Surname		Other Names	
Centre Number			Candidate Number		
Candidate Signature				

General Certificate of Education
January 2006
Advanced Subsidiary Examination

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

AQA
ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Wednesday 11 January 2006   9.00 am to 10.00 am

| **You will need no other materials.** |
| 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.
- Answer the 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
- You are reminded of the need for good English and clear presentation in your answers. Some questions involve only numerical work; all other questions should be answered in continuous prose. Quality of Written Communication will be assessed in all prose answers.
- The maximum mark for this paper is 80.
  4 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.

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

ACC4

Answer **all** questions in the spaces provided.

Total for this question: 30 marks

1 Eddie Kain is the chairman of EDE Electricals Ltd, the main employer in a rural town. He has produced the following break-even graph.
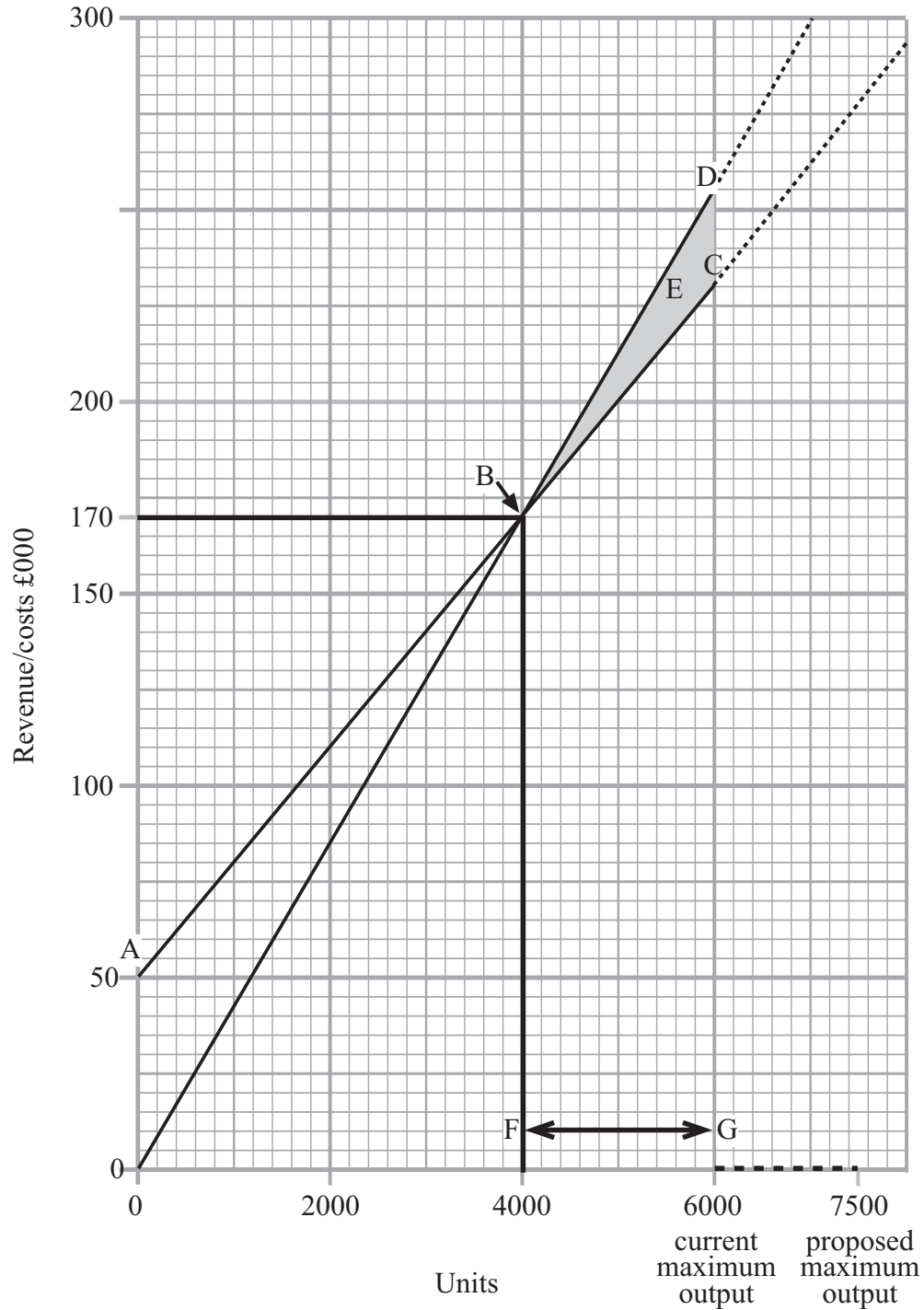
In order to increase maximum output by 25%, Eddie is proposing to automate the factory. This will increase the fixed costs by 50%.

