

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use

General Certificate of Education
January 2007
Advanced Subsidiary Examination



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

ACC4

Thursday 11 January 2007 9.00 am to 10.00 am

<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			
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: 21 marks

- 1 Zaloum Ltd manufactures baseball caps which sell for £9 each.
- The material used to make the caps costs £16 per metre. Each cap uses 0.125 metres.
- The craftsmen working at the factory are paid £8 per hour. Each cap takes 15 minutes to make.
- The monthly fixed costs are £60 000.

REQUIRED

- (a) Calculate the contribution per cap. State the formula used.

Formula (1 mark)

Calculation (4 marks)

- (b) Explain why the calculation of contribution per cap is useful to the management of Zaloum Ltd.

..... (3 marks)

- (c) Calculate the number of caps that Zaloum Ltd needs to manufacture to make a profit of £2000 per month.

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(4 marks)

The price of raw materials has increased by 40%. At the same time, a wage increase of 5% has been agreed and fixed costs have increased by £3100.

REQUIRED

- (d) Calculate the new variable cost per cap.

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(5 marks)

- (e) Calculate the new selling price needed to maintain a profit of £2000 per month after the increase in costs. Use the level of production you have calculated in part (c).

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(4 marks)

Total for this question: 9 marks

2 REQUIRED

Explain **three** benefits to the owner of a new business of using a cash budget.

Benefit 1.....

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(3 marks)

Benefit 2.....

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(3 marks)

Benefit 3.....

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(3 marks)

9

Total for this question: 46 marks

3 Marat has been in business for several years manufacturing motor parts. Each year, a small profit is made but there never seems to be enough cash to reinvest in the business. At the year end, the business had a large bank overdraft.

REQUIRED

(a) Explain the difference between cash and profits.

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(4 marks)

(b) Describe **three** possible reasons why Marat has a bank overdraft even though his business is making a profit.

Reason 1

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(3 marks)

Reason 2

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(3 marks)

Reason 3

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(3 marks)

At the beginning of March, Marat decides that he will introduce a system of budgetary control.

The following information is available for March to July.

- Sales in March and April are expected to be 200 parts per month. This is expected to increase from 1 May to 260 parts per month.
- Each part is expected to sell for £24 in March, April and May, but this selling price is expected to increase from 1 June to £26.
- On 1 March, Marat will have 20 parts in stock.
- In March and April, closing stock will be maintained at 10% of the following month's sales. At the end of May, this will increase to 15% of the following month's sales.

REQUIRED

(c) Prepare a sales budget for **each** of the months March to July.

	SALES BUDGET				
	March	April	May	June	July
Parts (units)					
Revenue £					

(5 marks)

(d) Prepare a production budget for **each** of the months March to July. Assume that there are no further increases in sales.

	PRODUCTION BUDGET IN PARTS (UNITS)				
	March	April	May	June	July

(16 marks)

(e) Identify **three** budgets, **other than** cash, production and sales budgets, which Marat would find useful.

Budget 1..... (1 mark)

Budget 2..... (1 mark)

Budget 3..... (1 mark)

Marat’s business is located in an area of high unemployment. He believes that his labour expenses are too high and he cannot afford to offer his staff a pay rise. Instead he proposes to increase the working day by an extra hour and to reduce breaks to the legal minimum. Overtime rates will be reduced to the same rate as for normal working hours.

REQUIRED

(f) Explain how the following actions will affect the workforce.

No pay rise (3 marks)

An increase in the working day (3 marks)

A reduction in overtime rates (3 marks)

There are no questions printed on this page