



GCE

Accounting

Unit **F014**: Management Accounting

Advanced GCE

Mark Scheme for June 2014

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.


All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.












Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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These are the annotations, (including abbreviations), including those used in scoris, which are used when marking

Annotation	Meaning of annotation
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.

1		281	?	Unclear
2		31	BOD	Benefit of doubt
3		21	Cross	Cross
4		721	OFR	Own figure rule
5		271	REP	Repeat
6		811	SEEN	Noted but no credit given
7		11	Tick	Tick
8			L1	Level 1
9			L2	Level 2
10			L3	Level 3
11			L4	Level 4

Here are the subject specific instructions for this question paper

The mark scheme for this unit reflects terminology and formats in line with the specification.

In addition terminology and formats in line with International Accounting Standards will also be acceptable.

QUALITY OF WRITTEN COMMUNICATION

Levels of Response for *Numerical* Questions

Level	Mark	Description
3	3	All account headings, terms and balances are included appropriately and in line with accounting conventions. All figures are legible with effective use made of columns and sub-totals. All accounts are ruled off as appropriate.
2	2	Almost all account headings, terms and balances are included, appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included though not always adhered to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
-	0	Responses which fail to achieve the standard required for Level 1.

Levels of Response for *Narrative* Questions

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
-	0	Responses which fail to achieve the standard required for Level 1.

