



OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

**ACCOUNTING**

**F014 MS**

Unit F014: Management Accounting

**Specimen Mark Scheme**

The maximum mark for this paper is 120.

SPECIMEN

**INSTRUCTIONS TO EXAMINERS****Own Figure Rule ('of')**

Where 'of' is indicated, a figure which is incorrect solely because of an error in an earlier part of the question may be awarded the appropriate marks as if it were correct.

**Quality of Written Communication**

The rubric states:

*\*In these two questions/sub-questions, you will be assessed on the quality of your written communication. In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.*

4% of the paper marks are available for rewarding *Quality of Written Communication*, as follows:

**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 adhering 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.

Question Number	Answer				Max Mark																																																																																																																																																		
1*	<p>Calculations</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">Dec</th> <th style="width: 15%; text-align: center;">Jan</th> <th style="width: 15%; text-align: center;">Feb</th> <th style="width: 15%; text-align: center;">Mar</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td style="text-align: center;">70,000</td> <td style="text-align: center;">75,000</td> <td style="text-align: center;">65,000</td> <td style="text-align: center;">100,000</td> </tr> <tr> <td>50%-2%</td> <td style="text-align: center;">34,300</td> <td style="text-align: center;">36,750</td> <td style="text-align: center;">31,850</td> <td style="text-align: center;">49,000</td> </tr> <tr> <td>50%</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">35,000</td> <td style="text-align: center;">37,500</td> <td style="text-align: center;">32,500</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">71,750</td> <td style="text-align: center;">69,350</td> <td style="text-align: center;">81,500</td> </tr> <tr> <td>2%</td> <td></td> <td style="text-align: center;">750</td> <td style="text-align: center;">650</td> <td style="text-align: center;">1,000</td> </tr> </tbody> </table> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;"><u>Sales</u></th> <th style="width: 25%;"></th> <th style="width: 25%;"><u>Purchases (Sales x 4/5)</u></th> <th style="width: 25%;"></th> </tr> </thead> <tbody> <tr> <td>Jan</td> <td style="text-align: center;">75,000</td> <td>Dec</td> <td style="text-align: center;">60,000</td> </tr> <tr> <td>Feb</td> <td style="text-align: center;">65,000</td> <td>Jan</td> <td style="text-align: center;">52,000</td> </tr> <tr> <td>Mar</td> <td style="text-align: center;">100,000</td> <td>Feb</td> <td style="text-align: center;">80,000</td> </tr> <tr> <td>Apr</td> <td style="text-align: center;">90,000</td> <td>Mar</td> <td style="text-align: center;">72,000</td> </tr> </tbody> </table> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;">Dec</th> <th style="width: 15%; text-align: center;">Jan</th> <th style="width: 15%; text-align: center;">Feb</th> <th style="width: 15%; text-align: center;">Mar</th> </tr> </thead> <tbody> <tr> <td>Purchases</td> <td style="text-align: center;">60,000</td> <td style="text-align: center;">52,000</td> <td style="text-align: center;">80,000</td> <td style="text-align: center;">72,000</td> </tr> <tr> <td>50%-2.5%</td> <td style="text-align: center;">29,250</td> <td style="text-align: center;">25,350</td> <td style="text-align: center;">39,000</td> <td style="text-align: center;">35,100</td> </tr> <tr> <td>50%</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">30,000</td> <td style="text-align: center;">26,000</td> <td style="text-align: center;">40,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">55,350</td> <td style="text-align: center;">65,000</td> <td style="text-align: center;">75,100</td> </tr> <tr> <td>2.5%</td> <td></td> <td style="text-align: center;">650</td> <td style="text-align: center;">1,000</td> <td style="text-align: center;">900</td> </tr> </tbody> </table> <p>Depreciation <math>65,000 + 17,000 = 82,000 \times 10\% \times 0.25 = 2,050</math></p> <p><u>Jade plc</u>  <u>Cash Budget for the three months ending 31 March 2007</u></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;"><u>Jan</u></th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>Feb</u></th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>Mar</u></th> </tr> </thead> <tbody> <tr> <td><u>Receipts</u></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td style="text-align: center;">71,750</td> <td style="text-align: center;">[2]</td> <td style="text-align: center;">69,350</td> <td style="text-align: center;">[2]</td> <td style="text-align: center;">81,500 [2]</td> </tr> <tr> <td><u>Payments</u></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: center;">55,350</td> <td style="text-align: center;">[2]</td> <td style="text-align: center;">65,000</td> <td style="text-align: center;">[2]</td> <td style="text-align: center;">75,100 [2]</td> </tr> <tr> <td>Expenses</td> <td style="text-align: center;">8,400</td> <td></td> <td style="text-align: center;">8,400</td> <td></td> <td style="text-align: center;">8,400 [1]</td> </tr> <tr> <td>Fixed asset</td> <td></td> <td></td> <td style="text-align: center;">8,500</td> <td style="text-align: center;">[1]</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">63,750</td> <td></td> <td style="text-align: center;">81,900</td> <td></td> <td style="text-align: center;">83,500</td> </tr> <tr> <td>Net receipts/(payments)</td> <td style="text-align: center;">8,000</td> <td></td> <td style="text-align: center;">(12,550)</td> <td></td> <td style="text-align: center;">(2,000)</td> </tr> <tr> <td>Opening balance</td> <td style="text-align: center;">14,300</td> <td style="text-align: center;">[1]</td> <td style="text-align: center;">22,300</td> <td></td> <td style="text-align: