



**1 REQUIRED**

(a) Based on the original budget calculate the:

- (i) profit for Ribbon Ltd for the year ending 31 December 2013
- (ii) break-even in units **and** sales value for Product A.

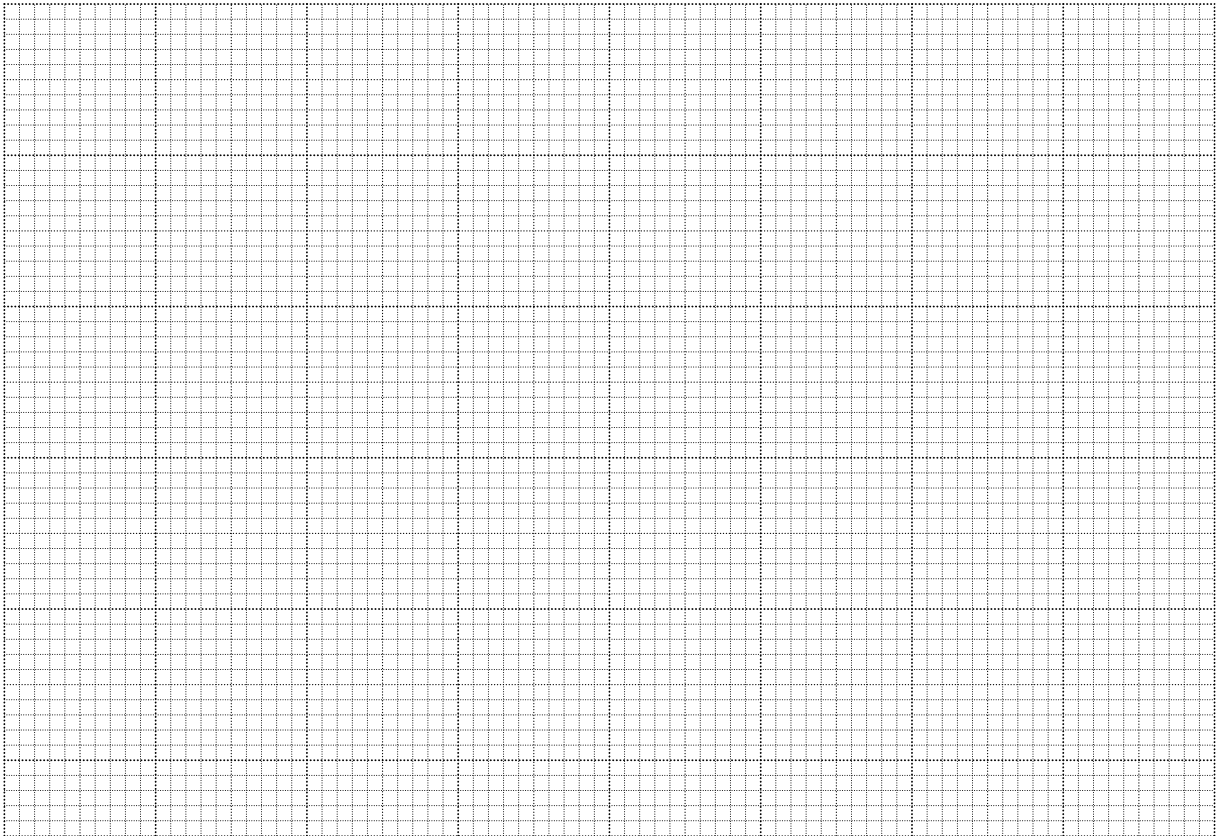
Please show your workings to question **1(a)** below.