MARK SCHEME

Question	Answer/Indicative content	Mark	Guidance																																				
1 (a)	MPV: $(4 - 4.10)92,000 = 9,200A$ (1) MUV: $(6 \times 15,600 - 92,000)4 = 6,400F$ (2) LRV: $(14 - 14.30)55,000 = 16,500A$ (1) LEV: $(3.5 \times 15,600 - 55,000)14 = 5,600A$ (2) SPV: $(128 - 124)14,700 = 58,800F$ (1) SVV: $(14,700 - 15,000)124 = 37,200A$ (1) VOH: $(7 \times 3 \times 15,600 - 335,000) = 7,400A$ (2) FOH: $(5 \times 2 \times 15,600 - 160,000) = 4,000A$ (2)	12																																					
(b)	<u>Reconciliation Statement for budgeted and actual sales</u> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Budgeted sales</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">1,860,000(1)</td> </tr> <tr> <td></td> <td style="text-align: center;">A</td> <td style="text-align: center;">F</td> <td></td> <td></td> <td></td> </tr> <tr> <td>SPV</td> <td></td> <td style="text-align: right;">58,800</td> <td></td> <td></td> <td></td> </tr> <tr> <td>SVV</td> <td style="text-align: right;"><u>37,200</u></td> <td style="text-align: center;">_____</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>21,600(1)</u></td> <td></td> </tr> <tr> <td>Actual sales</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>1,881,600(1)</u></td> </tr> </table>	Budgeted sales					1,860,000(1)		A	F				SPV		58,800				SVV	<u>37,200</u>	_____								<u>21,600(1)</u>		Actual sales					<u>1,881,600(1)</u>	3	
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2	<p data-bbox="219 217 275 240">(a)*</p> <p data-bbox="365 217 1122 240">Cash Budget for the three months ending 31 August 2014</p> <table border="1" data-bbox="365 248 1122 927"> <thead> <tr> <th></th> <th style="text-align: center;"><u>June</u></th> <th style="text-align: center;"><u>July</u></th> <th style="text-align: center;"><u>Aug</u></th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Receipts</u></td> </tr> <tr> <td>Sales 30%-2%</td> <td style="text-align: right;">64,680(1)</td> <td style="text-align: right;">70,560(1)</td> <td style="text-align: right;">72,912(1)</td> </tr> <tr> <td>Sales 70%</td> <td style="text-align: right;">156,800</td> <td style="text-align: right;">154,000</td> <td style="text-align: right;">168,000</td> </tr> <tr> <td>Motor vehicle</td> <td></td> <td></td> <td style="text-align: right;"><u>5,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>221,480(1)</u></td> <td style="text-align: right;"><u>224,560(1)</u></td> <td style="text-align: right;"><u>245,912(1)</u></td> </tr> <tr> <td colspan="4"><u>Payments</u></td> </tr> <tr> <td>Purch 50%</td> <td style="text-align: right;">75,000(1)</td> <td style="text-align: right;">77,500(1)</td> <td style="text-align: right;">72,500(1)</td> </tr> <tr> <td>Purch 25%</td> <td style="text-align: right;">34,375</td> <td style="text-align: right;">37,500</td> <td style="text-align: right;">38,750</td> </tr> <tr> <td>Purch 25%</td> <td style="text-align: right;"><u>35,000(1)</u></td> <td style="text-align: right;"><u>34,375(1)</u></td> <td style="text-align: right;"><u>37,500(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">144,375</td> <td style="text-align: right;">149,375</td> <td style="text-align: right;">148,750</td> </tr> <tr> <td>Gen exp</td> <td style="text-align: right;">18,000</td> <td style="text-align: right;">18,000</td> <td style="text-align: right;">18,000(1)</td> </tr> <tr> <td>Motor vehicle</td> <td></td> <td></td> <td style="text-align: right;">20,000(1)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">50,400(1)</td> <td style="text-align: right;">45,600</td> <td style="text-align: right;">45,600(1)</td> </tr> <tr> <td>Loan</td> <td style="text-align: right;">60,000(1)</td> <td></td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;"><u>300</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>273,075</u></td> <td style="text-align: right;"><u>212,975</u></td> <td style="text-align: right;"><u>232,350</u></td> </tr> <tr> <td>Net cash flow</td> <td style="text-align: right;">(51,595)</td> <td style="text-align: right;">11,585</td> <td style="text-align: right;">13,562</td> </tr> <tr> <td>Opening bal</td> <td style="text-align: right;"><u>105,000(1)</u></td> <td style="text-align: right;"><u>53,405</u></td> <td style="text-align: right;"><u>64,990</u></td> </tr> <tr> <td>Closing bal</td> <td style="text-align: right;"><u>53,405</u></td> <td style="text-align: right;"><u>64,990</u></td> <td style="text-align: right;"><u>78,552(1)</u></td> </tr> </tbody> </table>		<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Receipts</u>				Sales 30%-2%	64,680 (1)	70,560 (1)	72,912 (1)	Sales 70%	156,800	154,000	168,000	Motor vehicle			<u>5,000</u>		<u>221,480(1)</u>	<u>224,560(1)</u>	<u>245,912(1)</u>	<u>Payments</u>				Purch 50%	75,000 (1)	77,500 (1)	72,500 (1)	Purch 25%	34,375	37,500	38,750	Purch 25%	<u>35,000(1)</u>	<u>34,375(1)</u>	<u>37,500(1)</u>		144,375	149,375	148,750	Gen exp	18,000	18,000	18,000 (1)	Motor vehicle			20,000 (1)	Salaries	50,400 (1)	45,600	45,600 (1)	Loan	60,000 (1)			Loan interest	<u>300</u>				<u>273,075</u>	<u>212,975</u>	<u>232,350</u>	Net cash flow	(51,595)	11,585	13,562	Opening bal	<u>105,000(1)</u>	<u>53,405</u>	<u>64,990</u>	Closing bal	<u>53,405</u>	<u>64,990</u>	<u>78,552(1)</u>	32	
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3	(a)	<p>% DM $\frac{1,200,000}{400,000} = 300\%$ (1)</p> <p>% DL $\frac{1,200,000}{500,000} = 240\%$ (1)</p> <p>Per unit $\frac{1,200,000}{400} = \text{£}3,000$ (1)</p> <p>LHR $\frac{1,200,000}{48,000} = \text{£}25$ (1)</p> <p>MHR $\frac{1,200,000}{60,000} = \text{£}20$ (1)</p>	5																									
	(b)	<table> <thead> <tr> <th></th> <th><u>% DM</u></th> <th><u>LHR</u></th> <th><u>MHR</u></th> </tr> </thead> <tbody> <tr> <td>Direct materials</td> <td>1,100</td> <td>1,100</td> <td>1,100</td> </tr> <tr> <td>Direct labour</td> <td><u>3,000</u></td> <td><u>3,000</u></td> <td><u>3,000</u></td> </tr> <tr> <td>Prime cost</td> <td>4,100(1)</td> <td>4,100</td> <td>4,100</td> </tr> <tr> <td>Production overhead</td> <td><u>3,300(1)</u></td> <td><u>2,750(1)</u></td> <td><u>2,800(1)</u></td> </tr> <tr> <td>Production cost</td> <td><u>7,400(1)</u></td> <td><u>6,850(1)</u></td> <td><u>6,900(1)</u></td> </tr> </tbody> </table>		<u>% DM</u>	<u>LHR</u>	<u>MHR</u>	Direct materials	1,100	1,100	1,100	Direct labour	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	Prime cost	4,100(1)	4,100	4,100	Production overhead	<u>3,300(1)</u>	<u>2,750(1)</u>	<u>2,800(1)</u>	Production cost	<u>7,400(1)</u>	<u>6,850(1)</u>	<u>6,900(1)</u>	7	
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3	(c)*	<p>The work to set up and maintain an activity based costing system could outweigh the benefits, particularly to a single product business.</p> <p>In single product businesses the traditional methods of overhead absorption based on time based systems may be easier and more appropriate.</p> <p>Difficulty in choice of cost drivers and identifying costs eg purchase orders could be used for purchasing department, but some orders will be more complex and time consuming than others.</p> <p>Some cost pools are not determined by one specific cost driver eg marketing costs will include cost of marketing campaigns and staff hours.</p> <p>Common costs such as rent and rates still need to be recovered and traditional methods are frequently preferred and businesses introducing activity based costing have sometimes/often maintained two cost systems.</p> <p>Two costing systems add complexity and can give a different cost value for the same product.</p> <p>(3 x 3 marks) (1 for point plus up to 2 for development)</p> <p style="text-align: right;">QWC (2)</p>	11	

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(c)	<p>Customers paying full price will be annoyed to discover others paying less. Possible business will be taken elsewhere.</p> <p>Reaction of competitors needs consideration. They may respond by cutting their prices and start a price war.</p> <p>Will acceptance of the offer take up capacity that could be better used for full price business? It is assumed that no better opportunities will arise during the period.</p> <p>An over reliance on special orders is not a long term solution and the company should give priority on achieving full price orders.</p> <p>(3 x 3 marks) (1 for point plus up to 2 for development)</p>	9	

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