center;">9,750</td> </tr> <tr> <td>Closing balance</td> <td style="text-align: center;">22,300</td> <td></td> <td style="text-align: center;">9,750</td> <td></td> <td style="text-align: center;">7,750 [1]</td> </tr> </tbody> </table>					Dec	Jan	Feb	Mar	Sales	70,000	75,000	65,000	100,000	50%-2%	34,300	36,750	31,850	49,000	50%	_____	35,000	37,500	32,500			71,750	69,350	81,500	2%		750	650	1,000	<u>Sales</u>		<u>Purchases (Sales x 4/5)</u>		Jan	75,000	Dec	60,000	Feb	65,000	Jan	52,000	Mar	100,000	Feb	80,000	Apr	90,000	Mar	72,000		Dec	Jan	Feb	Mar	Purchases	60,000	52,000	80,000	72,000	50%-2.5%	29,250	25,350	39,000	35,100	50%	_____	30,000	26,000	40,000			55,350	65,000	75,100	2.5%		650	1,000	900		<u>Jan</u>		<u>Feb</u>		<u>Mar</u>	<u>Receipts</u>						Sales	71,750	[2]	69,350	[2]	81,500 [2]	<u>Payments</u>						Purchases	55,350	[2]	65,000	[2]	75,100 [2]	Expenses	8,400		8,400		8,400 [1]	Fixed asset			8,500	[1]			63,750		81,900		83,500	Net receipts/(payments)	8,000		(12,550)		(2,000)	Opening balance	14,300	[1]	22,300		9,750	Closing balance	22,300		9,750		7,750 [1]	
	Dec	Jan	Feb	Mar																																																																																																																																																			
Sales	70,000	75,000	65,000	100,000																																																																																																																																																			
50%-2%	34,300	36,750	31,850	49,000																																																																																																																																																			
50%	_____	35,000	37,500	32,500																																																																																																																																																			
		71,750	69,350	81,500																																																																																																																																																			
2%		750	650	1,000																																																																																																																																																			
<u>Sales</u>		<u>Purchases (Sales x 4/5)</u>																																																																																																																																																					
Jan	75,000	Dec	60,000																																																																																																																																																				
Feb	65,000	Jan	52,000																																																																																																																																																				
Mar	100,000	Feb	80,000																																																																																																																																																				
Apr	90,000	Mar	72,000																																																																																																																																																				
	Dec	Jan	Feb	Mar																																																																																																																																																			
Purchases	60,000	52,000	80,000	72,000																																																																																																																																																			
50%-2.5%	29,250	25,350	39,000	35,100																																																																																																																																																			
50%	_____	30,000	26,000	40,000																																																																																																																																																			
		55,350	65,000	75,100																																																																																																																																																			
2.5%		650	1,000	900																																																																																																																																																			
	<u>Jan</u>		<u>Feb</u>		<u>Mar</u>																																																																																																																																																		
<u>Receipts</u>																																																																																																																																																							
Sales	71,750	[2]	69,350	[2]	81,500 [2]																																																																																																																																																		
<u>Payments</u>																																																																																																																																																							
Purchases	55,350	[2]	65,000	[2]	75,100 [2]																																																																																																																																																		
Expenses	8,400		8,400		8,400 [1]																																																																																																																																																		
Fixed asset			8,500	[1]																																																																																																																																																			
	63,750		81,900		83,500																																																																																																																																																		
Net receipts/(payments)	8,000		(12,550)		(2,000)																																																																																																																																																		
Opening balance	14,300	[1]	22,300		9,750																																																																																																																																																		
Closing balance	22,300		9,750		7,750 [1]																																																																																																																																																		

