

Surname						Other Names					
Centre Number						Candidate Number					
Candidate Signature											

General Certificate of Education
 June 2003
 Advanced Subsidiary Examination



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

Wednesday 4 June 2003 Afternoon Session

No additional materials are required.
 You may use a calculator.

Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** 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 marked.

Information

- The maximum mark for this paper is 80. This includes up to 4 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
5			
Total (Column 1)	→		
Total (Column 2)	→		
Quality of Written Communication			
TOTAL			
Examiner's Initials			

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

1

Total for this question: 18 marks

Newman Electronics Ltd manufactures one product which sells for £32 per unit.

The company plans to manufacture 40 000 units.

Annual costs are expected to be:

	£
variable costs	360 000
semi-variable costs of which £80 000 are fixed	280 000
other fixed costs	340 000

In the year ended 31 March 2003 46 000 units were produced and sold.

REQUIRED

(a) Define the following:

(i) fixed costs;

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 (1 mark)

(ii) variable costs;

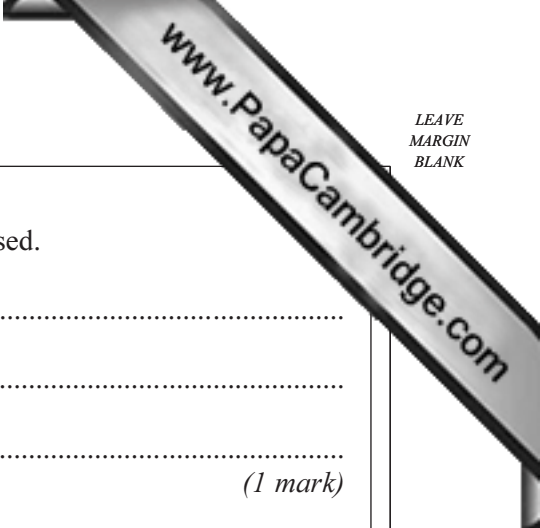
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 (1 mark)

(iii) semi-variable costs.

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 (1 mark)



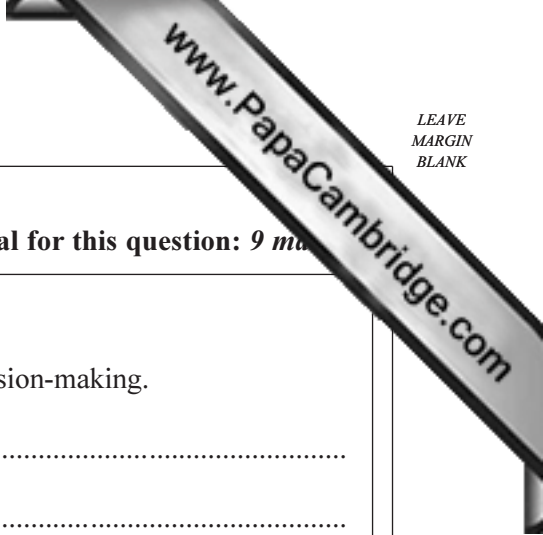
(b) Calculate the expected contribution *per unit*. State the formula used.

Formula
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(1 mark)

Contribution per unit
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(7 marks)

(c) Prepare a statement for Newman Electronics Ltd for the year ended 31 March 2003 to show clearly the *total* contribution and the *total* profit for the year.

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(7 marks)



2

Total for this question: 9 marks

REQUIRED

Explain **three** limitations of using break-even analysis as an aid to decision-making.

Limitation 1

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(3 marks)

Limitation 2

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(3 marks)

Limitation 3

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(3 marks)

9

3

Total for this question: 31 marks

Lee's Landscapes Ltd supplies plants for residential gardens.

The results for the year ended 31 March 2003 are:

	£000
Sales	150
Purchases	110
Trade debtors	12
Trade creditors	11

All sales and purchases are on credit terms.

Total sales for the year ending 31 March 2004 are expected to be:

April – June	£20 000 per month
July – October	£15 000 per month
November – March	£5 000 per month

As at 31 March 2004 trade debtors and trade creditors are expected to be £14 000 and £10 000 respectively.

There is no closing stock. The profit margin is 25%.

The business prepares budgets on a two-monthly basis.

REQUIRED

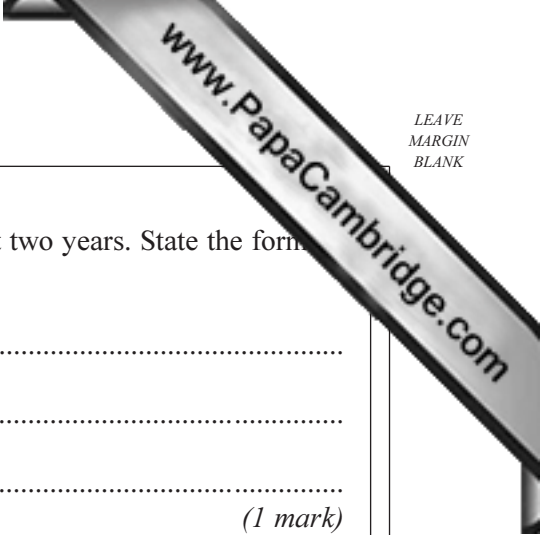
- (a) Prepare a purchases budget for the year ending 31 March 2004.

