



General Certificate of Education
Advanced Level Examination
June 2012

Accounting

ACCN4

Unit 4 Further Aspects of Management Accounting

Monday 18 June 2012 9.00 am to 11.00 am

For this paper you must have:

- an AQA 12-page answer book
- a calculator.

Time allowed

- 2 hours

Instructions

- Use black ink or black ball-point pen.
- Write the information required on the front of your answer book. The **Examining Body** for this paper is AQA. The **Paper Reference** is ACCN4.
- Answer **all** questions.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Do all rough work in your answer book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
Four of these marks will be awarded for:
 - using good English
 - organising information clearly
 - using specialist vocabulary where appropriate.

Answer **all** questions.

Task 1**Total for this task: 9 marks**

Xenox Ltd is a small limited company. It has two directors, Justin and Seeta.
Justin believes that the highest priority for the company is to reach its break-even point.
Seeta disagrees. She believes that having sufficient liquid funds is more important.

0 | 1 Define the terms 'break-even point' and 'liquid funds'. (2 marks)

0 | 2 Do you agree with Justin or Seeta? Give reasons for your choice. (7 marks)

Task 2**Total for this task: 13 marks**

The following information is available for the manufacturing business owned by Lily Jones for the year ended 31 March 2012.

	£
Draft manufacturing profit for the year	78 420
Inventory (stock) of finished goods at cost at 1 April 2011	12 600
Increase in provision for unrealised profit	840

Lily believes that she can record the inventory (stock) of finished goods in her financial statements at cost plus a mark-up of 20%.

- 0 3** Prepare an extract from the income statement (trading and profit and loss account) for the year ended 31 March 2012 to show the necessary adjustment to manufacturing profit to account for unrealised profit. *(2 marks)*
- 0 4** Calculate the value of the inventory (stock) of finished goods held at 31 March 2012. *(3 marks)*
- 0 5** Prepare an extract from the balance sheet at 31 March 2012 to show how the inventory (stock) of finished goods is recorded. *(4 marks)*
(includes 1 mark for quality of presentation)
- 0 6** Explain to Lily why it is necessary to adjust for unrealised profit in the financial statements. *(4 marks)*

Turn over for the next task

Turn over ►

Task 3**Total for this task: 35 marks**

R H Wheels Ltd manufactures steering wheels. Each steering wheel sells at full cost plus 40%.

The standard cost per steering wheel is:

direct materials: 1.27 kilos at £21 per kilo

direct labour: 4 hours and 20 minutes at £21 per hour.

Annual production is expected to be 45 000 steering wheels.

Annual fixed overheads of £780 000 are absorbed per direct labour hour.

0 | 7

Calculate the standard selling price per steering wheel.

(6 marks)

During the year ended 31 December 2011, production was 54 000 steering wheels.

The actual direct labour cost was £6 600 000 for 275 000 hours.

0 | 8

Calculate the direct labour rate variance.

(2 marks)

0 | 9

Calculate the direct labour efficiency variance.

(2 marks)

The directors of *R H Wheels Ltd* are considering using robots on the production line to reduce the direct labour costs.

The robots will cost £8 000 000 and are expected to be operational for 10 years, at the end of which there is no expected residual value.

Additional information

- (1) Production and sales are expected to be a minimum of 54 000 steering wheels per year.
- (2) The full direct cost per steering wheel is expected to be £120.
- (3) It is expected that 140 members of the production staff will be made redundant at the start of year 1 at a cost of £876 000.
- (4) Annual maintenance costs of the robots are expected to be £80 000, increasing to £130 000 from year 3.
- (5) Other fixed overheads are expected to be £780 000 per year, increasing to £926 000 from year 4.
- (6) The selling price is expected to be £175 per steering wheel, increasing to £192 per steering wheel from year 4.

1 0

Calculate the payback period (in years and months) of the purchase of the robots.

(11 marks)

1 1

Write a report to the directors of *R H Wheels Ltd* recommending whether the purchase of robots should go ahead. Make reference to both financial and non-financial considerations in your recommendation.

(14 marks)

(includes 2 marks for quality of written communication)

Turn over for the next task

Turn over ►

Task 4**Total for this task: 33 marks**

Stuart Turner owns a factory manufacturing three types of wallpaper: Patterned, Striped and Plain.

The following information is available for the three types of wallpaper.

	Patterned	Striped	Plain
	£	£	£
Selling price per roll	42	36	28
Direct materials (£6 per metre)	18	15	12
Direct labour (£12 per hour)	12	9	6
Expected annual demand (rolls)	100 000	80 000	60 000

The factory is operational for 13 periods a year, with each period consisting of 4 weeks.

The staff work a daily 10 hour shift, 5 days a week. Stuart currently employs 50 staff.

The business is operating at full capacity but demand cannot be fully satisfied due to the limited labour hours.

Fixed overheads are £1 800 000 per annum.

1 | 2

Prepare a contribution statement showing the maximum profit achievable with the limited labour hours available. (13 marks)

(includes 1 mark for quality of presentation)

Stuart wishes to meet total demand for all three types of wallpaper. He has two options.

Option 1: Employ part-time staff during the winter periods when demand is at a seasonal peak. The part-time staff will be paid £8 per hour.

Option 2: Buy in the deficit stock: Patterned at £36 per roll; Striped at £30 per roll; and Plain at £24 per roll.

1 | 3

Calculate the annual profit/loss if the part-time staff are employed. (7 marks)

1 | 4

Calculate the annual profit/loss if the deficit stock is bought in. (6 marks)

1 | 5

Recommend which option Stuart should use to meet total demand. Give reasons for your choice. (7 marks)

END OF QUESTIONS

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