Question Number	Answer	Max Mark																																																																																																																							
<p><b>1</b> <b>cont'd</b></p>	<p><u>Budgeted Trading and Profit and Loss Account for the three months ending 31 March 2007</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Sales</td> <td style="width: 30%; text-align: right;">240,000</td> <td style="width: 10%; text-align: right;">[1]</td> <td style="width: 20%;"></td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">60,000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">204,000</td> <td style="text-align: right;">[1]</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">264,000</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;">72,000</td> <td style="text-align: right;">[1]</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right; border-top: 1px solid black;">192,000</td> <td></td> <td></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">48,000</td> <td></td> <td></td> </tr> <tr> <td>Discount received</td> <td style="text-align: right;">2,550</td> <td style="text-align: right;">[1]</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">50,550</td> <td></td> <td></td> </tr> <tr> <td>Expenses</td> <td style="text-align: right;">25,200</td> <td style="text-align: right;">[1]</td> <td></td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">2,400</td> <td style="text-align: right;">[1]</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">2,050</td> <td style="text-align: right;">[2]</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">29,650</td> <td></td> <td></td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">20,900</td> <td></td> <td></td> </tr> </table> <p>NB Up to an additional three marks can be awarded for the candidate's quality of written communication (numerical responses)</p>	Sales	240,000	[1]		Opening stock	60,000			Purchases	204,000	[1]			264,000			Closing stock	72,000	[1]		Cost of sales	192,000			Gross Profit	48,000			Discount received	2,550	[1]			50,550			Expenses	25,200	[1]		Discount allowed	2,400	[1]		Depreciation	2,050	[2]			29,650			Net Profit	20,900																																																																		
Sales	240,000	[1]																																																																																																																							
Opening stock	60,000																																																																																																																								
Purchases	204,000	[1]																																																																																																																							
	264,000																																																																																																																								
Closing stock	72,000	[1]																																																																																																																							
Cost of sales	192,000																																																																																																																								
Gross Profit	48,000																																																																																																																								
Discount received	2,550	[1]																																																																																																																							
	50,550																																																																																																																								
Expenses	25,200	[1]																																																																																																																							
Discount allowed	2,400	[1]																																																																																																																							
Depreciation	2,050	[2]																																																																																																																							
	29,650																																																																																																																								
Net Profit	20,900																																																																																																																								
	<b>Total marks</b>	<b>[27]</b>																																																																																																																							
<p><b>2(a)</b></p>	<p style="text-align: center;"><u>Contract Account</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Materials Purchased</td> <td style="width: 10%; text-align: right;">848,200</td> <td style="width: 10%; text-align: right;">[1]</td> <td style="width: 10%;"></td> <td style="width: 20%;">Materials trfs out</td> <td style="text-align: right;">8,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Direct lab</td> <td style="text-align: right;">448,000</td> <td></td> <td></td> <td>Materials c/d</td> <td style="text-align: right;">38,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Dir lab c/d</td> <td style="text-align: right;">19,500</td> <td style="text-align: right;">467,500</td> <td style="text-align: right;">[1]</td> <td>Plant c/d</td> <td style="text-align: right;">80,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Indirect lab</td> <td style="text-align: right;">63,000</td> <td></td> <td></td> <td>Cost to date c/d</td> <td style="text-align: right;">1,423,100</td> <td></td> </tr> <tr> <td>Ind lab c/d</td> <td style="text-align: right;">2,400</td> <td style="text-align: right;">65,400</td> <td style="text-align: right;">[1]</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Plant</td> <td style="text-align: right;">120,000</td> <td