

**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 <b>must</b> 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)<br>MUV: $(6 \times 15,600 - 92,000)4 = 6,400F$ (2)<br>LRV: $(14 - 14.30)55,000 = 16,500A$ (1)<br>LEV: $(3.5 \times 15,600 - 55,000)14 = 5,600A$ (2)<br>SPV: $(128 - 124)14,700 = 58,800F$ (1)<br>SVV: $(14,700 - 15,000)124 = 37,200A$ (1)<br>VOH: $(7 \times 3 \times 15,600 - 335,000) = 7,400A$ (2)<br>FOH: $(5 \times 2 \times 15,600 - 160,000) = 4,000A$ (2)  | 12             |          |  |  |  |  |  |                     |  |  |  |  |  |  |  |  |  |  |  |              |  |   |   |  |  |  |  |  |  |  |     |  |        |  |  |  |  |  |  |  |     |               |       |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |                  |              |  |  |  |  |  |  |  |  |                     |   |  |
| (b)            | <p><u>Reconciliation Statement for budgeted and actual sales</u></p> <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%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="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> <td></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> <td></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> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>21,600(1)</u></td> </tr> <tr> <td>Actual sales</td> <td></td> <td></td> <td></td> <td></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 |  |
| 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> |  |  |  |  |  |  |  |  |  |  |  |              |  |   |   |  |  |  |  |  |  |  |     |  |        |  |  |  |  |  |  |  |     |               |       |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |                  |              |  |  |  |  |  |  |  |  |                     |   |  |



| Question        | Answer/Indicative content  | Mark                     | Guidance                 |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
|-----------------|--|--------------------------|--------------------------|-------------|------------|-----------------|--|--|--|--------------|-------------------|-------------------|-------------------|-----------|---------|---------|---------|---------------|--|--|--------------|--|--------------------------|--------------------------|--------------------------|-----------------|--|--|--|-----------|-------------------|-------------------|-------------------|-----------|--------|--------|--------|-----------|-------------------------|-------------------------|-------------------------|--|---------|---------|---------|---------|--------|--------|-------------------|---------------|--|--|-------------------|----------|-------------------|--------|-------------------|------|-------------------|--|--|---------------|------------|--|--|--|----------------|----------------|----------------|---------------|----------|--------|--------|-------------|--------------------------|---------------|---------------|-------------|---------------|---------------|-------------------------|----|--|
| 2               | <p data-bbox="219 217 275 240">(a)*</p> <p data-bbox="367 217 1122 240"><b>Cash Budget for the three months ending 31 August 2014</b></p> <table border="1" data-bbox="367 248 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<b>(1)</b></td> <td style="text-align: right;">70,560<b>(1)</b></td> <td style="text-align: right;">72,912<b>(1)</b></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<b>(1)</b></u></td> <td style="text-align: right;"><u>224,560<b>(1)</b></u></td> <td style="text-align: right;"><u>245,912<b>(1)</b></u></td> </tr> <tr> <td colspan="4"><u>Payments</u></td> </tr> <tr> <td>Purch 50%</td> <td style="text-align: right;">75,000<b>(1)</b></td> <td style="text-align: right;">77,500<b>(1)</b></td> <td style="text-align: right;">72,500<b>(1)</b></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<b>(1)</b></u></td> <td style="text-align: right;"><u>34,375<b>(1)</b></u></td> <td style="text-align: right;"><u>37,500<b>(1)</b></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<b>(1)</b></td> </tr> <tr> <td>Motor vehicle</td> <td></td> <td></td> <td style="text-align: right;">20,000<b>(1)</b></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">50,400<b>(1)</b></td> <td style="text-align: right;">45,600</td> <td style="text-align: right;">45,600<b>(1)</b></td> </tr> <tr> <td>Loan</td> <td style="text-align: right;">60,000<b>(1)</b></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<b>(1)</b></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<b>(1)</b></u></td> </tr> </tbody> </table> |                          | <u>June</u>              | <u>July</u> | <u>Aug</u> | <u>Receipts</u> |  |  |  | Sales 30%-2% | 64,680 <b>(1)</b> | 70,560 <b>(1)</b> | 72,912 <b>(1)</b> | Sales 70% | 156,800 | 154,000 | 168,000 | Motor vehicle |  |  | <u>5,000</u> |  | <u>221,480<b>(1)</b></u> | <u>224,560<b>(1)</b></u> | <u>245,912<b>(1)</b></u> | <u>Payments</u> |  |  |  | Purch 50% | 75,000 <b>(1)</b> | 77,500 <b>(1)</b> | 72,500 <b>(1)</b> | Purch 25% | 34,375 | 37,500 | 38,750 | Purch 25% | <u>35,000<b>(1)</b></u> | <u>34,375<b>(1)</b></u> | <u>37,500<b>(1)</b></u> |  | 144,375 | 149,375 | 148,750 | Gen exp | 18,000 | 18,000 | 18,000 <b>(1)</b> | Motor vehicle |  |  | 20,000 <b>(1)</b> | Salaries | 50,400 <b>(1)</b> | 45,600 | 45,600 <b>(1)</b> | Loan | 60,000 <b>(1)</b> |  |  | 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<b>(1)</b></u> | <u>53,405</u> | <u>64,990</u> | Closing bal | <u>53,405</u> | <u>64,990</u> | <u>78,552<b>(1)</b></u> | 32 |  |
