Surname	Other N	Names			
Centre Number	Candidate Number				
Candidate Signature					



General Certificate of Education June 2005 Advanced Subsidiary Examination

ASSESSMENT and QUALIFICATIONS

ALLIANCE

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

Wednesday 8 June 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	Examiner's Initials		

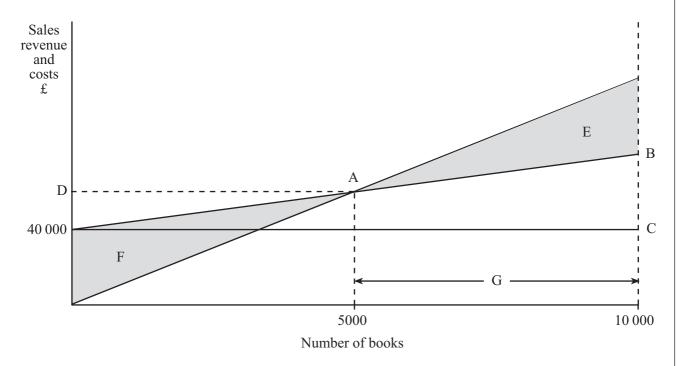
G/J141411/S05/ACC4 6/6/6 ACC4

Answer all questions in the spaces provided.

1

Total for this question: 17 marks

The following break-even graph relates to Bungay Books Ltd, for the year ending 31 December 2004.



Additional information

The selling price is £15 per book.

REQUIRED					
(a)	Identify each of the following shown in the graph.				
	A				
	В				
	C				
	D				
	Area E				
	Area F				
	G				
	(7 marks)				

(b)	(i)	Calculate the value indicated at point D on the graph.
		(3 marks)
	(ii)	Calculate the marginal cost per unit .
		(5 marks)
	(iii)	Calculate the contribution per unit .
		(2 marks)



TURN OVER FOR THE NEXT QUESTION

Total for this question: 21 marks

Mobley-Mad Ltd sel	ls mobile phones.	
The following inform	nation is available for the last two years.	
Stock	As at 31 March 2004 £ 14 000 For year ended 31 March 2004	As at 31 March 2005 £ 8000 For year ended 31 March 2005
Purchases Sales	£ 120 000 260 000	£ 140 000 310 000
REQUIRED		
(a) Calculate the r	rate of stock turnover for the year ended	31 March 2005. State the formula used.
Formula		
Stock turnover	-	
Workings		
		(5 marks)
(b) Calculate the g	gross profit for the year ended 31 March	2005.
		(3 marks)

2

(c)	Calculate the gross profit margin for the year ended 31 March 2005. State the formula used.
	Formula
	Gross profit margin
	Workings
	(4 marks)
(d)	Explain three limitations of using ratio analysis when assessing the performance of Mobley-Mad Ltd.
	Limitation 1
	Limitation 2
	Limitation 3
	(9 marks,



3

Total for this question: 28 marks

Carolanne wishes to open up a launderette. She is applying for an overdraft facility and the bank requires a cash budget for the first four months of business.

The following information is available.

- 1. She intends to start her business with £2000 in the business bank account.
- 2. The launderette will open 24 days a month.
- 3. Sales will be:

Month 1 200 washes

Months 2 and 3 400 washes per month

Month 4 700 washes

Carolanne charges £2 per wash and £1 for drying. 80% of washes will be dried on the premises.

- 4. In months 1, 2 and 3, advertising costs will be £30 per month.
- 5. In month 4, she will employ a part-time assistant at an expected cost of £20 per morning.
- 6. Washing powder and other washing materials will cost £15 per day.
- 7. The launderette's fixed costs will be £300 per month.
- 8. The total cost of the washing machines and dryers will be £18 000. These costs will be paid for in equal monthly instalments over two years.
- 9. Each month, Carolanne will withdraw for personal use £150 or 10% of the gross monthly revenue, whichever is the greater amount.

REQUIRED

(a) Prepare a cash budget for Carolanne for each of the first four months.

Cash budget for Carolanne for four months

Month 1 £	Month 2 £	Month 3 £	Month 4 £

(22 marks)

(b)	Explain two benefits to Carolanne of drawing up this cash budget.
	Benefit 1
	Benefit 2
	(6 marks)



TURN OVER FOR THE NEXT QUESTION

1

Total for this question: 10 marks

Kenrick Manufacturing Ltd is located in a rural area. The company hopes to increase the speed of its production process by the introduction of an expensive, technologically advanced machine. To cover the cost of this machine, the company proposes to offer a redundancy package to its entire manufacturing staff over the age of 50 years. The proposed redundancies would reduce annual manufacturing wages by 30%.

REQUIRED
Write a report to the managing director of Kenrick Ltd explaining three other factors which need to be considered before any redundancies are made.
To:
From:
Date:
Subject:
Factor 1
(3 marks)
Factor 2
(3 marks)
Factor 3
(3 marks)