style="text-align: right;">[1]</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Head office charges</td> <td style="text-align: right;">48,000</td> <td style="text-align: right;">[1]</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,549,100</td> <td></td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,549,100</td> <td></td> </tr> <tr> <td>Cost to date b/d</td> <td style="text-align: right;">1,423,100</td> <td></td> <td></td> <td>Work certified</td> <td style="text-align: right;">1,830,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Notional profit c/d</td> <td style="text-align: right;">492,900</td> <td style="text-align: right;">[1]</td> <td></td> <td>Work not certified c/d</td> <td style="text-align: right;">86,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,916,000</td> <td></td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,916,000</td> <td></td> </tr> <tr> <td>Profit and loss</td> <td style="text-align: right;">279,310</td> <td style="text-align: right;">[2]</td> <td></td> <td>Notional profit b/d</td> <td style="text-align: right;">492,900</td> <td></td> </tr> <tr> <td>Profit provision c/d</td> <td style="text-align: right;">213,590</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">492,900</td> <td></td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">492,900</td> <td></td> </tr> <tr> <td>Materials b/d</td> <td style="text-align: right;">38,000</td> <td></td> <td></td> <td>Profit provision b/d</td> <td style="text-align: right;">213,590</td> <td></td> </tr> <tr> <td>Plant b/d</td> <td style="text-align: right;">80,000</td> <td style="text-align: right;">[1]</td> <td></td> <td>Direct lab b/d</td> <td style="text-align: right;">19,500</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Work not cert b/d</td> <td style="text-align: right;">86,000</td> <td style="text-align: right;">[1]</td> <td></td> <td>Indirect lab b/d</td> <td style="text-align: right;">2,400</td> <td></td> </tr> </table> <p>Work cert: <math>1,555,500 \times \frac{100}{85} = 1,830,000</math></p> <p>P&amp;L: <math>492,900 \times \frac{2}{3} \times \frac{1,555,500}{1,830,000} = 279,310</math></p>	Materials Purchased	848,200	[1]		Materials trfs out	8,000	[1]	Direct lab	448,000			Materials c/d	38,000	[1]	Dir lab c/d	19,500	467,500	[1]	Plant c/d	80,000	[1]	Indirect lab	63,000			Cost to date c/d	1,423,100		Ind lab c/d	2,400	65,400	[1]				Plant	120,000	[1]					Head office charges	48,000	[1]						1,549,100				1,549,100		Cost to date b/d	1,423,100			Work certified	1,830,000	[1]	Notional profit c/d	492,900	[1]		Work not certified c/d	86,000	[1]		1,916,000				1,916,000		Profit and loss	279,310	[2]		Notional profit b/d	492,900		Profit provision c/d	213,590							492,900				492,900		Materials b/d	38,000			Profit provision b/d	213,590		Plant b/d	80,000	[1]		Direct lab b/d	19,500	[1]	Work not cert b/d	86,000	[1]		Indirect lab b/d	2,400		<b>[16]</b>
Materials Purchased	848,200	[1]		Materials trfs out	8,000	[1]																																																																																																																			
Direct lab	448,000			Materials c/d	38,000	[1]																																																																																																																			
Dir lab c/d	19,500	467,500	[1]	Plant c/d	80,000	[1]																																																																																																																			
Indirect lab	63,000			Cost to date c/d	1,423,100																																																																																																																				
Ind lab c/d	2,400	65,400	[1]																																																																																																																						
Plant	120,000	[1]																																																																																																																							
Head office charges	48,000	[1]																																																																																																																							
	1,549,100				1,549,100																																																																																																																				
Cost to date b/d	1,423,100			Work certified	1,830,000	[1]																																																																																																																			
Notional profit c/d	492,900	[1]		Work not certified c/d	86,000	[1]																																																																																																																			
	1,916,000				1,916,000																																																																																																																				
Profit and loss	279,310	[2]		Notional profit b/d	492,900																																																																																																																				
Profit provision c/d	213,590																																																																																																																								
	492,900				492,900																																																																																																																				
Materials b/d	38,000			Profit provision b/d	213,590																																																																																																																				
Plant b/d	80,000	[1]		Direct lab b/d	19,500	[1]																																																																																																																			
Work not cert b/d	86,000	[1]		Indirect lab b/d	2,400																																																																																																																				

