GCE

Accounting

Advanced GCE **F014**

Management Accounting

Mark Scheme for June 2010

Oxford Cambridge and RSA Examinations

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Question Number	Expected Answer	Mark	Rationale
1 (a) (i)	MPV (7 – 7.20)22,300 = 4,460A **(2)**	**[2]**	**2 for correct value with A/F 1 for correct value with no A/F or incorrect A/F All other responses 0.**
(ii)	MUV [(7 x 3,200) – 22,300]7 = 700F **(2)**	**[2]**	
(iii)	LRV (9 – 9.50)9,400 = 4,700A **(2)**	**[2]**	
(iv)	LEV [(3 x 3,200) – 9,400]9 = 1,800F **(2)**	**[2]**	
(v)	TVO (2 x 4 x 3,200) – 25,000 = 600F **(2)**	**[2]**	
(vi)	TFO (2 x 3 x 3,200) – 18,800 = 400F **(2)**	**[2]**	
(vii)	SPV (125 – 120)3,100 = 15,500F **(2)**	**[2]**	
(viii)	SVV (3,100 – 3,000)120 = 12,000F **(2)** Alt based on margin 3,000F **(2)**	**[2]**	
1 (b)	Reconciliation Statement for budgeted (standard) cost and actual cost Standard cost 288,000 **(2)** Adverse / Favourable MPV 4,460 MUV 700 LRV 4,700 LEV 1,800 TVO 600 TFO 400 9,160 **(1)** 3,500 **(1)** 5,660 Actual cost 293,660 **(2)**	**[6]**	**Standard cost 2 or 0 Actual cost 2 or 0 if net 5,660 (2) allow correct list (2)**

Reconciliation detail for 1 (b):

	Adverse	Favourable		
Standard cost			288,000	**(2)**
MPV	4,460			
MUV		700		
LRV	4,700			
LEV		1,800		
TVO		600		
TFO		400		
	9,160 **(1)**	3,500 **(1)**		
			5,660	
Actual cost			293,660	**(2)**

1	**(c)**	Expensive to install **(1)** and time consuming to keep up to date**(1)**. Need to review **(1)** when general market price movements occur **(1)**. Type**(1)** of standard to be used, ideal or attainable**(1)**. **(2 x 2 marks)** **(1 for point plus 1 for development)**	**[4]**	
		Total marks	**[26]**	

Question Number	Expected Answer	Mark	Rationale
2 (a)			

Sales	Jun	Jul		Aug		Sep	
units	9,000	9,900		8,700		8,400	
X £30	270,000	297,000		261,000		252,000	
50% - 2%		145,530	**(1)**	127,890	**(1)**	123,480	**(1)**
50%		135,000	**(1)**	148,500	**(1)**	130,500	**(1)**
		280,530		276,390		253,980	
Disc all		2,970		2,610		2,520	

Sales	Purchases	
Jun 9,000	May 9,000 x 20	180,000
Jul 9,900	Jun 9,900 x 20	198,000
Aug 8,700	Jul 8,700 x 20	174,000
Sep 8,400	Aug 8,400 x 20	168,000
Oct 9,000	Sep 9,000 x 20	180,000

	May	Jun	Jul		Aug		Sep	
Purchases	180,000	198,000	174,000		168,000		180,000	
1/3	60,000	66,000	58,000	**(1)**	56,000	**(1)**	60,000	**(1)**
1/3		60,000	66,000		58,000		56,000	
1/3			60,000	**(1)**	66,000	**(1)**	58,000	
			184,000		180,000		174,000	**(1)**

Question Number	Expected Answer	Mark	Rationale
2 (a) continued	Cash Budget for the three months ending 30 September 2010		**Allow 1 mark for each value in sales. Refer to calculations. Purchases 1 mark for correct first month. 1 mark for both other months. 1 of at the end for good model**

Cash Budget for the three months ending 30 September 2010

	Jul		Aug		Sep	
Receipts						
Sales	280,530	**(2)**	276,390	**(2)**	253,980	**(2)**
Payments						
Purchases	184,000	**(2)**	180,000	**(2)**	174,000	**(2)**
Rates	15,000	**(1)**				
Other expenses	75,000		75,000		75,000	**(1)**
Dividend			62,000	**(2)**		
	274,000		317,000		249,000	
Net cash flow	6,530		(40,610)		4,980	
Bal b/d	30,000		36,530		(4,080)	
Bal c/d	36,530	**(1)**	(4,080)		900	**(1 of)**

