



GCE

Accounting

Unit **F014**: Management Accounting

Advanced GCE

Mark Scheme for June 2017

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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.

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1	Question	Answer/Indicative content	Mark	Guidance																																	
	(a)	<p><u>MPV</u> Material A (3.40 – 3.35)21,000 = 1,050F(2) Material B (2.50 – 2.60)44,000 = 4,400A(2) <u>MUV</u> Material A (20,000 – 21,000)3.40 = 3,400A(2) Material B (45,000 – 44,000)2.50 = 2,500F(2) <u>LRV</u> Grade 1 (14 – 13.90)3,100 = 310F(2) Grade 2 (12 – 12.10)2,480 = 248A(2) <u>LEV</u> Grade 1 (3,000 – 3,100)14 = 1,400A(2) Grade 2 (2,500 – 2,480)12 = 240F(2)</p>	16																																		
	(b)	<p><u>Reconciliation statement for the budgeted (standard) cost and the actual cost</u> Budgeted (standard) cost 307,500(2)</p> <table border="1" data-bbox="405 754 1111 1177"> <thead> <tr> <th></th> <th>A</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>MPV A</td> <td></td> <td>1,050</td> </tr> <tr> <td>MPV B</td> <td>4,400</td> <td></td> </tr> <tr> <td>MUV A</td> <td>3,400</td> <td></td> </tr> <tr> <td>MUV B</td> <td></td> <td>2,500</td> </tr> <tr> <td>LRV 1</td> <td></td> <td>310</td> </tr> <tr> <td>LRV 2</td> <td>248</td> <td></td> </tr> <tr> <td>LEV 1</td> <td>1,400</td> <td></td> </tr> <tr> <td>LEV 2</td> <td></td> <td>240</td> </tr> <tr> <td>Overheads</td> <td><u>800(1)</u></td> <td><u> </u></td> </tr> <tr> <td></td> <td>10,248 (1of)</td> <td>4,100(1of)</td> </tr> </tbody> </table> <p>Actual cost <u>6,148</u> <u><u>313,648(1)</u></u></p>		A	F	MPV A		1,050	MPV B	4,400		MUV A	3,400		MUV B		2,500	LRV 1		310	LRV 2	248		LEV 1	1,400		LEV 2		240	Overheads	<u>800(1)</u>	<u> </u>		10,248 (1of)	4,100 (1of)	6	
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	(c)	<p><u>Material A</u> Cheaper material of lower quality More waste and more needed</p> <p><u>Material B</u> Higher price for better quality material Less material used because of the higher quality</p> <p><u>Labour grade 1</u> Lower skilled labour Less efficient taking longer</p> <p><u>Labour grade 2</u> Higher skilled labour More efficient and quicker</p> <p>(4 x 2 marks) (1 for point plus 1 for development)</p>	8	
	(d)	<p>Allows management by exception. By studying variances, management attention is directed towards those areas which are not proceeding to plan.</p> <p>Variance analysis enables comparison of actual and pre-determined standards. Management can be held responsible for those variances under its control.</p> <p>Aid to pricing. Product and price policies can be formulated before production takes place. Prices can be based on standard costs.</p> <p>A properly designed system creates a positive attitude throughout the company. Can be used as the basis for incentive schemes.</p> <p>(2 x 3 marks) (1 for point plus up to 2 for development)</p>	6	