|                 | <u>June</u>  | <u>July</u>              | <u>Aug</u>               |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| <u>Receipts</u> |  |                          |                          |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Sales 30%-2%    | 64,680 <b>(1)</b>  | 70,560 <b>(1)</b>        | 72,912 <b>(1)</b>        |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Sales 70%       | 156,800  | 154,000                  | 168,000                  |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Motor vehicle   |  |                          | <u>5,000</u>             |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
|                 | <u>221,480<b>(1)</b></u>   | <u>224,560<b>(1)</b></u> | <u>245,912<b>(1)</b></u> |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| <u>Payments</u> |  |                          |                          |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Purch 50%       | 75,000 <b>(1)</b>  | 77,500 <b>(1)</b>        | 72,500 <b>(1)</b>        |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Purch 25%       | 34,375   | 37,500                   | 38,750                   |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Purch 25%       | <u>35,000<b>(1)</b></u>  | <u>34,375<b>(1)</b></u>  | <u>37,500<b>(1)</b></u>  |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
|                 | 144,375  | 149,375                  | 148,750                  |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Gen exp         | 18,000   | 18,000                   | 18,000 <b>(1)</b>        |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Motor vehicle   |  |                          | 20,000 <b>(1)</b>        |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Salaries        | 50,400 <b>(1)</b>  | 45,600                   | 45,600 <b>(1)</b>        |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Loan            | 60,000 <b>(1)</b>  |                          |                          |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| 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<b>(1)</b></u>   | <u>53,405</u>            | <u>64,990</u>            |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |
| Closing bal     | <u>53,405</u>  | <u>64,990</u>            | <u>78,552<b>(1)</b></u>  |             |            |                 |  |  |  |              |                   |                   |                   |           |         |         |         |               |  |  |              |  |                          |                          |                          |                 |  |  |  |           |                   |                   |                   |           |        |        |        |           |                         |                         |                         |  |         |         |         |         |        |        |                   |               |  |  |                   |          |                   |        |                   |      |                   |  |  |               |            |  |  |  |                |                |                |               |          |        |        |             |                          |               |               |             |               |               |                         |    |  |

| Question                  | Answer/Indicative content  | Mark  | Guidance |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
|---------------------------|--|-------|----------|--|---------------|---------|--|-----------|-------------------|--|--|---------|--|---------------|-------------------|--|---------------|---------|--|--------------|------------|--|------------------|----------|--|------------------|--------|--|----------|------------|--|---------------------------|-----------|--|--------------|----------|--|---------------|---------------|--|--|---------|--|------------|------------------|--|--|----------------|--|--|--|