Working Box

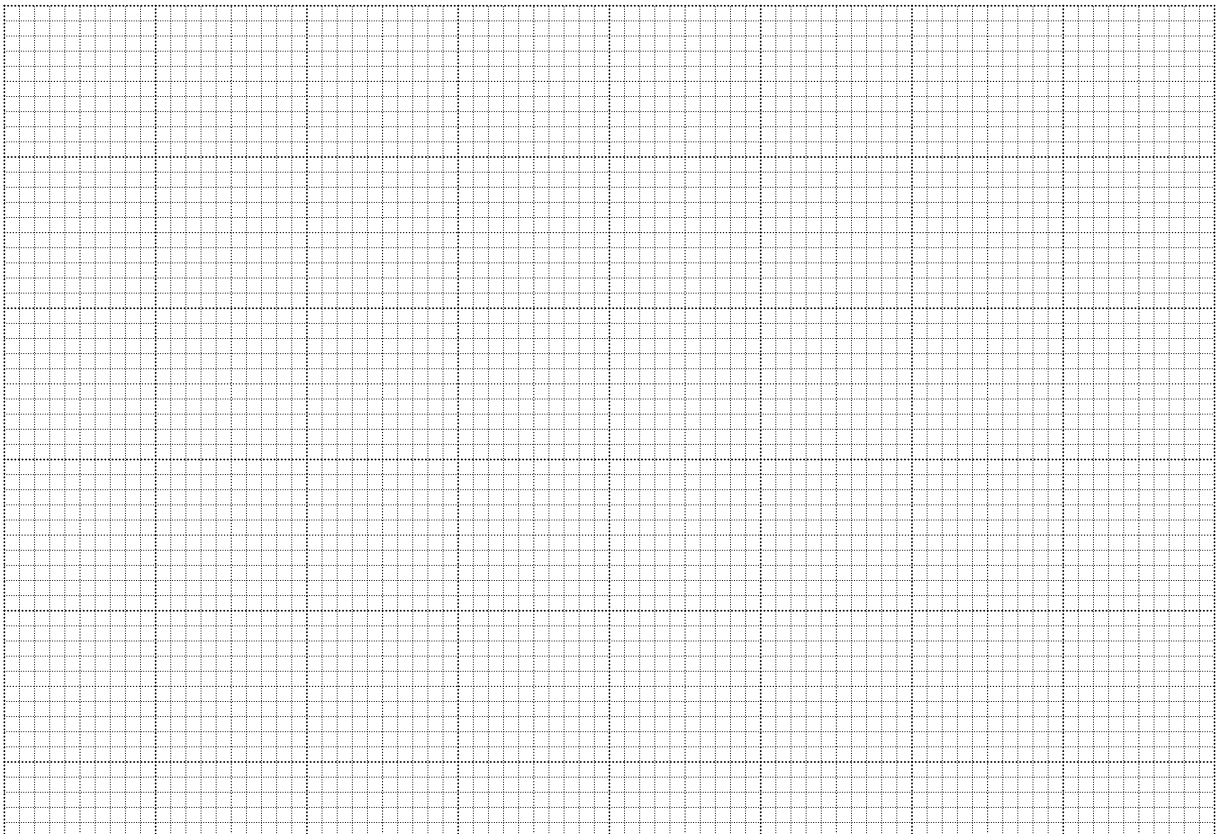


(b) Prepare a contribution to sales graph for Product B.

[3]



The additional graph space below is **only** to be used if you make a mistake on the graph above.



- (c) Since preparing the budget, Ribbon Ltd has been advised by its supplier that, due to a material shortage, it will only receive 85% of its material requirement for the year ending 31 December 2013.

Calculate the maximum profit Ribbon Ltd can now make for the year ending 31 December 2013.

Please show your workings to question 1(c) below.

[10]

Working Box

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(d) (i) Explain the term 'margin of safety'.

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(ii) Assess the usefulness of the margin of safety to a company.

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**2 REQUIRED**

(a)\* A statement showing the gross profit for **each** of the two years under the FIFO basis of valuing issues, if the company used the:

- marginal costing approach to valuing stock
- absorption costing approach to valuing stock.

Please show your workings to question **2(a)** below.

**[17]**

Working Box







**3 REQUIRED**

(a) For each product:

- (i) the net cash flow for year 2
- (ii) payback (to two decimal places). Assume even cash flows throughout each year
- (iii) net present value. Assume all cash flows take place at the end of each year.

Please show your workings to question **3(a)** below.

Working Box

(i) The net cash flow for year 2.

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(ii) Payback (to two decimal places). Assume even cash flows throughout each year.

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**4 REQUIRED**

- (a) The overhead absorption rate for each of the production departments, using the machine hour rate for the machining department and the labour hour rate for the assembly department.

Please show your workings to question **4(a)** below.

**[20]**

Working Box



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