

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education
January 2004
Advanced Subsidiary Examination



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			
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Total (Column 1)	→		
Total (Column 2)	→		
Quality of Written Communication			
TOTAL			
Examiner's Initials			

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.

REQUIRED

(a) State the formula used to calculate the number of portraits required to break even.

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(1 mark)

(b) Calculate the number of portraits required to break even for:

(i) the year ended 30 November 2003;

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(2 marks)

(ii) the year ending 30 November 2004.

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(2 marks)

(c) Calculate the required change in selling price for the year ending 30 November 2004, if Tracey wishes to maintain the same level of break-even as that for the year ended 30 November 2003.

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(4 marks)

(d) Evaluate this change in selling price. Is there any alternative action that Tracey could take?

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(5 marks)

14

TURN OVER FOR THE NEXT QUESTION

Turn over ►

2

Total for this question: 15 marks

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

	For the year ended 31 October 2002	For the year ended 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	<u>6 600</u>	<u>9 440</u>
Overheads	(1 200)	(2 600)
Net profit	<u><u>5 400</u></u>	<u><u>6 840</u></u>

REQUIRED

- (a) Calculate the net profit margin for **each** of the two years. State the formula used.

Formula

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(1 mark)

Calculation as at 31 October 2002

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(1 mark)

Calculation as at 31 October 2003

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(1 mark)

(b) Calculate the mark-up for **each** of the two years. State the formula used.

Formula
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(1 mark)

Calculation as at 31 October 2002
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(1 mark)

Calculation as at 31 October 2003
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(1 mark)

(c) Calculate the rate of stock turnover for **each** of the two years. State the formula used.

Formula
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(1 mark)

Calculation as at 31 October 2002
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(1 mark)

Calculation as at 31 October 2003
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(1 mark)

QUESTION 2 CONTINUES ON THE NEXT PAGE

Turn over ►

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

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(6 marks)

3

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:

	£	£
Sales (250 000 units)		4 000 000
Opening stock (16 000 units)	120 000	
Purchases (254 000)	2 540 000	
Closing stock (20 000 units)	<u>(200 000)</u>	
Cost of goods sold		<u>(2 460 000)</u>
Gross profit		1 540 000
Overheads		<u>(1 080 000)</u>
Net profit		<u>460 000</u>

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.
- 4 The overheads are expected to increase by 6.25%.

(b) Explain **two** benefits to Potter and Son Ltd of preparing a forecast trading and profit and loss account.

Benefit 1

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Benefit 2

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(4 marks)

20

4

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.

REQUIRED

(a) Distinguish between direct and indirect costs.

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(2 marks)

(b) Calculate the marginal cost of one compass.

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(5 marks)

(c) Prepare a marginal costing statement for the six months ended 31 December 2003. Show the total contribution and the profit for the period.

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(5 marks)

Turn over ►

(d) Explain **one** advantage of producing a marginal costing statement.

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(2 marks)

14

5

Total for this question: 13 marks

Oxide plc is a company producing chemicals.

The directors achieved a substantial increase in this year's dividend by cutting expenditure in health and safety.

REQUIRED

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.

To:

From:

Date:

Subject:

(Report headings: 1 mark)

Shareholders

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Employees

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Local community

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(12 marks)

13

END OF QUESTIONS