	April and May £000	June and July £000	August and September £000	October and November £000	December and January £000	February and March £000
Sales						
Margin						
Purchases						

(12 marks)

QUESTION 3 CONTINUES ON THE NEXT PAGE

Turn over ►



- (b) (i) Calculate the debtors' collection period for **each** of the last two years. State the formula used.

Formula

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(1 mark)

Year ended 31 March 2003	Year ending 31 March 2004
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(6 marks)

- (ii) Calculate the creditors' payment period for **each** of the last two years. State the formula used.

Formula

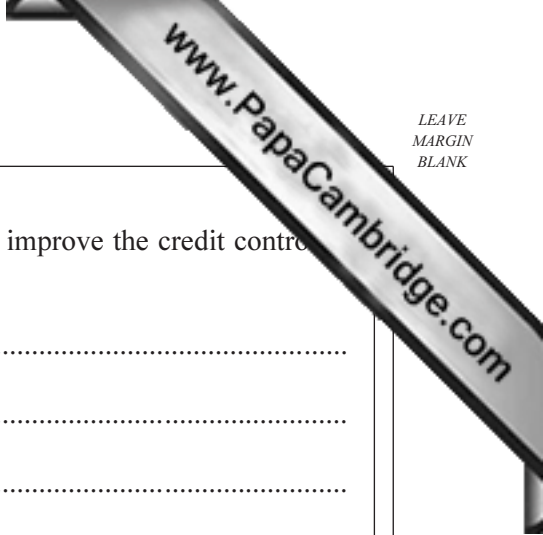
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(1 mark)

Year ended 31 March 2003	Year ending 31 March 2004
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(6 marks)



(c) Comment on the results from (b). Give **one** recommendation to improve the credit control of Lee Landscapes Ltd.

Debtors' collection period

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Creditors' payment period

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Recommendation

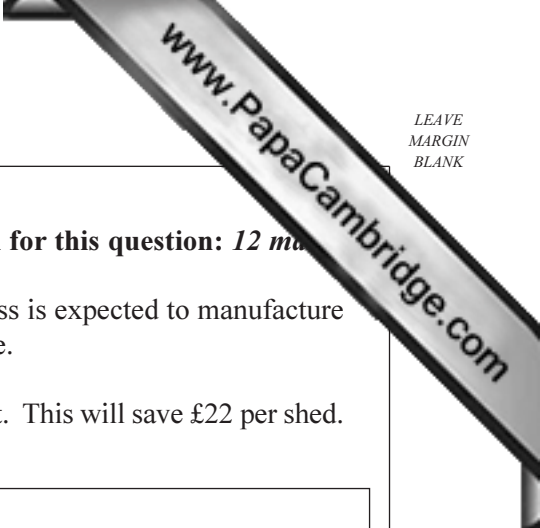
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(5 marks)

31

TURN OVER FOR THE NEXT QUESTION

Turn over ▶



4

Total for this question: 12 marks

Sanderson Sheds Supplies has been trading for many years. The business is expected to manufacture 12 000 sheds a year. Each shed is sold for £190 and costs £140 to make.

In an attempt to reduce costs the business has changed its supplier of paint. This will save £22 per shed. The new paint is rumoured to be harmful to wildlife.

REQUIRED

- (a) Calculate the increase in total contribution which will result from the change in paint supplier.

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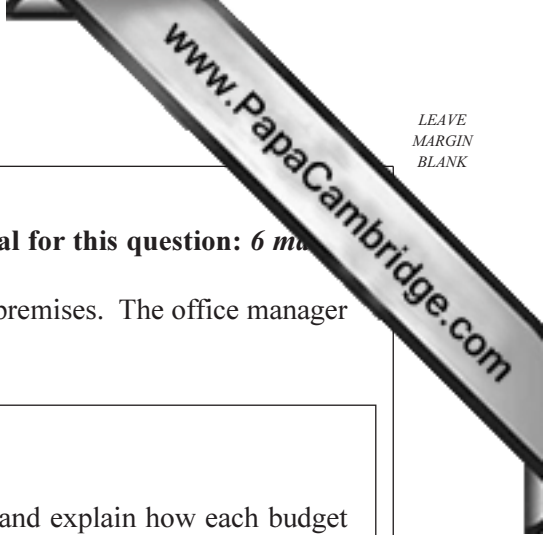
(4 marks)

- (b) Discuss whether Sanderson Sheds Supplies should have changed its paint supplier.

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(8 marks)

12



5

Total for this question: 6 marks

Shine and Sparkle Ltd has 48 part-time employees who clean domestic premises. The office manager would like to introduce a system of budgetary control.

REQUIRED

Identify **two** budgets which would be useful to Shine and Sparkle Ltd and explain how each budget would benefit the company.

Budget 1 (1 mark)

Benefit
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.....
..... (2 marks)

Budget 2 (1 mark)

Benefit
.....
..... (2 marks)

END OF QUESTIONS

6