Question Number	Answer	Max Mark																												
<p><b>2(b)</b></p>	<p>Prudence. Reduction of profit by 2/3 multiplier. Reduction of profit by <u>cash received</u> multiplier. work certified</p> <p><i>(3 x 1 mark)</i> <i>(1 for concept, 1 reduction of profit, 1 for either multiplier)</i></p>	<p><b>[3]</b></p>																												
<p><b>2(c)</b></p>	<p>Replacing labour by automation could lead to conflict with unions. A consultation process should take place to ensure any grievances are discussed, and if not resolved the consequences are considered.</p> <p>Redundancies could lead to industrial action and adverse publicity. Customers could purchase from other sources and there could be a general loss of goodwill in the company. If the company is part of a larger group or has other departments, it could consider retraining or redeploying employees.</p> <p>Redundant employees in an area of high unemployment could lead to a consequent loss of purchasing power in the community. This in turn could lead to additional adverse publicity for the company.</p> <p>The company could consider redundancy compensation and enhanced pensions for employees. Education for social and cultural activities during retirement could be provided and social events arranged for retired employees.</p> <p><i>(3 x 3 marks)</i> <i>(1 for point plus up to 2 for development)</i></p>	<p><b>[9]</b> <b>[28]</b></p> <p style="text-align: right;"><b>Total marks</b></p>																												
<p><b>3(a)</b></p>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">A</th> <th style="text-align: center;">B</th> <th style="text-align: center;">C</th> </tr> </thead> <tbody> <tr> <td>Selling price</td> <td style="text-align: center;">65</td> <td style="text-align: center;">64</td> <td style="text-align: center;">82</td> </tr> <tr> <td>Variable cost</td> <td style="text-align: center;"><u>47</u></td> <td style="text-align: center;"><u>40</u></td> <td style="text-align: center;"><u>62</u></td> </tr> <tr> <td>Contribution/unit</td> <td style="text-align: center;"><u>18</u> <b>[1]</b></td> <td style="text-align: center;"><u>24</u> <b>[1]</b></td> <td style="text-align: center;"><u>20</u> <b>[1]</b></td> </tr> <tr> <td><u>Contribution</u></td> <td style="text-align: center;"><u>18</u></td> <td style="text-align: center;"><u>24</u></td> <td style="text-align: center;"><u>20</u></td> </tr> <tr> <td>Limiting factor</td> <td style="text-align: center;">3</td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> </tr> <tr> <td>Ranking<b>[1]</b></td> <td style="text-align: center;">6 (2nd)</td> <td style="text-align: center;">12 (1<sup>st</sup>)</td> <td style="text-align: center;">5 (3<sup>rd</sup>)</td> </tr> </tbody> </table>		A	B	C	Selling price	65	64	82	Variable cost	<u>47</u>	<u>40</u>	<u>62</u>	Contribution/unit	<u>18</u> <b>[1]</b>	<u>24</u> <b>[1]</b>	<u>20</u> <b>[1]</b>	<u>Contribution</u>	<u>18</u>	<u>24</u>	<u>20</u>	Limiting factor	3	2	4	Ranking <b>[1]</b>	6 (2nd)	12 (1 <sup>st</sup> )	5 (3 <sup>rd</sup> )	
	A	B	C																											
Selling price	65	64	82																											
Variable cost	<u>47</u>	<u>40</u>	<u>62</u>																											
Contribution/unit	<u>18</u> <b>[1]</b>	<u>24</u> <b>[1]</b>	<u>20</u> <b>[1]</b>																											
<u>Contribution</u>	<u>18</u>	<u>24</u>	<u>20</u>																											
Limiting factor	3	2	4																											
Ranking <b>[1]</b>	6 (2nd)	12 (1 <sup>st</sup> )	5 (3 <sup>rd</sup> )																											

