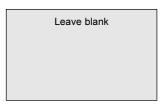
Surname			Othe	r Names				
Centre Nur	nber				Candid	ate Number		
Candidate Signature								



General Certificate of Education January 2004 Advanced Subsidiary Examination ACA ASSESSMENT and

ALLIANCE

ACCOUNTING ACC4
Unit 4: Introduction to Accounting for

**Management and Decision-making** 

Wednesday 14 January 2004 Afternoon Session

No additional materials are required.
You may use a calculator.

Time allowed: 1 hour

#### **Instructions**

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer all questions in the spaces provided.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in this book. Cross through any work you do not want marked.

#### **Information**

- The maximum mark for this paper is 80. This includes up to 4 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

For Examiner's Use				
Number	Mark	Number	Mark	
1				
2				
3				
4				
5				
Total (Column	1)	-		
Total (Column	Total (Column 2)			
Quality of Written Communication				
TOTAL				
Examine	r's Initials			

G/M130801/JAN04/ACC4 6/6/6/ **ACC4** 

## Answer all questions in the spaces provided.

#### 1

#### Total for this question: 14 marks

Tracey Kent owns a photographer's studio. Each portrait sells for £38 and costs £12 to produce. Unfortunately, for the year ending 30 November 2004 her fixed overheads are expected to rise from the previous year's figure of £42 250 to £52 000.

REQ	UIRE	D
(a)	State	the formula used to calculate the number of portraits required to break even.
	••••••	(1 mark)
(b)	Calcu	alate the number of portraits required to break even for:
	(i)	the year ended 30 November 2003;
		(2 marks)
	(ii)	the year ending 30 November 2004.
		(2 marks)
(c)		alate the required change in selling price for the year ending 30 November 2004, if Tracey es to maintain the same level of break-even as that for the year ended 30 November 2003.
	•••••	
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	••••
(5 mar	·ks)



TURN OVER FOR THE NEXT QUESTION

2

## Total for this question: 15 marks

Ali Ahmet's books show the following information for the past two years.

	For the year ended	For the year ended
	31 October 2002	31 October 2003
	£	£
Sales	12 000	18 000
Opening stock	1 700	2 400
Purchases	6 100	9 460
Closing stock	(2 400)	(3 300)
Gross profit	6 600	9 440
Overheads	(1 200)	(2600)
Net profit	5 400	6 840

REQ	UIRED
(a)	Calculate the net profit margin for <b>each</b> of the two years. State the formula used.
	Formula
	(1 mark)
	Calculation as at 31 October 2002
	(1 mark)
	Calculation as at 31 October 2003
	(1 mark)

(b)	Calculate the mark-up for <b>each</b> of the two years. State the formula used.	
	Formula	
		(1 mark)
	Calculation as at 31 October 2002	
		(1 mark)
	Calculation as at 31 October 2003	
		(1 mark)
(c)	Calculate the rate of stock turnover for <b>each</b> of the two years. State the formula	
	Formula	
		(1 mark)
		(1 mark)
	Calculation as at 31 October 2002	
		(1 mark)
		(1 mark)

# QUESTION 2 CONTINUES ON THE NEXT PAGE

(d)	Comment on the results obtained in parts (a), (b) and (c) above.
	(6 marks)

 $\left(\frac{15}{15}\right)$ 

## Total for this question: 20 marks

The trading and profit and loss account for the year ended 31 March 2003 for Potter and Son Ltd was:

£	£
	4 000 000
120 000	
2 540 000	
(200000)	
	(2460000)
	1 540 000
	$(1\ 080\ 000)$
	460 000
	2 540 000

Additional information for the year ending 31 March 2004:

- 1 The unit selling price will *decrease* by 15%. This is expected to *increase* the number of sales units by 25%.
- 2 The supplier will give a discount of 10% on last year's price.
- 3 The ratio of units of closing stock to sales units will be the same in both years. Closing stock is to be valued at the cost price for the year.

3

REQ	UIRED
(a)	Prepare the forecast trading and profit and loss account for Potter and Son Ltd for the year ending 31 March 2004.
	(16 marks)

(b)	Explain <b>two</b> benefits to Potter and Son Ltd of preparing a forecast trading and profit and loss account.
	Benefit 1
	Benefit 2
	(4 marks)
	· · · · · · · · · · · · · · · · · · ·

 $\left(\frac{1}{20}\right)$ 

Total for this question: 14 marks

Which Direction Ltd produces compasses that sell for £20 each.

The following costs relate to the six months ended 31 December 2003, when 5000 compasses were produced and sold.

£

Direct labour 23 000
Direct materials 35 000
Other direct costs 21 000

Of the other direct costs £12 000 are fixed costs.

4

ZQ	UIRED
)	Distinguish between direct and indirect costs.
	(2 mar
)	Calculate the marginal cost of one compass.
	(5 mar
)	Prepare a marginal costing statement for the six months ended 31 December 2003. Show total contribution and the profit for the period.
	(5 mar

(d)	Explain <b>one</b> advantage of producing a marginal costing statement.
	(2 marks)
	Total for this question: 13 marks
Oxide plc is a company producing chemicals.	
The d	irectors achieved a substantial increase in this year's dividend by cutting expenditure in health afety.
REQ	UIRED
Write a report to the Board of Directors of Oxide plc discussing the implications of the directors' actions for the shareholders, employees and the local community.	
То:	
From:	
	et:
Subje	(Report headings: 1 mark)
Share	holders



5

Employees
Local community
(12 marks)



# END OF QUESTIONS