Budgeted Trading Account for the three months ending 30 September 2010

Sales			810,000	**(1)**
Opening stock	198,000	**(1)**		
Purchases	522,000	**(1)**		
	720,000			
Closing stock	180,000	**(1)**		
Cost of sales			540,000	
Gross Profit			270,000	**(1)**

If cost of sales 540,000 (3)

[23]

Question Number	Expected Answer	Mark	Rationale
2 (b) *	Positive cash balance at start and end of July **(1)**. August shows overdrawn position**(1)** and this is caused by the proposed dividend payment of £62,000**(1)** Company could consider reducing or rescheduling dividend**(1)**, although reaction of shareholders**(1)** would need consideration. Contact bank to seek overdraft facility**(1)**, supported by a return to positive cash balance**(1)** in September. Would only pay interest **(1)** if actually used **(1).** Rephase receipts/payments**(1)**. If sales paid earlier, could increase discount allowed**(1)**. Purchase payments already spread over three months**(1)**. Rates could be spread monthly**(1)**. Take out a short term loan**(1)**, although interest will need to be paid**(1)**, whether full loan is used or not**(1)**. The company could review its fixed assets**(1)** and if any are surplus to requirements**(1)**, then a fixed asset sale would bring in additional cash**(1)**. **(3 x 3 marks)** **(1 for point plus up to 2 for development) (9)** **QWC (2)**	**[11]**	**Reward each relevant point. Allow of comments for cash budget.** **QWC spelling punctuation and grammar well set out and flows.**
	Total marks	**[34]**	

<table>
<tr><th>Question Number</th><th>Expected Answer</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>3 (a)</td><td>Selling price 56
Variable costs 40
Contribution 16 (2)
Quantity x 15,000
240,000
Fixed costs 130,000 (1)
Profit 110,000 (2)</td><td>[5]</td><td>Must show contribution per unit, otherwise (3) for correct answers.</td></tr>
<tr><td>3 (b)</td><td><u>Wooden gates</u>
Selling price 62
Variable costs 44
Contribution 18 (2)

<table>
<tr><th></th><th>Garden seats</th><th>Wooden gates</th><th></th></tr>
<tr><td>Contribution</td><td>16 (1)</td><td>18 (1)</td><td></td></tr>
<tr><td>Limiting factor</td><td>1.5 (1)</td><td>2 (1)</td><td></td></tr>
<tr><td></td><td>10.7</td><td>9</td><td>Priority garden seats (1)</td></tr>
</table>

Normal hours available 30,000
Garden seats 15,000 x 1.5 (22,500) (1)
7,500
Wooden gates 3,750 x 2 (7,500) (1)

Overtime 2,000
Wooden gates 1,000 x 2 (2,000) (2)</td><td></td><td>Contribution 18 (2). Need to reward different presentations. If correct to a point, reward with marks to that point. Eg: Priority correct (7 if 18 shown), wooden gates 9,500 (3).</td></tr>
</table>

Question Number	Expected Answer	Mark	Rationale
3 (b) continued	<u>Total contribution</u> Garden seats 15,000 x 16 240,000 Wooden gates 3,750 x 18 67,500 Wooden gates 1,000 x 10 <u>10,000</u> **(2)** 317,500 **(1)** Fixed costs <u>180,000</u> **(1)** Profit <u>137,500</u> **(1)**	**[16]**	**If correct final answer (16), if contribution per unit shown earlier. 77,500 (2).**
3 (c)	Current situation makes profit**(1)**, adding new product will increase profit by £27,500**(1)**. New product gives greater diversification**(1)**, although unable to meet estimated demand**(1)**, which could lead to adverse publicity**(1)**. New product will increase labour required **(1)** and give greater job security**(1)**. Also gives opportunity for overtime**(1)**. All figures are estimated**(1)** and may not materialise**(1)**. Profit projections may be inaccurate**(1)**. Engaging extra staff and incurring additional fixed costs increases the risk **(1)**of potential loss**(1)**. **(3 x 2 marks)** **(1 for point plus 1 for development)**	**[6]**	
	Total marks	**[27]**	

