

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use

General Certificate of Education
 January 2008
 Advanced Subsidiary Examination



ACCOUNTING

ACC4

Unit 4 Introduction to Accounting for Management and Decision-making

Thursday 10 January 2008 9.00 am to 10.00 am

<p>You will need no other materials. You may use a calculator.</p>
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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 to be marked.

Information

- The maximum mark for this paper is 80.
 Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

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

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

Total for this question: 18 marks

1

Sid owns a business in a seaside resort. He sells greetings cards.

On average each card costs 50p to buy and is sold for £1.20.

The annual business fixed costs are £110 000.

Sid has set a target profit for the year of £30 000.

REQUIRED

(a) Calculate the contribution per greetings card.

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(3 marks)

(b) Calculate the number of greetings cards which Sid needs to sell to achieve the target profit of £30 000. State the formula used.

Formula

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(1 mark)

Calculation

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(4 marks)

Unfortunately, Sid's supplier decides to increase the cost of the greetings cards by 30%.

REQUIRED

- (c) Calculate the number of **extra** greetings cards which Sid would need to sell to maintain a target profit of £30 000 following the increase in cost per card.

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(6 marks)

Question 1 continues on the next page

Turn over ►

Sid does not believe that the business can sell the **extra** greetings cards in the seaside resort.

REQUIRED

- (d) Advise Sid of **two** methods by which the business could maintain profit levels without selling the extra greetings cards.

Method 1

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(2 marks)

Method 2

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(2 marks)

18

Turn over for the next question

Turn over ►

Total for this question: 14 marks

2

A company produces one product.

The production costs for **ten** units are:

	£
Material costs (£4 per metre)	120
Labour costs (£16 per hour)	240

Overtime at £20 per hour will be paid for any **extra** production over 1000 units.

Other manufacturing costs for the **ten** units are £4200, of which £500 are semi-variable and the remainder are fixed.

REQUIRED

(a) Complete the following table.

Units produced	500	1200
	£	£
Material costs		
Labour costs		
Semi-variable costs		
Fixed costs		
Total production costs		

(10 marks)

Workings

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- (b) Explain why it is important for the managers of a business to understand the difference between variable and fixed costs when drawing up a budgeted profit and loss account and other financial statements.

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(4 marks)

14

Turn over for the next question

Turn over ►

Total for this question: 44 marks**3**

Leigh Ltd manufactures ready-made meals which contain high amounts of saturated fats.

The trading, profit and loss account for Leigh Ltd for the year ended 31 March 2007 was as follows.

	£	£
Sales (12 000 units)		360 000
Opening stock (2000 units)	40 000	
Purchases (14 000 units)	210 000	
Closing stock (4000 units)	<u>(60 000)</u>	
Cost of sales		<u>(190 000)</u>
Gross profit		170 000
Production costs	95 000	
Non-production fixed costs	<u>70 000</u>	
		<u>(165 000)</u>
Net profit		<u><u>5 000</u></u>

The business expects the following changes to occur during the year ending 31 March 2008.

- (1) Sales should increase by 25% following an aggressive advertising campaign and a decrease in price of 5% per unit.
- (2) The advertising campaign should cost £8000.
- (3) Unfortunately, the supplier has increased his costs by 10%, but the purchasing manager of Leigh Ltd has been able to arrange a discount of 2% by buying in bulk.
- (4) Closing stock is to be 20% of the total annual sales units.
- (5) Production costs are expected to rise to £110 000.

Workings

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(b) Calculate the following for the year ending 31 March 2008 and the year ended 31 March 2007.

	2008		2007
Gross profit margin
	<i>Workings</i>		

			<i>(4 marks)</i>

	2008		2007
Net profit in relation to turnover (net profit margin)
	<i>Workings</i>		

			<i>(4 marks)</i>

	2008		2007
Rate of stock turnover
	<i>Workings</i>		

			<i>(4 marks)</i>

