



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 new numbering system and new AQA answer book**

**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.

Answer **all** questions.

**Task 1**

**Total for this task: 20 marks**

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

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

**0 3** Discuss 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 Ltd have decided to replace one of the blending machines. The following information relates to two possible replacement machines.

	<b>Machine A</b>	<b>Machine B</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**

- (1) The cost of capital is 10%.
- (2) It is assumed that revenues and costs are paid at the end of each year.
- (3) Each cake is expected to sell for £3.00.
- (4) It is assumed that everything produced is sold.
- (5) The following is an extract from the net present values table for £1:

	<b>10%</b>
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****Turn over ►**

**Task 3****Total for this task: 11 marks**

Rist Ltd manufactures two products, JHB1 and JJH2.

The following information is available.

	<b>JHB1</b>	<b>JJH2</b>
Selling price per unit	£50	£50
Labour hours per unit at £8 per hour	4 hours	2 hours
Materials per unit at £4 per metre	2 metres	4 metres
Expected demand	15 000 units	20 000 units

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)*

**0 9** Calculate the total profit if the optimum production plan is used and if any shortfall is purchased. *(5 marks)*

**Task 4****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
Factory machinery at cost	720 000
Machine maintenance	12 000
Machine set-up costs	40 000
Purchases of raw materials	188 360
Royalties	10 080
Stocks at 1 January 2006 - raw materials at cost	48 560
- work in progress at cost	28 420

**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**

- |          |          |  |  |
|----------|----------|--|--|
| <b>1</b> | <b>0</b> | Prepare a manufacturing account for Osborne Melbourne Ltd for the year ended 31 December 2006. | (9 marks)<br><i>(for quality of presentation: plus 1 mark)</i> |
| <b>1</b> | <b>1</b> | Calculate the manufacturing cost per hedge cutter.   | (2 marks)  |

**Task 4 continues on the next page**

**Turn over ►**

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.

	<b>Machining</b>	<b>Assembly</b>	<b>Maintenance</b>	<b>Canteen</b>
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.

	<b>Maintenance</b>	<b>Canteen</b>
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)*

- 1 3** Calculate 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

- 1 4** Discuss **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)

- 1 5** Explain the term 'cost drivers'. (1 mark)

- 1 6** Identify the cost drivers for **each** of the following overheads:  
factory canteen express  
factory machine maintenance  
factory machine set-up costs (3 marks)

**END OF QUESTIONS**