|                           | <p><u>Budgeted Trading and Profit and Loss Account for the three months ending 31 August 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 20%; text-align: right;">708,000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">137,500</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>450,000(1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">587,500</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>145,000(1)</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">442,500</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">265,500(1)</td> <td></td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">4,248(1)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">54,000</td> <td></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">139,200(1)</td> <td></td> </tr> <tr> <td>Depreciation fixed assets</td> <td style="text-align: right;">34,550(2)</td> <td></td> </tr> <tr> <td>Loss on sale</td> <td style="text-align: right;">1,400(1)</td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;"><u>300(1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">233,698</td> <td></td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;"><u>31,802(1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><b>QWC (3)</b></td> <td></td> </tr> </table> | Sales | 708,000  |  | Opening stock | 137,500 |  | Purchases | <u>450,000(1)</u> |  |  | 587,500 |  | Closing stock | <u>145,000(1)</u> |  | Cost of sales | 442,500 |  | Gross Profit | 265,500(1) |  | Discount allowed | 4,248(1) |  | General expenses | 54,000 |  | Salaries | 139,200(1) |  | Depreciation fixed assets | 34,550(2) |  | Loss on sale | 1,400(1) |  | Loan interest | <u>300(1)</u> |  |  | 233,698 |  | Net Profit | <u>31,802(1)</u> |  |  | <b>QWC (3)</b> |  |  |  |
| Sales                     | 708,000  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Opening stock             | 137,500  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Purchases                 | <u>450,000(1)</u>  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
|                           | 587,500  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Closing stock             | <u>145,000(1)</u>  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Cost of sales             | 442,500  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Gross Profit              | 265,500(1)   |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Discount allowed          | 4,248(1)   |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| General expenses          | 54,000   |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Salaries                  | 139,200(1)   |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Depreciation fixed assets | 34,550(2)  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Loss on sale              | 1,400(1)   |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Loan interest             | <u>300(1)</u>  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
|                           | 233,698  |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
| Net Profit                | <u>31,802(1)</u>   |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |
|                           | <b>QWC (3)</b>   |       |          |  |               |         |  |           |                   |  |  |         |  |               |                   |  |               |         |  |              |            |  |                  |          |  |                  |        |  |          |            |  |                           |           |  |              |          |  |               |               |  |  |         |  |            |                  |  |  |                |  |  |  |





| Question            |                 | Answer/Indicative content   | Mark            | Guidance    |            |            |                  |       |       |       |               |              |              |              |            |          |       |       |                     |                 |                 |                 |                 |                 |                 |                 |   |  |
|---------------------|-----------------|---|-----------------|-------------|------------|------------|------------------|-------|-------|-------|---------------|--------------|--------------|--------------|------------|----------|-------|-------|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---|--|
| 3                   | (a)             | <p>% DM <math>\frac{1,200,000}{400,000} = 300\% \text{ (1)}</math></p> <p>% DL <math>\frac{1,200,000}{500,000} = 240\% \text{ (1)}</math></p> <p>Per unit <math>\frac{1,200,000}{400} = \text{£}3,000 \text{ (1)}</math></p> <p>LHR <math>\frac{1,200,000}{48,000} = \text{£}25 \text{ (1)}</math></p> <p>MHR <math>\frac{1,200,000}{60,000} = \text{£}20 \text{ (1)}</math></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 |  |
