Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use

General Certificate of Education
January 2008
Advanced Subsidiary Examination

ASSESSMENT and QUALIFICATIONS ALLIANCE

ACCOUNTING **ACC4**
Unit 4 Introduction to Accounting for Management and Decision-making

Thursday 10 January 2008 9.00 am to 10.00 am

You will need no other materials.
You may use a calculator.

Time allowed: 1 hour

For Examiner's Use			
Question	Mark	Question	Mark
1		3	
2			
Total (Column 1) →			
Total (Column 2) →			
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Instructions
- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- Answer the questions in the spaces provided.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The maximum mark for this paper is 80.
  Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

LEAVE MARGIN BLANK

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

Total for this question: 18 marks

1

Sid owns a business in a seaside resort. He sells greetings cards.

On average each card costs 50p to buy and is sold for £1.20.

The annual business fixed costs are £110 000.

Sid has set a target profit for the year of £30 000.

REQUIRED

(a) Calculate the contribution per greetings card.

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(3 marks)

(b) Calculate the number of greetings cards which Sid needs to sell to achieve the target profit of £30 000. State the formula used.

Formula ....

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(1 mark)

Calculation ....

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(4 marks)

Unfortunately, Sid's supplier decides to increase the cost of the greetings cards by 30%.

REQUIRED

(c) Calculate the number of **extra** greetings cards which Sid would need to sell to maintain a target profit of £30 000 following the increase in cost per card.

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(6 marks)

Question 1 continues on the next page

Sid does not believe that the business can sell the **extra** greetings cards in the seaside re

REQUIRED

(d) Advise Sid of **two** methods by which the business could maintain profit levels without selling the extra greetings cards.

Method 1 ....

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(2 marks)

Method 2 ....

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(2 marks)

18

Turn over for the next question

LEAVE MARGIN BLANK

Total for this question: 14

2

A company produces one product.

The production costs for **ten** units are:

	£
Material costs (£4 per metre)	120
Labour costs (£16 per hour)	240

Overtime at £20 per hour will be paid for any **extra** production over 1000 units.

Other manufacturing costs for the **ten** units are £4200, of which £500 are semi-variable and the remainder are fixed.

REQUIRED

(a) Complete the following table.

Units produced	500	1200
	£	**£**
Material costs		
Labour costs		
Semi-variable costs		
Fixed costs		
Total production costs		

(10 marks)

Workings

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LEAVE MARGIN BLANK

(b) Explain why it is important for the managers of a business to understand the di[ff... between variable and fixed costs when drawing up a budgeted profit and loss acco[unt] and other financial statements.

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(4 marks)

14

Turn over for the next question

Total for this question: 44

3 Leigh Ltd manufactures ready-made meals which contain high amounts of saturated fats.

The trading, profit and loss account for Leigh Ltd for the year ended 31 March 2007 was as follows.

	£	£
Sales (12 000 units)		360 000
Opening stock (2000 units)	40 000	
Purchases (14 000 units)	210 000	
Closing stock (4000 units)	(60 000)	
Cost of sales		(190 000)
Gross profit		170 000
Production costs	95 000	
Non-production fixed costs	70 000	
		(165 000)
Net profit		5 000

The business expects the following changes to occur during the year ending 31 March 2008.

(1) Sales should increase by 25% following an aggressive advertising campaign and a decrease in price of 5% per unit.

(2) The advertising campaign should cost £8000.

(3) Unfortunately, the supplier has increased his costs by 10%, but the purchasing manager of Leigh Ltd has been able to arrange a discount of 2% by buying in bulk.

(4) Closing stock is to be 20% of the total annual sales units.

(5) Production costs are expected to rise to £110 000.

Workings

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REQUIRED

(a) Prepare a budgeted trading, profit and loss account for Leigh Ltd for the year ending 31 March 2008.

(15 marks)

Turn over

LEAVE MARGIN BLANK

(b) Calculate the following for the year ending 31 March 2008 and the year ended 31 March 2007.

	2008	2007
Gross profit margin	....	....

Workings

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(4 marks)

	2008	2007
Net profit in relation to turnover (net profit margin)	....	....

Workings

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(4 marks)

	2008	2007
Rate of stock turnover	....	....

Workings

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(4 marks)

(c) Write a report to the directors of Leigh Ltd explaining the reasons for the expec[ted] changes in (b).

To ....

From ....

Date ....

Subject ....

(1 mark)

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(6 marks)

Question 3 continues on the next page

Turn over ▶

Leigh Ltd has been criticised in the national press for the aggressive advertising campai[illegible]

(d) Discuss the possible implications of the advertising campaign for the business.

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(10 marks)

44

END OF QUESTIONS