

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
4	
TOTAL	



General Certificate of Education
Advanced Level Examination
June 2013

Accounting

ACCN4

Unit 4 Further Aspects of Management Accounting

Monday 10 June 2013 1.30 pm to 3.30 pm

For this paper you must have:

- a calculator

Time allowed

2 hours

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
Four of these marks will be awarded for
 - using good English
 - organising information clearly
 - using specialist vocabulary where appropriate.



J U N 1 5 A C C N 4 0 1

Sample

ACCN4

Answer **all** questions in the spaces provided.

Task 1**Total for this task: 32 marks**

Peishan Ltd owns a large factory and manufactures two types of rug: Plain and Patterned. The factory has two production departments, cutting and assembly, and two service departments, canteen and maintenance. The rugs are produced in batches.

Peishan Ltd operates over 13 periods a year.

The budgeted overheads for the factory for periods 1-3 were:

	£
Assembly department repairs	101 250
Cutting department repairs	36 000
Factory rent	1 470 000
Factory staff costs	1 200 000
Machine depreciation	840 000
Machine insurance	540 000
Total factory overheads	4 187 250

The following information is available for the departments for period 1-3.

	Cutting	Assembly	Canteen	Maintenance
Direct machine hours	47 250	20 250		
Direct labour hours	27 000	44 250		
Net book value of machinery	£300 000	£800 000	£20 000	£80 000
Number of employees	50	150	10	30
Floor area (sq m)	18 000	63 000	3 000	6 000

The service departments' overheads are apportioned to the production departments on the following basis:

	Cutting	Assembly	Canteen
Maintenance	50%	40%	10%
Canteen	25%	75%	



1 (c) Explain two benefits to Peishan Ltd of using Activity Based Costing to calculate selling price.

[4 marks]

Benefit 1 _____

Benefit 2 _____

Extra space _____



Task 2

Total for this task: 27 marks

Peishan Ltd operates over 13 periods a year.

The inventory of raw materials at the start of period 1 was 15 600 metres of material and at the end of period 3 this is expected to increase to 16 500 metres. Material costs £20 per metre. There is no work in progress.

All material is purchased at a level sufficient to cover budgeted production for each period. Budgeted production is fixed at 13 500 rugs per period (6500 plain rugs and 7000 patterned rugs).

Budgeted information is as follows:

	Machine hours		Labour hours		Material
	Cutting	Assembly	Cutting	Assembly	
Plain rug	70 mins	30 mins	40 mins	50 mins	3 metres
Patterned rug	70 mins	30 mins	40 mins	80 mins	3.3 metres

The workforce in both departments is expected to be paid £7 per labour hour. Budgeted factory overheads are £4 187 250 for periods 1-3.

- 2 (a) Prepare a budgeted manufacturing account for Peishan Ltd for periods 1-3. (Separate figures for each period are **not** required.)

[8 marks]

[includes 1 mark for quality of presentation]

	£



Workings _____

The newly appointed finance manager, Gawain Ho, thinks that production should not be fixed for each period but that a production budget should be used, to increase efficiency.

The total sales of both types of rugs for the first 4 periods of the year are expected to be as follows:

	Period 1	Period 2	Period 3	Period 4
Sales (rugs)	12 000	14 000	13 000	15 000

Each period consists of four weeks with five working days in each week.

The inventory of finished goods at the start of period 1 was 5200 plain and patterned rugs. It is company policy to maintain the closing inventory of finished goods at a level sufficient to cover

8 days of sales for the next period. However, storage constraints restrict inventory to a maximum of 5500 rugs.



Extra space _____



Task 4

Total for this task: 17 marks

Rupert, the production manager of *Peishan Ltd*, believes that the sales of rugs will increase. Rupert wants to increase the production of patterned rugs by 300 rugs per period. In order to do this, the company must either buy a new machine to produce the extra rugs, or buy them in.

The new machine can be bought for £600 000 and is expected to last for 4 years.

Additional information for each rug:

Selling price		£250
Material costs	3.3 metres	£20 per metre
Labour costs	2 hours	£7 per hour
Overhead costs		£120

There are no expected changes in either the selling price or the costs for the foreseeable future.

There are 13 periods per year.

4 (a) Calculate the payback period for the new machine. Assume that all production is sold and that cash flows accrue evenly throughout the year.

[5 marks]

Workings _____



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