

General Certificate of Education Advanced Level Examination

ACCOUNTING

ACCN 4

Unit 4 Further Aspects of Management Accounting

Specimen paper for examinations in June 2010 onwards This question paper uses the <u>new numbering system</u> and <u>new AQA answer book</u>

For this paper you must have:

• an AQA 12-page answer book.

You may use 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.
- Make and state any necessary assumptions.
- Do all rough work in your answer book. Cross through any work that 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 your ability to:
 - use good English
 - organise information clearly
 - use specialist vocabulary where appropriate.

ACCN4

Answer **all** questions.

Task 1

Total for this task: 20 marks

Handley Ltd manufacture golf club bags. The accountant has calculated the following subvariances for the year ended 31 March 2007.

Materials price variance Materials usage variance Labour rate variance Labour efficiency variance £ 1400 adverse 2600 favourable 750 adverse 600 favourable

Budgeted profit for the year was £123 450.

REQUIRED

0 1 Calculate the actual profit for the year ended 31 March 2007. (4 marks)

0 2 Discuss possible reasons for **each** of the four sub-variances and identify **one** sub-variance that you believe the managers of Handley Ltd should investigate. Give a reason for your choice

(10 marks) (for quality of written communication: plus 2 marks)

03Discuss any possible actions which the managers of Handley Ltd could take to investigate
the sub-variance identified in Question 02.(4 marks)

Task 2	Total for this task: 18 marks			
The directors of Beard Bakeries Lto following information relates to two	•	one of the blending machines. The		
		chines:		
	Machine A	Machine B		
Cost	£30 000	£80 000		
Annual production	12 000 cakes	15 000 cakes		
Cost per cake	£1.50	£1.00		
Expected life of machine	2 years	3 years		
Additional information				
 The cost of capital is 10%. It is assumed that revenues and costs are paid at the end of each year. Each cake is expected to sell for £3.00. It is assumed that everything produced is sold. The following is an extract from the net present values table for £1: 				
	10%			
Year 1	0.909			
Year 2	0.826			
Year 3	0.751			
REQUIRED				

0 4 Calculate the expected total net cash flow for the life of **each** of the machines. (8 marks)

0 5 Calculate the net present value for **each** machine using the expected annual net cash flows. *(8 marks)*

0 6 Identify which machine Beard Bakeries Ltd should purchase. Give a reason for your choice. *(2 marks)*

Turn over for the next task

Task 3 Total for this task: 11 marks Rist Ltd manufactures two products, JHB1 and JJH2. The following information is available. JHB1 JJH2 £50 Selling price per unit £50 Labour hours per unit at £8 per hour 4 hours 2 hours Materials per unit at £4 per metre 2 metres 4 metres 15 000 units 20 000 units Expected demand Unfortunately, due to a machine breakdown, there are only 80 000 labour hours available. Annual fixed costs are expected to be £420 000. REQUIRED **0 7** Prepare the optimum production plan that would maximise profits. (4 marks)

Any shortfall in the production of either product could be purchased from another supplier at a cost of:

JHB1 £45 each JJH2 £40 each

REQUIRED

0 8 Explain whether any shortfall should be purchased from this supplier. (2 marks)

09Calculate the total profit if the optimum production plan is used and if any shortfall is
purchased.(5 marks)

Total for this task: 41 marks

On 31 December 2006 the following balances were extracted from the books of account of Osborne Melbourne Ltd, a manufacturer of electrical hedge cutters. £ Direct factory wages 390 500 Factory canteen expenses 37 150 720 000 Factory machinery at cost Machine maintenance 12 000 Machine set-up costs 40 000 Purchases of raw materials 188 360 **Rovalties** 10 080 Stocks at 1 January 2006 - raw materials at cost 48 560 - work in progress at cost 28 4 20 Additional information (1) Stocks at 31 December 2006 - raw materials at cost 50 120 - work in progress at cost 31 400 (2) The factory machinery is depreciated at 2% per annum, using the straight-line method. (3) At 31 December 2006 the company owed wages to its factory workers of £9500. (4) The factory canteen costs had been prepaid by £1150. (5) During the year 30 000 hedge cutters had been produced.

REQUIRED

10Prepare a manufacturing account for Osborne Melbourne Ltd for the year ended
31 December 2006.(9 marks)
(for quality of presentation: plus 1 mark)

11Calculate the manufacturing cost per hedge cutter.(2 marks)

Task 4 continues on the next page

Osborne Melbourne Ltd has two production departments: Machining and Assembly. It also has two service departments: Maintenance and the Canteen.

The following information is available for the year ended 31 December 2006.

	Machining	Assembly	Maintenance	Canteen
Area (M2)	6 000	20 000	2000	1000
Machine net book value	£200 000	£400 000	-	-
Machine hours	30 000	60 000	-	-
Labour hours	40 000	12 000	-	-
Number of employees	160	300	100	50
Number of machine set-	ups 12	8	-	-
Number of machines	6	8	-	-

The overheads of the service departments are allocated to the production departments on the following bases.

	Maintenance	Canteen
Machining	20%	60%
Assembly	80%	30%
Maintenance	-	10%

REQUIRED

1

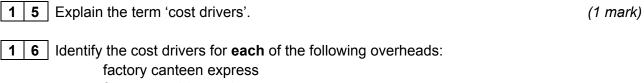
2 Prepare a statement to show the total overheads allocated and apportioned to **each** of the two production departments. Identify the bases used. (12 marks) (for quality of presentation: plus 1 mark

13Calculate the overhead absorption rates for each of the two production departments.Identify the bases used. Give a reason for each choice.(6 marks)

The financial director of Osborne Melbourne Ltd is considering changing the method of overhead allocation to activity based costing (ABC) instead of absorption costing.

REQUIRED

14Discuss two possible reasons for changing the method of overhead allocation from
absorption costing to activity-based costing (ABC). In your discussion, assess whether
the financial director should change methods.(6 marks)



factory machine maintenance factory machine set-up costs

(3 marks)

END OF QUESTIONS