REQUIRED

(a) Identify the following from the graph.

Line **A**–**C** ....

Point **B** ....

Line **O**–**D** ....

Area **E** ....

Line **F**–**G** ....

(5 marks)

(b) Calculate the selling price if the variable cost is £30 per unit.

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(4 marks)

(c) Calculate the profit if the maximum output is produced and sold:

(i) with the original fixed costs;

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(4 marks)

(ii) with the increased fixed costs.

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(5 marks)

Question 1 continues on the next page

Turn over ▶

Eddie Kain is concerned about the proposed fall in profitability. The automated factory requires a smaller workforce and he proposes to make all manual staff over the age of 55 redundant. The remaining staff will need to be retrained.

REQUIRED

(d) Discuss the effects of Eddie's proposal on:

   (i) the labour force;

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   (6 marks)

   (ii) the company's competitors.

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   (6 marks)

30

Turn over for the next question

Total for this question: 21 marks

2 | Mark Maxmus Ltd is the sole manufacturer of the MxMs.

The company currently produces 400 units a month.

The direct costs per unit are:

		£
Materials	(2 metres @ £3 per metre)	6
Labour	(2 hours @ £8 per hour)	16

The total indirect fixed costs for each month are £2840.

The selling price is always set at 120% of the total cost per unit.

If production exceeds 500 units in any one month, overtime will be paid at a rate of £10 per hour for each extra hour.

The company has received an order from a new customer. This order will increase total production for each of the following months to 560 units.

REQUIRED

(a) Distinguish between direct costs and indirect costs.

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(2 marks)

(b) Calculate the total cost **per unit** if the order is accepted and 560 units are produced.

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(10 marks)

(c) Calculate the change between the new selling price and the original selling price.

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(7 marks)

(d) Explain **one** effect of this change in selling price on the company's present customers.

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(2 marks)

21

Turn over ▶

Total for this question: 25 marks

3 Robert Adams owns a business manufacturing footballs. At the start of the current year, he introduced a system of budgetary control.

The business operates over 13 four-week periods with five working days in each week.

The sales for the first three periods of the current year were as follows:

	Period 1	**Period 2**	**Period 3**
Footballs (units)	13 600	12 400	12 000

Sales for period 4 are expected to be 10 800 footballs at a selling price of £1 per football.

The stock at the start of period 1 was 3400 footballs. It is the policy of the business to maintain closing stock of footballs at a level which is sufficient to cover five days of the next period's sales.

REQUIRED

(a) Prepare the production budget in units for each of the periods 1–3.

Production budget for Robert Adams for Periods 1–3

	Period 1 units	**Period 2 units**	**Period 3 units**

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(10 marks)

(b) Calculate the number of footballs lost during periods 1–3 if, by the end of period 3, there are only 2500 footballs in stock.

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(3 marks)

(c) Explain **two** limitations of introducing a system of budgetary control.

Limitation 1 ....

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Limitation 2 ....

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(4 marks)

Question 3 continues on the next page

Turn over ▶

For periods 1–3, debtors as a percentage of sales was 14%. In an attempt to increase sales, the debtors' collection period is to be increased to 55 days from period 4 onwards.

REQUIRED

(d) Calculate the debtors' collection period for periods 1–3. State the formula used.

Formula ....

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(1 mark)

Calculation ....

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(3 marks)

(e) Explain how the debtors' collection period could be increased and what effect the proposed increase could have on the cash or bank balances.

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(4 marks)

25

END OF QUESTIONS

Turn over ▶

There are no questions printed on this page