

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education
 January 2005
 Advanced Subsidiary Examination



ACCOUNTING **ACC4**
Unit 4 Introduction to Accounting for Management and Decision-making

Friday 14 January 2005 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			
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: 20 marks

The following information relates to Aaron and Associates Ltd as at 31 December 2004.

	£
Ordinary shares of £1 each	200 000
Share premium	40 000
Retained earnings as at 31 December 2004	140 000

During the next financial year the business intends to expand.

The directors are considering two proposals to raise finance:

- Proposal 1 – to issue 100 000 ordinary shares of £1 each at a price of £2.20 per share
or Proposal 2 – to arrange a long-term bank loan of £160 000 and an overdraft of £60 000.

The forecast net profit for the year ending 31 December 2005 is £30 000.

REQUIRED

- (a) State the formula used to calculate the Return on Capital Employed (ROCE).

.....

 (1 mark)

- (b) Calculate the Return on Capital Employed (ROCE) for **each** of the proposals.

Proposal 1

 Proposal 2

 (8 marks)

(c) Write a report to an existing ordinary shareholder of Aaron and Associates Ltd analysing the effects of **each** proposal.

Report

To:

From:

Date:

Subject:

(Report headings: 1 mark)

Proposal 1

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Proposal 2

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(10 marks)



Turn over ▶

2

Total for this question: 34 marks

Corinne Kent plc manufactures two products, A110 and B220.

Information for the two months ending 31 March 2005 is expected to be:

	A110	B220
Purchases – February (units)	1000	1600
– March (units)	600	1800
Opening stock as at 1 February 2005 (units)	200	300
Cost price	£20	£15
Sales units per month as a percentage of total stock available	80%	70%
Mark-up on cost	50%	100%

REQUIRED

(a) Prepare a sales budget for the two months ending 31 March 2005 for **each** of the products.

Sales budget for Corinne Kent for the two months ending 31 March 2005

(i) Show the number of sales units for each month.

	February units	March units
A110		
B220		

Workings

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(10 marks)

(ii) Show the monthly sales value.

	February £	March £
A110		
B220		

Workings

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(6 marks)

(b) Prepare a balance sheet extract to show the forecast stock for **each** product as at 31 March 2005.

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Workings

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(7 marks)

(c) State the formula used to calculate the rate of stock turnover.

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(1 mark)

QUESTION 2 CONTINUES ON THE NEXT PAGE

Turn over ►

(d) Calculate the rate of stock turnover for **each** product for March 2005.

Rate of stock turnover for A110

Workings

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Rate of stock turnover for B220

Workings

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(8 marks)

(e) Briefly explain the relationship between a sales budget and a master budget.

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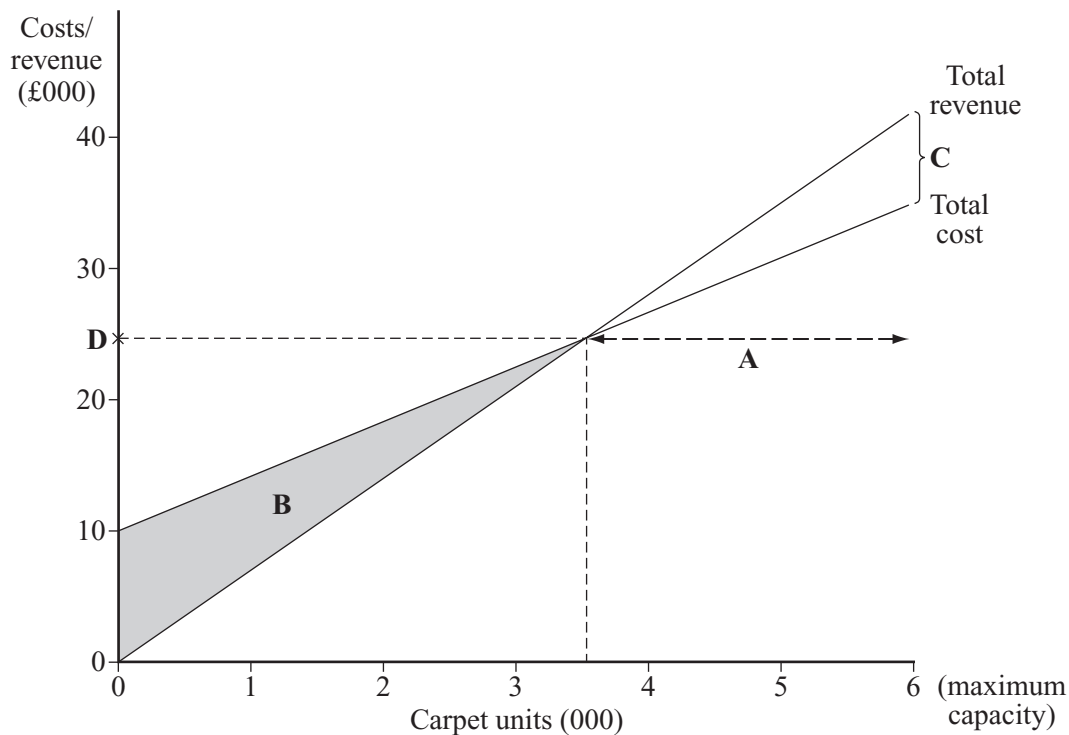
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(2 marks)

3

Total for this question: 6 marks

Ruggs Carpets Ltd
Forecast break-even graph for the month of February 2005



REQUIRED

(a) From the above graph, identify what **each** letter shows:

- A
- B
- C
- D

(4 marks)

(b) Explain **one** disadvantage of using a break-even graph to identify the break-even point.

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(2 marks)

6

Turn over ►

4

Total for this question: 16 marks

Zhang Ltd produces a product with a current contribution of £35 per unit. Sales are 40 000 units each year.

Zhang Ltd is considering purchasing 25 000 units from an overseas supplier, which would decrease the variable costs and thereby increase contribution per unit by 15%. Unfortunately, it would also mean that a factory would have to be closed, with a loss of many jobs. The remaining units would continue to be produced by Zhang Ltd.

REQUIRED

(a) Explain the term “contribution”.

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(2 marks)

(b) Calculate the percentage increase in **total** contribution if the overseas supplier is used.

The percentage increase is

Workings

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(6 marks)

(c) Explain **two** disadvantages of using an overseas supplier.

Disadvantage 1

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Disadvantage 2

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(8 marks)

END OF QUESTIONS

16

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