 5	25 – 9 300) 22	25 (1of) ×	7.50 = \$ 1 687	.50 Fav (1of)				
	Standard quantity = (8 4	00 / 56 000) x	63 500 =	9 525 hours (1)				
	The variance must be cor final mark.	rectly identifie	d as favoui	rable or adverse	e to get the	(3)			
Question	Answer AO2 (4)								
4(b)									
	PROFIT RECONCILIATI	ON STATEME	NT						
	Budgeted Profit for Act	ual productio	on	105 762.50					
	Variances	Fav	Adv						
	Direct materials price	59 520			(1of) for all 3				
	Direct materials usage	13 200							
	Direct labour rate 6 975								
Direct labour efficiency 1 687.50 (1of) fo									
	Fixed overhead expend 6 200								
	Total variance 74 407.50 13 175 61 232.50 (1of) for all 3								
	Actual Profit for Actual	production		166 995.00	(1of)	(4)			

Question	Answer AO1 (1)	Mark
4(c)(i)	Answers may include: One required. Surplus on world markets drove the price down (1) Greater quantities bought leading to bulk-discounts (1) Material used might have been of a lower quality (1) Inappropriate standard (1)	(1)
Question	Answer AO1 (1)	Mark
4(c)(ii)	Answers may include: One required. Workers may have been of a higher quality / skill level (1) There may have been a pay-rise between budget-setting and work being done (1) There may have been unexpected overtime being paid (1)	(1)
Question	Answer AO1 (1) AO3 (1)	Mark
4(d)	 Award 1 AO1 mark for basic description of Attainable standard and 1 AO3 mark for development. Attainable Standard – is the standard set that is achievable under normal effective operating conditions (1) and may often include an allowance for an acceptable level of waste / inefficiency / idle-time (1) 	(2)
Question	Answer AO1 (1) AO3 (1)	Mark
4(e)	 Award 1 AO1 mark for basic benefit and 1 AO3 mark for development. Benefits: Answers may include: Improved motivation / productivity from workers (1) - who believe that they are being set targets that are reasonable / achievable (1) Will often give a fairly accurate standard cost (1) - which is likely to lead to better decisions eg price-setting / will lead to more appropriate variances being generated / will ensure that rewards or penalties will applied for genuinely good or bad performances (1) ONE required 	(2)

Question	Answer AO2 (3)	Mark
5(a)	Contribution = $17.75 - 9.25 = $ \$8.50 (1) Break-even point (units) = 205 700 / 8.50 = 24 200 units (1) Break-even (revenue) = 24 200 x 17.75 = \$429 550 (1)	(3)
Question	Answer AO2 (2)	Mark
5(b)	Margin of safety (units) = $30\ 000 - 24\ 200 = 5\ 800\ units$ (1) Margin of safety (%) = $\frac{5\ 800}{30\ 000}$ x 100 = 19.33% (1)	(2)
Question	Answer AO2 (6)	Mark
5(c)	 Marks should be awarded for the following features on the profit-volume chart: Vertical axis correctly labelled and numbered (1) words profit and loss (+ or -) must appear Horizontal Axis correctly labelled and numbered (1) sales or output is acceptable 1 mark for line clearly identified as RB53 1 mark for line clearly identified as ZX68 RB53 break-even point identified at 24 200 units and ZX68 break-even point identified at 30 000 units is shown as \$49 300 and ZX68 profit at 30 000 units is shown as \$75 600 (1) 	(6)
Question	Answer AO4 (3) AO5 (2)	Mark
5(d)	 Answers may include: RB53 - In Favour: The forecast of sales being 30 000 is fairly certain / demand for the ZX68 is only an estimate (1) - so Pandora knows that it will be making a profit if it continues to produce RB53 / it may make a loss on ZX68 if their forecasts are wrong (1). The fixed costs from producing RB53 are lower (1) – Pandora may not wish to commit themselves to higher fixed costs by launching the new product (1). Pandora do not need to make changes to their production processes if they continue producing the RB53 (1) – any changes needed to make the ZX68 might be expensive/take time/lead to production problems (1). THREE maximum for only arguing case for RB53 ZX68 - In Favour: ZX68 will potentially yield more profit if 30 000 units are sold each month - \$75 600 vs \$49 300 (\$26 300 more) (1). The directors of Pandora want a profit of \$60 000 per month (1) – ZX68 could achieve this / RB53 cannot achieve this target (1). ZX68 has a lower break-even point (by 950 units) – this suggests that this product would make it easier to make a profit / avoid losses (1). ZX68 has a higher margin of safety (6 750 units or 22.50%) – if sales are lower than expected, it is less likely to make a loss (1). Three maximum for only arguing case for ZX68 	(5)
	Total for Ouestion 5 = 16 ma	rks

Total for Paper= 100 marks