|                     | <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> |             |            |            |                  |       |       |       |               |              |              |              |            |          |       |       |                     |                 |                 |                 |                 |                 |                 |                 |   |  |

| Question |      | Answer/Indicative content  | Mark | Guidance |
|----------|------|--|------|----------|
| 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><b>(3 x 3 marks)</b><br/><b>(1 for point plus up to 2 for development)</b></p> <p style="text-align: right;"><b>QWC (2)</b></p> | 11   |          |
|          |      |  |      |          |

| Question   | Answer/Indicative content   | Mark        | Guidance    |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
|--|---|-------------|-------------|----------|----------|---------------|----|----|----|----------------|-----------|-----------|-----------|-----------------------|--------------|-------------|-------------|--|--|--|--|--------------|-----------|--|--|-------------|-----------|--|--|-------------|------------------|--|--|--------------------|---------|--|--|-------------|---------------|--|--|--------|------------------|--|--|----------------------------|--|--|--|--|----------|----------|----------|---------------------|-----------|----------|----------|------------------------|----|----|----|--|------|-----|-----|-------------|-----|-----|-----|------------------------------|--|--|--|--------------|---------|--|--|--------------|---------|--|--|--------------|----------------|--|--|--|---------|--|--|-------|----------------|--|--|-------------------------|------------|--|--|--------------|------------------|--|--|--|---------|--|--|--------------|------------------|--|--|--|---------|--|--|--------------|---------------------|--|--|----|--|
| 4 (a)  | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;"><u>A</u></td> <td style="text-align: center;"><u>B</u></td> <td style="text-align: center;"><u>C</u></td> </tr> <tr> <td>Selling price</td> <td style="text-align: center;">54</td> <td style="text-align: center;">44</td> <td style="text-align: center;">40</td> </tr> <tr> <td>Variable costs</td> <td style="text-align: center;"><u>43</u></td> <td style="text-align: center;"><u>39</u></td> <td style="text-align: center;"><u>34</u></td> </tr> <tr> <td>Contribution per unit</td> <td style="text-align: center;"><u>11(1)</u></td> <td style="text-align: center;"><u>5(1)</u></td> <td style="text-align: center;"><u>6(1)</u></td> </tr> <tr> <td colspan="4"><br/><u>Profit each month if no limiting factor</u></td> </tr> <tr> <td>A 11 x 5,000</td> <td colspan="3" style="text-align: right;">55,000(1)</td> </tr> <tr> <td>B 5 x 7,000</td> <td colspan="3" style="text-align: right;">35,000(1)</td> </tr> <tr> <td>C 6 x 9,000</td> <td colspan="3" style="text-align: right;"><u>54,000(1)</u></td> </tr> <tr> <td>Total contribution</td> <td colspan="3" style="text-align: right;">144,000</td> </tr> <tr> <td>Fixed costs</td> <td colspan="3" style="text-align: right;"><u>60,000</u></td> </tr> <tr> <td>Profit</td> <td colspan="3" style="text-align: right;"><u>84,000(1)</u></td> </tr> <tr> <td colspan="4"><br/><u>Limiting factor</u></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>A</u></td> <td style="text-align: center;"><u>B</u></td> <td style="text-align: center;"><u>C</u></td> </tr> <tr> <td><u>Contribution</u></td> <td style="text-align: center;"><u>11</u></td> <td style="text-align: center;"><u>5</u></td> <td style="text-align: center;"><u>6</u></td> </tr> <tr> <td><u>Limiting factor</u></td> <td style="text-align: center;">25</td> <td style="text-align: center;">25</td> <td style="text-align: center;">20</td> </tr> <tr> <td></td> <td style="text-align: center;">0.44</td> <td style="text-align: center;">0.2</td> <td style="text-align: center;">0.3</td> </tr> <tr> <td>Priority(1)</td> <td style="text-align: center;">1st</td> <td style="text-align: center;">3rd</td> <td style="text-align: center;">2nd</td> </tr> <tr> <td colspan="4"><br/><u>Material required</u></td> </tr> <tr> <td>A 25 x 5,000</td> <td colspan="3" style="text-align: right;">125,000</td> </tr> <tr> <td>B 25 x 7,000</td> <td colspan="3" style="text-align: right;">175,000</td> </tr> <tr> <td>C 20 x 9,000</td> <td colspan="3" style="text-align: right;"><u>180,000</u></td> </tr> <tr> <td></td> <td colspan="3" style="text-align: right;">480,000</td> </tr> <tr> <td>X 85%</td> <td colspan="3" style="text-align: right;"><u>408,000</u></td> </tr> <tr> <td>Material available Sept</td> <td colspan="3" style="text-align: right;">408,000(1)</td> </tr> <tr> <td>A 25 x 5,000</td> <td colspan="3" style="text-align: right;"><u>(125,000)</u></td> </tr> <tr> <td></td> <td colspan="3" style="text-align: right;">283,000</td> </tr> <tr> <td>C 20 x 9,000</td> <td colspan="3" style="text-align: right;"><u>(180,000)</u></td> </tr> <tr> <td></td> <td colspan="3" style="text-align: right;">103,000</td> </tr> <tr> <td>B 