Question Number	Answer			Max Mark	
<b>3(a)</b> cont'd	Machinist hours available	100,000			
	Product B x 16,000	<u>(32,000)</u>	[1]		
		68,000			
	Product A x 12,000	<u>(36,000)</u>	[1]		
		32,000			
	Product C x 8,000	<u>(32,000)</u>	[2]		
	Contribution B 16,000 x 24	384,000	[1]		
	Contribution A 12,000 x 18	216,000	[1]		
	Contribution C 8,000 x 20	<u>160,000</u>	[1]		
Total contribution	<u>760,000</u>				
Fixed costs	<u>600,000</u>	[1]			
Profit	<u>160,000</u>	[1]	[13]		
<b>3(b)</b>		A	B	C	
	Selling price	65	64	82	
	Variable cost	<u>50</u>	<u>42</u>	<u>66</u>	
	Contribution/unit	15 [1]	22 [1]	16 [1]	
	x Qty	<u>12,000</u>	<u>16,000</u>	<u>18,000</u>	
		180,000 [1 of]	352,000 [1 of]	288,000 [1 of]	
	Total contribution			820,000 [1]	
	Fixed costs			<u>600,000</u> [1]	
	Profit			<u>220,000</u> [1]	[9]

Question Number	Answer	Max Mark
3(c)*	<p><b>Option 1</b> Limits production of product C, which may lead to packers being laid off. Unable to make full production and less profit generated. Unable to meet customer demand for product C, which may lead to losing customers to competitors. Impact of fewer employees and multiplier effect on local economy. Reputation of business may suffer if it is not able to attract sufficient machinists.</p> <p><b>Option 2</b> Employing additional machinists at higher rate will lead to increased production and profit. Motivation issue and packers may also demand wage increases and reduce profit. The company needs to consider long term demand before taking on permanent staff. All figures are estimates and may not materialise. Rather than take on extra machinists could packers be retrained to work as machinists.</p> <p><b>Comparison and recommendation</b> Increasing the hourly rate for labour will lead to an increase in profit of £60,000. This is a 33.5% increase compared to maintaining the current labour rate.</p> <p>Under option 2, the company is able to achieve full production, however under option 1, production of product C is reduced by 10,000 units. This is a 55.6% reduction on expected sales. Customer confidence may fall and have a multiplier impact on products A and B.</p> <p>Whilst option 2 may lead to an adverse reaction from packers, it does lead to full production, maintaining employment and increasing profit. On this basis, option 2 would be preferred.</p> <p><i>(Up to 4 marks for advantages and disadvantages of Option 1)</i> <i>(Up to 4 marks for advantages and disadvantages of Option 2)</i> <i>(Up to 4 marks for a comparison and recommendation)</i></p> <p>NB Up to an additional two marks can be awarded for the candidate's quality of written communication (narrative responses)</p> <p style="text-align: right;"><b>Total marks</b></p>	<p>[14] [36]</p>

