

Centre No.						Paper Reference					Surname	Initial(s)	
Candidate No.						6	0	0	2	/	0	1	Signature

Paper Reference(s)

6002/01

London Examinations GCE
Accounting (Modular Syllabus)
Advanced Subsidiary/Advanced Level
Unit 2: Corporate and Management Accounting

Friday 15 June 2007 – Morning

Time: 3 hours

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
3	
4	
5	
6	
7	
Total	

Materials required for examination
Nil

Items included with question papers
Source booklet

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature. Answer FIVE questions, choosing TWO from Section A and THREE from Section B. Indicate which question you are answering by marking the box (X). If you change your mind, put a line through the box (X) and then indicate your new question with a cross (X). All calculations must be shown. Write your answers in the spaces provided in this question paper. Do not return the insert with the question paper.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). There are 7 questions in this question paper. The total mark for this paper is 100. There are 20 pages in this question paper. Any blank pages are indicated. Calculators may be used. **The source material for use with questions 1 to 7 is in the enclosed source booklet.**

Advice to Candidates

Write your answers neatly and in good English.

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Turn over



SECTION A

Answer TWO questions from this section

If you answer question 1, put a cross in this box (☑).

Source material for use with question 1 can be found on pages 2 and 3 of the source booklet

- 1. (a) Prepare the journal entries to show how items (i) to (vi) would be recorded in the books of HearU plc. (Dates and narratives are not required.)

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(9)



(c) Calculate the gearing ratio for HearU plc on 1 April 2007, clearly stating the formula used.

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(4)

(d) Evaluate the decision of the directors to redeem the ordinary shares.

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(6)

(Total 26 marks)

Q1

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If you answer question 2, put a cross in this box (☒).

Source material for use with question 2 can be found on pages 4 and 5 of the source booklet

- 2. (a) Prepare the profit and loss account for Achilles plc for the year ended 31 March 2007, using format 1 as required by the Companies Act 1985. You must show all workings clearly labelled in arriving at your figures to be shown in the published profit and loss account.

Note:

- There is no need to show any of the notes required by the Companies Act 1985.
- Ignore all the exemptions permitted for small and medium sized companies.

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(18)



The information given includes revenues and expenses for two bookshops run by Achilles plc. As part of its business plan, Achilles plc intends to close these two bookshops in the next financial year.

(b) (i) Explain how the closing of the two shops should be treated in the accounts for the year ended 31 March 2008.

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(2)

(ii) Evaluate the usefulness of this treatment to the users of the published accounts of Achilles plc.

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(6)

(Total 26 marks)

Q2

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If you answer question 3, put a cross in this box (☑).

Source material for use with question 3 can be found on pages 6 and 7 of the source booklet

3. (a) (i) Calculate the purchase price of The Looke Limited.

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..... (4)

(ii) State how many shares the members of The Looke Limited will receive in Feeling Good Limited.

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..... (1)



(b) In the books of Femme Fatale Limited, prepare the

(i) Realisation account.

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(4)

(ii) Sundry shareholders account.

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(4)



(d) Sharmin was a shareholder in Femme Fatale Limited. As Sharmin’s accountant, evaluate the merger on her behalf.

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(6)
(Total 26 marks)

Q3

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TOTAL FOR SECTION A: 52 MARKS



SECTION B

Answer THREE questions from this section

If you answer question 4, put a cross in this box ().

Source material for use with question 4 can be found on page 8 of the source booklet

- 4. (a)** Calculate the payback period for the new stand, showing your answer in years and months.

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(12)

(b) Evaluate whether the investment in the new stand is worthwhile.

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(4)

(Total 16 marks)

Q4

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If you answer question 5, put a cross in this box (☒).

Source material for use with question 5 can be found on page 9 of the source booklet

5. (a) Prepare calculations to show that a shortage of machine hours and not labour hours is the limiting factor in week 27.

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- (b) Calculate the optimum production that will give the maximum profit for week 27.

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(6)

(c) Calculate the forecast profit for week 27 at the optimum production level if fixed costs for week 27 are £2 500.

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(2)

(d) Evaluate the options available to Muritha with regard to the direct labour staff.

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(4)

(Total 16 marks)

Q5

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If you answer question 6, put a cross in this box (☒).

Source material for use with question 6 can be found on page 10 of the source booklet

- 6. (a) Construct a sales budget for each of the 6 months July to December. Within the total sales budget, show the forecast sales for the Jupiter, Neptune and Saturn bars.

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(4)

- (b) Construct a production budget for each of the 6 months July to December. Within the total production budget, show the forecast production for the Jupiter, Neptune and Saturn bars.

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(6)



(c) Construct a total stock budget for each of the 6 months July to December for chocolate crumb.

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(2)

(d) Evaluate the policy of Solar Chocolates plc of keeping stock to a minimum.

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(4)

(Total 16 marks)

Q6

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If you answer question 7, put a cross in this box (☒).

Source material for use with question 7 can be found on page 11 of the source booklet

7. (a) Prepare the flexible budget for a production of 6 600 saris.

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(3)

(b) Calculate, stating clearly the formula used, the:

(i) materials price variance;

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(3)

(ii) labour rate variance.

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(3)



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(c) Explain **three** possible causes of the materials price variance calculated in (b)(i).

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(3)

(d) Evaluate how accurately the management accountant has set the budget for April for Rainbow Limited.

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(4)

(Total 16 marks)

Q7

TOTAL FOR SECTION B: 48 MARKS

TOTAL FOR PAPER: 100 MARKS

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