25 x 4,120</td> <td colspan="3" style="text-align: right;"><u>(103,000)(1)</u></td> </tr> </table> |             | <u>A</u>    | <u>B</u> | <u>C</u> | Selling price | 54 | 44 | 40 | Variable costs | <u>43</u> | <u>39</u> | <u>34</u> | Contribution per unit | <u>11(1)</u> | <u>5(1)</u> | <u>6(1)</u> | <br><u>Profit each month if no limiting factor</u> |  |  |  | A 11 x 5,000 | 55,000(1) |  |  | B 5 x 7,000 | 35,000(1) |  |  | C 6 x 9,000 | <u>54,000(1)</u> |  |  | Total contribution | 144,000 |  |  | Fixed costs | <u>60,000</u> |  |  | Profit | <u>84,000(1)</u> |  |  | <br><u>Limiting factor</u> |  |  |  |  | <u>A</u> | <u>B</u> | <u>C</u> | <u>Contribution</u> | <u>11</u> | <u>5</u> | <u>6</u> | <u>Limiting factor</u> | 25 | 25 | 20 |  | 0.44 | 0.2 | 0.3 | Priority(1) | 1st | 3rd | 2nd | <br><u>Material required</u> |  |  |  | A 25 x 5,000 | 125,000 |  |  | B 25 x 7,000 | 175,000 |  |  | C 20 x 9,000 | <u>180,000</u> |  |  |  | 480,000 |  |  | X 85% | <u>408,000</u> |  |  | Material available Sept | 408,000(1) |  |  | A 25 x 5,000 | <u>(125,000)</u> |  |  |  | 283,000 |  |  | C 20 x 9,000 | <u>(180,000)</u> |  |  |  | 103,000 |  |  | B 25 x 4,120 | <u>(103,000)(1)</u> |  |  | 15 |  |
|  | <u>A</u>  | <u>B</u>    | <u>C</u>    |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Selling price                                      | 54  | 44          | 40          |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Variable costs                                     | <u>43</u>   | <u>39</u>   | <u>34</u>   |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Contribution per unit                              | <u>11(1)</u>  | <u>5(1)</u> | <u>6(1)</u> |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| <br><u>Profit each month if no limiting factor</u> |   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| A 11 x 5,000                                       | 55,000(1)   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| B 5 x 7,000  | 35,000(1)   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| C 6 x 9,000  | <u>54,000(1)</u>  |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Total contribution                                 | 144,000   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Fixed costs  | <u>60,000</u>   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Profit   | <u>84,000(1)</u>  |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| <br><u>Limiting factor</u>                         |   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
|  | <u>A</u>  | <u>B</u>    | <u>C</u>    |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| <u>Contribution</u>                                | <u>11</u>   | <u>5</u>    | <u>6</u>    |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| <u>Limiting factor</u>                             | 25  | 25          | 20          |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
|  | 0.44  | 0.2         | 0.3         |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Priority(1)  | 1st   | 3rd         | 2nd         |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| <br><u>Material required</u>                       |   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| A 25 x 5,000                                       | 125,000   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| B 25 x 7,000                                       | 175,000   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| C 20 x 9,000                                       | <u>180,000</u>  |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
|  | 480,000   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| X 85%  | <u>408,000</u>  |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| Material available Sept                            | 408,000(1)  |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| A 25 x 5,000                                       | <u>(125,000)</u>  |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
|  | 283,000   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| C 20 x 9,000                                       | <u>(180,000)</u>  |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
|  | 103,000   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |
| B 25 x 4,120                                       | <u>(103,000)(1)</u>   |             |             |          |          |               |    |    |    |                |           |           |           |                       |              |             |             |  |  |  |  |              |           |  |  |             |           |  |  |             |                  |  |  |                    |         |  |  |             |               |  |  |        |                  |  |  |                            |  |  |  |  |          |          |          |                     |           |          |          |                        |    |    |    |  |      |     |     |             |     |     |     |                              |  |  |  |              |         |  |  |              |         |  |  |              |                |  |  |  |         |  |  |       |                |  |  |                         |            |  |  |              |                  |  |  |  |         |  |  |              |                  |  |  |  |         |  |  |              |                     |  |  |    |  |