<table>
<tr><th>Question Number</th><th>Expected Answer</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>4 (a)*</td><td>
<table>
<tr><th>Cost</th><th>Basis</th><th>Total</th><th>Mach</th><th>Fin</th><th>Canteen</th><th>Maint</th><th>Stores</th></tr>
<tr><td>Ind wages</td><td>Employ</td><td>1,480,500</td><td>740,250 (1)</td><td>444,150</td><td>74,025</td><td>148,050</td><td>74,025</td></tr>
<tr><td>Rep/ maint</td><td>Mach hrs</td><td>241,400</td><td>229,330 (1)</td><td>9,656</td><td>-</td><td>2,414</td><td>-</td></tr>
<tr><td>Rent /rates</td><td>Floor area</td><td>48,000</td><td>24,000 (1)</td><td>12,000</td><td>4,800</td><td>2,400</td><td>4,800</td></tr>
<tr><td>Ins prem</td><td>Floor area</td><td>23,400</td><td>11,700 (1)</td><td>5,850</td><td>2,340</td><td>1,170</td><td>2,340</td></tr>
<tr><td>Ins mach</td><td>Mach cost</td><td>18,600</td><td>11,160 (1)</td><td>5,580</td><td>-</td><td>1,860</td><td>-</td></tr>
<tr><td>Dep mach</td><td>Mach cost</td><td>12,000</td><td>7,200 (1)</td><td>3,600</td><td>-</td><td>1,200</td><td>-</td></tr>
<tr><td>Heat/ light</td><td>Floor area</td><td>31,600</td><td>15,800 (1)</td><td>7,900</td><td>3,160</td><td>1,580</td><td>3,160</td></tr>
<tr><td>Sundries</td><td>Allocated</td><td>20,250</td><td>6,110 (1)</td><td>3,564</td><td>3,675</td><td>1,746</td><td>5,155</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>88,000</td><td></td><td></td></tr>
<tr><td>Reapp (1)</td><td>Canteen</td><td></td><td>44,000 (1)</td><td>35,200</td><td>(88,000)</td><td>5,280</td><td>3,520</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>93,000</td></tr>
<tr><td></td><td>Stores</td><td></td><td>55,800 (1)</td><td>27,900</td><td></td><td>9,300</td><td>(93,000)</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td>175,000</td><td></td></tr>
<tr><td></td><td>Maint</td><td></td><td>140,000 (1)</td><td>35,000</td><td></td><td>(175,000)</td><td></td></tr>
<tr><td></td><td></td><td>1,875,750</td><td>1,285,350</td><td>590,400</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>1,285,350 (1)</td><td>590,400</td><td>(1)</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>209,000 (1)</td><td>180,000</td><td>(1)</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td>£6.15
Per DMH (1)</td><td>£3.28
per DLH</td><td>(1)</td><td></td><td>QWC (3)</td></tr>
</table>
</td><td>[21]</td><td>Marks for values.
If correct at end can give (18) plus QWC.
Reapp (1) for correct order.
Allow:
1,285,350 (1) and 590,400 (1) even if not used further.
If hours omitted but correct answer allow.

QWC: columns, alignment and rules plus general layout.</td></tr>
</table>

Question Number	Expected Answer	Mark	Rationale
4 (b)	Cost job1912 Direct materials 390 Direct labour 180 Prime cost 570 **(1)** Overhead mach 6.15 x 10 61.50 **(1)** Overhead fin 3.28 x 8 26.24 **(1)** 87.74 657.74 **(1)**	**[4]**	**Allow (1) if all materials and labour shown.**
4 (c)	Worked less hours than planned. Actual expenditure is more than absorbed (planned). Absorbed overhead is less than actual. Estimated and may not materialise. **(2 x 2 marks)** **(1 for point plus 1 for development)**	**[4]**	
4 (d)	Amount of work to set up**(1)** could outweigh benefits**(1)**. Little benefit **(1)**to single product organisations. Companies that have adopted ABC**(1)** frequently maintain two costing systems**(1)**. Many prefer traditional methods **(1).** **(2 x 2 marks)** **(1 for point plus 1 for development)**	**[4]**	
	Total marks	**[33]**	

Assessment Objectives grid (includes QWC)

Question	AO1	AO2	AO3	Total
1(a)	9	6	1	**16**
1(b)		6		**6**
1(c)			4	**4**
2(a)	7	10	6	**23**
2(b)*			11	**11**
3(a)	5			**5**
3(b)	4	12		**16**
3(c)			6	**6**
4(a)*	5	16		**21**
4(b)		4		**4**
4(c)			4	**4**
4(d)			4	**4**
Total	**30**	**54**	**36**	**120**

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