2	(a)*	<p><u>Cash Budget for the three months ending 30 September 2017</u></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><u>July</u></th> <th style="text-align: center;"><u>Aug</u></th> <th style="text-align: center;"><u>Sept</u></th> </tr> </thead> <tbody> <tr> <td><u>Receipts</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">40,000(1)</td> <td style="text-align: right;">43,000(1)</td> <td style="text-align: right;">43,400(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">176,400(1)</td> <td style="text-align: right;">189,630(1)</td> <td style="text-align: right;">191,394(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>189,000(1)</u></td> <td style="text-align: right;"><u>180,000(1)</u></td> <td style="text-align: right;"><u>193,500(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">405,400</td> <td style="text-align: right;">412,630</td> <td style="text-align: right;">428,294</td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>3,000(1)</u></td> <td style="text-align: right;"><u>-</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>405,400</u></td> <td style="text-align: right;"><u>415,630</u></td> <td style="text-align: right;"><u>428,294</u></td> </tr> <tr> <td><u>Payments</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">206,400(1)</td> <td style="text-align: right;">208,320(1)</td> <td style="text-align: right;">211,200(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>128,000(1)</u></td> <td style="text-align: right;"><u>137,600(1)</u></td> <td style="text-align: right;"><u>138,880(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">334,400</td> <td style="text-align: right;">345,920</td> <td style="text-align: right;">350,080</td> </tr> <tr> <td>Gen expenses</td> <td style="text-align: right;">15,000</td> <td style="text-align: right;">16,000</td> <td style="text-align: right;">15,000(1 line)</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">40,000(1)</td> <td style="text-align: right;">41,000(1)</td> <td style="text-align: right;">42,000(1)</td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>8,000</u></td> <td style="text-align: right;"><u>16,000(1 line)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>389,400</u></td> <td style="text-align: right;"><u>410,920</u></td> <td style="text-align: right;"><u>423,080</u></td> </tr> <tr> <td>Net cash flow</td> <td style="text-align: right;">16,000</td> <td style="text-align: right;">4,710</td> <td style="text-align: right;">5,214</td> </tr> <tr> <td>Opening balance</td> <td style="text-align: right;"><u>20,900</u></td> <td style="text-align: right;"><u>36,900</u></td> <td style="text-align: right;"><u>41,610</u></td> </tr> <tr> <td>Closing balance</td> <td style="text-align: right;"><u><u>36,900(1)</u></u></td> <td style="text-align: right;"><u><u>41,610(1)</u></u></td> <td style="text-align: right;"><u><u>46,824(1of)</u></u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">QWC (3)</td> </tr> </tbody> </table>		<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Receipts</u>				Sales	40,000(1)	43,000(1)	43,400(1)		176,400(1)	189,630(1)	191,394(1)		<u>189,000(1)</u>	<u>180,000(1)</u>	<u>193,500(1)</u>		405,400	412,630	428,294	Machinery	<u>-</u>	<u>3,000(1)</u>	<u>-</u>		<u>405,400</u>	<u>415,630</u>	<u>428,294</u>	<u>Payments</u>				Purchases	206,400(1)	208,320(1)	211,200(1)		<u>128,000(1)</u>	<u>137,600(1)</u>	<u>138,880(1)</u>		334,400	345,920	350,080	Gen expenses	15,000	16,000	15,000(1 line)	Wages	40,000(1)	41,000(1)	42,000(1)	Machinery	<u>-</u>	<u>8,000</u>	<u>16,000(1 line)</u>		<u>389,400</u>	<u>410,920</u>	<u>423,080</u>	Net cash flow	16,000	4,710	5,214	Opening balance	<u>20,900</u>	<u>36,900</u>	<u>41,610</u>	Closing balance	<u><u>36,900(1)</u></u>	<u><u>41,610(1)</u></u>	<u><u>46,824(1of)</u></u>				QWC (3)	27	
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	(b)	<p>Budgets can be imposed without participation. If managers are not involved then less likely to contribute to the process, whereas if involved more likely to contribute.</p> <p>Budgets can help motivate managers and can be seen as a target. If process participative then it is more likely to encourage and motivate staff.</p> <p>Budgets can help communicate to managers. Keeping managers up to date and aware can help motivate, whilst lack of communication can demotivate.</p> <p>If managers are involved then likely to see the goals of a business and work together (goal congruence).</p> <p>(2 x 3 marks) (1 for point plus up to 2 for development)</p>	6																																																																																	

3	(a)				13	
			X	Y	Z	
		Selling price	90	78	80	
		Variable costs	<u>70</u>	<u>60</u>	<u>56</u>	
		Cont/Unit	<u>20(1)</u>	<u>18(1)</u>	<u>24(1)</u>	
		Contribution	<u>20</u>	<u>18</u>	<u>24</u>	
		Limiting factor	3	2	2.5	
		Ranking	6.67 3rd	9 2nd	9.6 1 st (1)	
		Labour hours available		124,200		
		Product Z 2.5 x 20,000		<u>(50,000)(1)</u>		
				74,200		
		Product Y 2 x 17,000		<u>(34,000)(1)</u>		
				40,200		
		Product X 3 x 13,400		<u>(40,200)(2)</u>		
		Contribution Z 24 x 20,000		480,000(1)		
		Contribution Y 18 x 17,000		306,000(1)		
		Contribution X 20 x 13,400		<u>268,000(1)</u>		
		Total contribution		1,054,000		
		Fixed costs		<u>890,000(1)</u>		
		Profit		<u>164,000(1)</u>		

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(c)*	<p><u>Option 1</u> Lower wage costs and generates more profit, however cannot meet customer demands.</p> <p>Risk of customers not being happy and move to competitors.</p> <p>May damage reputation of business and impact future orders.</p> <p><u>Option 2</u> Higher wage costs and generates less profit.</p> <p>Meets customers' demands and customers less likely to move.</p> <p>Need to consider long term demands before taking on additional demands.</p> <p>Competitors may increase their labour rates and Sycamore Ltd would need to reassess.</p> <p>Recommendation (1)</p> <p>(Each option 2 x 2 marks) (1 for point plus 1 for development)</p> <p style="text-align: right;">QWC (2)</p>	11																																													

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	(b)	<p>The 15% retention provides an incentive for the completion of the contract to a satisfactory standard.</p> <p>The retention puts the customer in a stronger position if faulty work is subsequently discovered.</p> <p>The nature of contract work may result in problems being identified at a later date.</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p>	4																																																													
	(c)	<p>The whole loss should be written off to the Profit and Loss Account in the period incurred.</p> <p>Application of prudence concept.</p> <p>(3 x 1 mark)</p>	3																																																													

Assessment Objectives Grid

Question	AO1	AO2	AO3	Total
1(a)	6	10		16
1(b)	2	4		6
1(c)			8	8
1(d)			6	6
2(a)*	8	19		27
2(b)			6	6
3(a)	3	10		13
3(b)	3	4		7
3(c)*		1	10	11
4(a)	8	5		13
4(b)			4	4
4(c)		1	2	3
Total	30	54	36	120

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

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