GCE

Accounting

Advanced GCE

Unit **F014:** Management Accounting

Mark Scheme for January 2011

Oxford Cambridge and RSA Examinations

Any enquiries about publications should be addressed to:

Question Number	Expected Answer	Mark	Rationale

1 (a)	
	                              A B C
	Selling price 53 48 40
	Variable costs 35 28 26
	Contribution per unit 18(1) 20(1) 14(1)
	
	Contribution 18 20 14
	Limiting factor 1.2 1 0.8
	
	                            15 20 17.5
	Priority (2) 3rd 1st 2nd
	
	Machinist hours available 89,000
	B 30,000 x 1 (30,000) (1)
	                                       59,000
	C 40,000 x 0.8 (32,000) (1)
	                                       27,000
	A 22,500 x 1.2 (27,000) (2)
	
	Contribution B 20 x 30,000 600,000 (1)
	Contribution C 14 x 40,000 560,000 (1)
	Contribution A 18 x 22,500 405,000 (1)
	                                     1,565,000
	Fixed costs 800,000 (1)
	Profit 765,000 (1)
		[14]	**Must show contribution for mark.**
			
			Marks for correct priority.
			
			Allow marks against quantities.
			
			Marks for these values regardless of priority.

Question Number	Expected Answer				Mark	Rationale
(b)		A	B	C		
	Hours	1.2	1	0.8		
	x	8.50	8.50	8.50		
	New cost	10.20	8.50	6.80		
	Was	9.60	8.00	6.40		
	Increase	0.60	0.50	0.40		
	Contribution A	17.40 **(2)**	x 24,000	417,600 **(1)**		
	Contribution B	19.50 **(2)**	x 30,000	585,000 **(1)**		**Must show contribution per unit for (2).**
	Contribution C	13.60 **(2)**	x 40,000	544,000 **(1)**		
	Total contribution			1,546,600		
	Fixed costs			800,000 **(1)**		
	Profit			746,600 **(1)**		
					[11]	

Question Number	Expected Answer	Mark	Rationale
(c) *	<u>Option 1</u> This generates more profit **(1)**, however customer demand is not met **(1)**. If customers move to other suppliers **(1)**, then risk of business being lost **(1)**, and reputation may suffer **(1)**. If unable to produce to budget **(1)**, then less work for assembly department **(1)**, who may be made redundant **(1)**. Could some assembly department be retrained as machinists **(1)**, although need to ensure assembly department requirement can be met **(1)**. <u>Option 2</u> This generates less profit **(1)**, however the business is able to meet customer demands **(1)**. Competitors may react **(1)** and increase their wage rates **(1)**. Assembly workers may not be happy **(1)**, and may seek a similar wage increase **(1)**. All demands are estimates **(1)** and may not materialise **(1)**. Reasoned conclusion **(1).** **6 x 2 marks (max 8 marks for each option)** **(1 for point plus 1 for development)** **(12)** **QWC (2)**	**[14]**	**Allow movement in variable costs/contribution.**
	Total marks	**[39]**	

Question Number	Expected Answer	Mark	Rationale

2 (a)	**Contract Account**
	
	 Machinery b/d 600,000**(1)** Direct labour b/d 58,000**(1)**
	 Materials b/d 255,000**(1)** Sub contractors b/d 35,000**(1)**
	 Plant hire b/d 47,000**(1)** Profit provision b/d 90,000**(1)**
	 Direct labour 480,000**(1)** Cost to date c/d 3,379,000**(1)**
	 Materials 895,000**(1)**
	 Plant hire 255,000**(1)**
	 Sub contractors 820,000**(1)**
	 Architects fees 90,000**(1)**
	 Head office 120,000**(1)**
	        3,562,000 3,562,000
	 Cost to date b/d 3,379,000 Work certified 3,330,000**(1)**
	        Profit and Loss 49,000**(1)**
	       3,379,000 3,379,000
		[15]	**Allow totals.**
			 Marks for correct value with reasonable narrative.