Question Number	Answer							Max Mark																																																																																																																																		
4(a)	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Cost</u></th> <th style="text-align: left;"><u>Basis</u></th> <th style="text-align: left;"><u>Mach</u></th> <th></th> <th style="text-align: left;"><u>Assy</u></th> <th style="text-align: left;"><u>Maint</u></th> <th style="text-align: left;"><u>Canteen</u></th> <th></th> </tr> </thead> <tbody> <tr> <td>Ind wages</td> <td>Employers</td> <td>195,200</td> <td>[1]</td> <td>329,400</td> <td>61,000</td> <td>24,400</td> <td></td> </tr> <tr> <td>Rep/maint</td> <td>Mach hrs</td> <td>86,040</td> <td>[1]</td> <td>9,560</td> <td>-</td> <td>-</td> <td></td> </tr> <tr> <td>Canteen</td> <td>Employees</td> <td>11,264</td> <td>[1]</td> <td>19,008</td> <td>3,520</td> <td>1,408</td> <td></td> </tr> <tr> <td>Ins mach</td> <td>Mach cost</td> <td>20,250</td> <td>[1]</td> <td>6,750</td> <td>-</td> <td>-</td> <td></td> </tr> <tr> <td>Ins prem</td> <td>Area</td> <td>10,800</td> <td>[1]</td> <td>9,600</td> <td>2,400</td> <td>1,200</td> <td></td> </tr> <tr> <td>Heat/light</td> <td>Area</td> <td>14,625</td> <td>[1]</td> <td>13,000</td> <td>3,250</td> <td>1,625</td> <td></td> </tr> <tr> <td>Consum</td> <td>Allocated</td> <td>821</td> <td>[1]</td> <td>1,382</td> <td>1,330</td> <td>1,367</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="border-top: 1px solid black;">30,000</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="border-top: 1px solid black;">(30,000)</td> <td>[1]</td> </tr> <tr> <td>Reapportion</td> <td>Canteen</td> <td>9,000</td> <td>[1]</td> <td>16,500</td> <td>4,500</td> <td>Nil</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="border-top: 1px solid black;">76,000</td> <td></td> <td>[1]</td> </tr> <tr> <td></td> <td>Maint</td> <td>57,000</td> <td>[1]</td> <td>19,000</td> <td>(76,000)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black;">405,000</td> <td>[1]</td> <td style="border-top: 1px solid black;">424,200</td> <td>[1]</td> <td style="border-top: 1px solid black;">Nil</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black;">405,000</td> <td>[1of]</td> <td style="border-top: 1px solid black;">424,000</td> <td>[1of]</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black;">270,000</td> <td>[1]</td> <td style="border-top: 1px solid black;">303,000</td> <td>[1]</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black;">£1.50 DMH</td> <td>[1]</td> <td style="border-top: 1px solid black;">£1.40 DLH</td> <td>[1]</td> <td></td> <td></td> </tr> </tbody> </table>	<u>Cost</u>	<u>Basis</u>	<u>Mach</u>		<u>Assy</u>	<u>Maint</u>	<u>Canteen</u>		Ind wages	Employers	195,200	[1]	329,400	61,000	24,400		Rep/maint	Mach hrs	86,040	[1]	9,560	-	-		Canteen	Employees	11,264	[1]	19,008	3,520	1,408		Ins mach	Mach cost	20,250	[1]	6,750	-	-		Ins prem	Area	10,800	[1]	9,600	2,400	1,200		Heat/light	Area	14,625	[1]	13,000	3,250	1,625		Consum	Allocated	821	[1]	1,382	1,330	1,367								30,000								(30,000)	[1]	Reapportion	Canteen	9,000	[1]	16,500	4,500	Nil							76,000		[1]		Maint	57,000	[1]	19,000	(76,000)					405,000	[1]	424,200	[1]	Nil				405,000	[1of]	424,000	[1of]					270,000	[1]	303,000	[1]					£1.50 DMH	[1]	£1.40 DLH	[1]			
<u>Cost</u>	<u>Basis</u>	<u>Mach</u>		<u>Assy</u>	<u>Maint</u>	<u>Canteen</u>																																																																																																																																				
Ind wages	Employers	195,200	[1]	329,400	61,000	24,400																																																																																																																																				
Rep/maint	Mach hrs	86,040	[1]	9,560	-	-																																																																																																																																				
Canteen	Employees	11,264	[1]	19,008	3,520	1,408																																																																																																																																				
Ins mach	Mach cost	20,250	[1]	6,750	-	-																																																																																																																																				
Ins prem	Area	10,800	[1]	9,600	2,400	1,200																																																																																																																																				
Heat/light	Area	14,625	[1]	13,000	3,250	1,625																																																																																																																																				
Consum	Allocated	821	[1]	1,382	1,330	1,367																																																																																																																																				
						30,000																																																																																																																																				
