

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use

General Certificate of Education
June 2007
Advanced Subsidiary Examination



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

ACC4

Wednesday 6 June 2007 1.30 pm to 2.30 pm

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

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		4	
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: 27 marks

1

Bob is a sole trader. The following information is available.

	Year ended 31 December 2005	Year ended 31 December 2006
	£	£
Current assets	42 000	54 000
Current liabilities	30 000	45 000
Additional information		
Included in current assets is stock	9 000	24 000

REQUIRED

(a) Explain the meaning of the term ‘working capital’.

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(2 marks)

(b) Calculate the current ratio. State the formula used.

Formula

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Workings

at 31 December 2005	at 31 December 2006
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Current ratio	Current ratio

(7 marks)

(c) Calculate the acid test ratio. State the formula used.

Formula

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Workings

at 31 December 2005

at 31 December 2006

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Acid test ratio

Acid test ratio

(7 marks)

(d) Explain the significance of the change in:

(i) the current ratio;

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(ii) the acid test ratio.

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(6 marks)

(e) Explain why the acid test ratio gives a better indication than the current ratio of how well liquidity is being managed.

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(5 marks)

Total for this question: 20 marks

2

Jackson Ltd manufactures a single product.

The costs per unit are expected to be:

materials: 3 metres at £5 per metre
labour: 15 minutes at £12 per hour
variable manufacturing overheads at £3 per unit.

The total fixed overheads are expected to be £52 500 per year.

Each unit is sold at marginal cost plus 20%.

REQUIRED

(a) Define the term ‘marginal cost’.

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(1 mark)

(b) Calculate the marginal cost per unit.

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(4 marks)

(c) Calculate the selling price per unit.

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(3 marks)

(d) Calculate total revenue at the break-even point.

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(6 marks)

(e) Evaluate the usefulness of break-even analysis as an aid to decision-making.

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(6 marks)

20

Turn over for the next question

Turn over ►

Total for this question: 23 marks**3**

Damir Ltd is a small business which manufactures toys.

The following information is available for the next four months.

	January	February	March	April
Expected sales (units)	2000	2200	2300	2200

Additional information

- (1) Each unit sells for £15.
- (2) Each month, 20% of the sales are expected to be on a cash basis.
- (3) Fifty per cent of debtors are expected to pay after one month. The remainder are expected to pay after two months.
- (4) Debtors on 1 January are expected to be:

£21 600 from December sales, of which £10 800 will be paid in January and the balance in February;

£7200 from November sales, which will be paid in January.

REQUIRED

- (a) Prepare a debtors' budget for Damir Ltd for **each** of the four months January to April.

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(14 marks)

Damir Ltd continued to trade as expected. Unfortunately, in May, it was discovered that a debtor had gone into liquidation and would not be able to settle the debt in full. This debtor owed money for 600 units sold in December. Only £1800 had been received in December for these sales.

- (b) Explain how this information will affect Damir Ltd's cash flow.

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(4 marks)

Question 3 continues on the next page

Turn over ►