(b)	Whole loss **(1)** should be written off to Profit and Loss Account **(1)**, in the period **(1)**. Application of Prudence concept **(1)**. **(3 x 1 mark)**	**[3]**	
(c)	The 10% retention provides an incentive **(1)** for satisfactory completion **(1)** of contract. It puts the customer in a stronger position **(1)** if faulty work **(1)** is subsequently found **(1)**. **(3 x 1 mark)**	**[3]**	
	Total marks	**[21]**	

Question Number	Expected Answer	Mark	Rationale
3 (a) (i)	<u>Standard Cost</u> Wood 700 x 4 x 5 14,000 Paint 200 x 6.50 x 5 6,500 Labour 300 x 8 x 5 12,000 Variable overheads 300 x 2 x 5 3,000 Fixed overheads 300 x 5 x 5 <u>7,500</u> Total standard cost <u>43,000</u>**(2)** Per unit <u>43,000</u> = 86**(1)** 500	**[3]**	**Must allow total standard cost for (2).**
(ii)	<u>Actual Cost</u> Wood 3,600 x 3.95 14,220 Paint 950 x 6.60 6,270 Labour 1,550 x 8.10 12,555 Variable overheads 2,955 Fixed overheads <u>7,500</u> Total actual cost <u>43,500</u>**(2)** Per unit <u>43,500</u> = 87**(1)** 500	**[3]**	**Must show total standard cost for (2).**

Question Number	Expected Answer	Mark	Rationale
(b) (i)	MPV (wood) (4 – 3.95)3,600 = 180(F)**(2)** (paint) (6.50 – 6.60)950 = 95(A)**(2)**	**[4]**	• **2 for correct value with correct A/F** **1 for correct value with no A/F or incorrect A/F** • **All other responses 0.**
(ii)	MUV (wood) [(700 x 5) – 3,600]4 = 400(A)**(2)** (paint) [(200 x 5) – 950]6.50 = 325(F)**(2)**	**[4]**	
(iii)	LRV (8 – 8.10)1,550 = 155(A)**(2)**	**[2]**	
(iv)	LEV [(300 x 5) – 1,550]8 = 400(A)**(2)**	**[2]**	
(v)	TVO (3,000 – 2,955) = 45(F)**(1)**	**[1]**	• **1 for correct value with F**
(vi)	TFO (7,500 – 7,500) = 0**(1)**	**[1]**	• **1 for 0**

Question Number	Expected Answer	Mark	Rationale
(c)	Wood: Cheaper material **(1)**, inferior quality **(1)** and using more **(1)**. Paint: More expensive material **(1)**, better quality **(1)** and using less **(1)**. **(2 x 2 marks)** **(1 for point plus 1 for development)**	**[4]**	**Must relate to each material, rather than general.**
(d)	Allows management by exception **(1)**. By studying variances management attention is directed **(1)** towards those areas **(1)**, which are not proceeding to plan **(1)**. Variance analysis enables comparison **(1)** of actual and predetermined standards **(1)**. Management can be held responsible **(1)** for those variances under its control **(1)**. Aid to pricing **(1)**, product and price policies can be formulated **(1)**, before production takes place **(1)**. Prices can be based on standard costs **(1)**. **(2 x 3 marks)** **(1 for point plus up to 2 for development)**	**[6]**	**Best two benefits.**
	Total marks	**[30]**	

Question Number	Expected Answer	Mark	Rationale

4 (a)*	Marginal Costing
	
	                  2008 2009 2010
	Sales 209,000**(1)** 237,500**(1)** 261,000**(1)**
	O/stock - 10,000 22,000
	Var costs 200,000 220,000 270,000
	                 200,000 230,000 292,000
	C/stock 10,000**(1)** 22,000**(1)** 54,000**(1)**
	                 190,000 208,000 238,000
	Contribution 19,000 29,500 23,000
	Fixed costs 15,000**(1)** 16,000**(1)** 21,000**(1)**
	Gross Profit 4,000**(1)** 13,500**(1)** 2,000**(1)**
	
	Absorption Costing
	
	                  2008 2009 2010
	Sales 209,000 237,500 261,000
	O/stock - 10,750 23,600
	Var costs 200,000 220,000 270,000
	Fixed costs 15,000**(1)** 16,000**(1)** 21,000**(1)**
	              215,000 246,750 314,600
	C/stock 10,750**(1)** 23,600**(1)** 58,200**(1)**
	              204,250 223,150 256,400
	Gross Profit 4,750**(1)** 14,350**(1)** 4,600**(1)**
		QWC (3)
		
		[24]
			QWC: layout, column, sub-totals, rule.

Question Number	Expected Answer	Mark	Rationale
(b)	Consistent production each year **(1)**, regardless of sales **(1)**. Sales quantity declines **(1)**, over period, with increase in closing stock **(1)**, and stock holding costs **(1)**. Selling price increase each year **(1)** and decrease in demand **(1)**. Consistent production **(1)**, likely to mean security of employment **(1)**. Decline in profit **(1)** from 2009 to 2010 **(1)**. **(3 x 2 marks)** **(1 for point plus 1 for development)**	**[6]**	
	Total marks	**[30]**	

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