| Question           | Answer/Indicative content   | Mark          | Guidance  |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
|--------------------|---|---------------|-----------|----------------|-----------|--------------|------------------|--------------------|------------|-------------|------------------------|--------|-------------------------|------|--------|-----|--------|------|---------------|--------|--------------------------|--|--|
|                    | <p><u>Profit for Sept</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">A 11 x 5,000</td> <td style="text-align: right;">55,000(1)</td> </tr> <tr> <td>B 5 x 4,120</td> <td style="text-align: right;">20,600(1)</td> </tr> <tr> <td>C 6 x 9,000</td> <td style="text-align: right;"><u>54,000(1)</u></td> </tr> <tr> <td>Total contribution</td> <td style="text-align: right;">129,600</td> </tr> <tr> <td>Fixed costs</td> <td style="text-align: right;"><u>60,000</u></td> </tr> <tr> <td>Profit</td> <td style="text-align: right;"><u><u>69,600(1)</u></u></td> </tr> </table> <p><u>Profit for the three months ending 30 Sept 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">July</td> <td style="text-align: right;">84,000</td> </tr> <tr> <td>Aug</td> <td style="text-align: right;">84,000</td> </tr> <tr> <td>Sept</td> <td style="text-align: right;"><u>69,600</u></td> </tr> <tr> <td>Profit</td> <td style="text-align: right;"><u><u>237,600(1)</u></u></td> </tr> </table> | A 11 x 5,000  | 55,000(1) | B 5 x 4,120    | 20,600(1) | C 6 x 9,000  | <u>54,000(1)</u> | Total contribution | 129,600    | Fixed costs | <u>60,000</u>          | Profit | <u><u>69,600(1)</u></u> | July | 84,000 | Aug | 84,000 | Sept | <u>69,600</u> | Profit | <u><u>237,600(1)</u></u> |  |  |
| A 11 x 5,000       | 55,000(1)   |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| B 5 x 4,120        | 20,600(1)   |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| C 6 x 9,000        | <u>54,000(1)</u>  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Total contribution | 129,600   |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Fixed costs        | <u>60,000</u>   |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Profit             | <u><u>69,600(1)</u></u>   |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| July               | 84,000  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Aug                | 84,000  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Sept               | <u>69,600</u>   |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Profit             | <u><u>237,600(1)</u></u>  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| (b)                | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Selling price</td> <td style="text-align: right;">41</td> </tr> <tr> <td>Variable costs</td> <td style="text-align: right;"><u>39</u></td> </tr> <tr> <td>Contribution</td> <td style="text-align: right;">2(1)</td> </tr> <tr> <td>Quantity</td> <td style="text-align: right;"><u>500</u></td> </tr> <tr> <td>Profit</td> <td style="text-align: right;"><u><u>1,000(1)</u></u></td> </tr> </table>  | Selling price | 41        | Variable costs | <u>39</u> | Contribution | 2(1)             | Quantity           | <u>500</u> | Profit      | <u><u>1,000(1)</u></u> | 2      |                         |      |        |     |        |      |               |        |                          |  |  |
| Selling price      | 41  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Variable costs     | <u>39</u>   |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Contribution       | 2(1)  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Quantity           | <u>500</u>  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |
| Profit             | <u><u>1,000(1)</u></u>  |               |           |                |           |              |                  |                    |            |             |                        |        |                         |      |        |     |        |      |               |        |                          |  |  |

| Question | Answer/Indicative content   | Mark     | Guidance |
|----------|---|----------|----------|
| (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><b>(3 x 3 marks)</b><br/><b>(1 for point plus up to 2 for development)</b></p> | <b>9</b> |          |

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