						(30,000)	[1]																																																																																																																																			
Reapportion	Canteen	9,000	[1]	16,500	4,500	Nil																																																																																																																																				
					76,000		[1]																																																																																																																																			
	Maint	57,000	[1]	19,000	(76,000)																																																																																																																																					
		405,000	[1]	424,200	[1]	Nil																																																																																																																																				
		405,000	[1of]	424,000	[1of]																																																																																																																																					
		270,000	[1]	303,000	[1]																																																																																																																																					
		£1.50 DMH	[1]	£1.40 DLH	[1]																																																																																																																																					
Question Number	Answer							Max Mark																																																																																																																																		
4(b)	<table border="0" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 40%;"></td> <td style="text-align: right;">Mach</td> <td></td> </tr> <tr> <td>Actual overhead</td> <td style="text-align: right;">397,100</td> <td></td> </tr> <tr> <td>Absorbed overhead (£1.50 x 275,000)</td> <td style="text-align: right;">412,500</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">over 15,400</td> <td>[2][1 of]</td> </tr> <tr> <td></td> <td style="text-align: right;">Assy</td> <td></td> </tr> <tr> <td>Actual overhead</td> <td style="text-align: right;">412,600</td> <td></td> </tr> <tr> <td>Absorbed overhead (£1.40 x 290,000)</td> <td style="text-align: right;">406,000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">under 6,600</td> <td>[2][1 of]</td> </tr> </tbody> </table>		Mach		Actual overhead	397,100		Absorbed overhead (£1.50 x 275,000)	412,500			over 15,400	[2][1 of]		Assy		Actual overhead	412,600		Absorbed overhead (£1.40 x 290,000)	406,000			under 6,600	[2][1 of]	[4]																																																																																																																
	Mach																																																																																																																																									
Actual overhead	397,100																																																																																																																																									
Absorbed overhead (£1.50 x 275,000)	412,500																																																																																																																																									
	over 15,400	[2][1 of]																																																																																																																																								
	Assy																																																																																																																																									
Actual overhead	412,600																																																																																																																																									
Absorbed overhead (£1.40 x 290,000)	406,000																																																																																																																																									
	under 6,600	[2][1 of]																																																																																																																																								
4(c)	<p>Use of estimated data, which could be inaccurate, leading to under/over absorption.</p> <p>Over absorption, too much overhead charged to production, overpriced and uncompetitive, fall in demand and subsequent loss of revenue/reduction in profit.</p> <p>Under absorption, insufficient overhead charged to production, lower price to customer, costs not covered and subsequent reduction in profits.</p> <p>(3 x 2 marks)</p>	[6]																																																																																																																																								



(1 for point plus 1 for development)

Total marks	[29]
-------------	------

Paper Total	[120]
-------------	-------

SPECIMEN

## Assessment Objectives Grid

Question	AO1	AO2	AO3	Total
1*	14	13	0	27
2(a)	5	9	2	16
2(b)	0	1	2	3
2(c)	0	0	9	9
3(a)	3	9	1	13
3(b)	3	6	0	9
3(c)*	0	0	14	14
4(a)	5	12	2	19
4(b)	0	4	0	4
4(c)	0	0	6	6
<b>Totals</b>	<b>30</b>	<b>54</b>	<b>36</b>	<b>120</b>

\*includes QWC

SPECIMEN