

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			



General Certificate of Education
 June 2004
 Advanced Subsidiary Examination



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

Thursday 10 June 2004 Afternoon Session

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

Time allowed: 1 hour

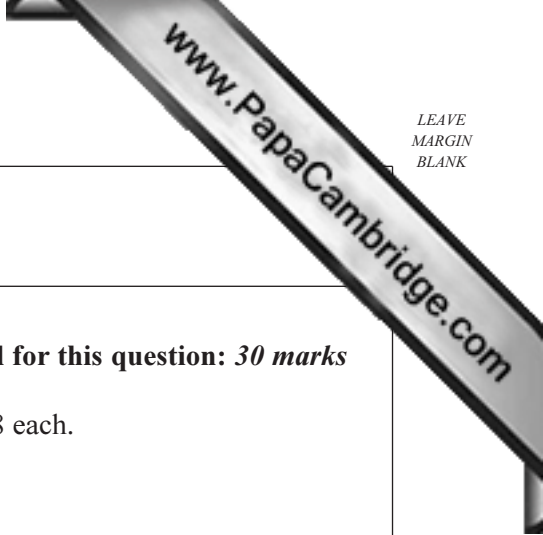
Instructions

- 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			
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: 30 marks

Ron owns a business that manufactures kettles at a marginal cost of £18 each.

The selling price is £22.50 per kettle.

The fixed costs are currently £90 000 per annum.

REQUIRED

(a) Explain the term ‘marginal cost’. Give an example.

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(3 marks)

(b) Calculate the total contribution if 25 000 kettles are sold.

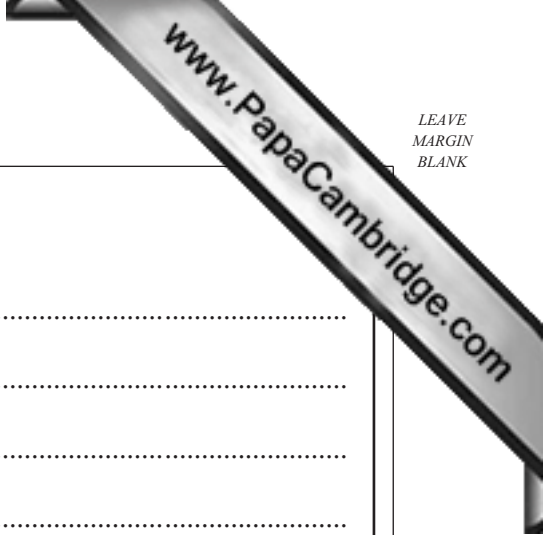
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(5 marks)

(c) Identify the formula used to calculate the net profit margin.

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(1 mark)



(d) Calculate the net profit margin if 25 000 kettles are sold.

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(7 marks)

(e) Calculate how many **extra** kettles will need to be sold to break even, if the fixed costs increase next year by 20%.

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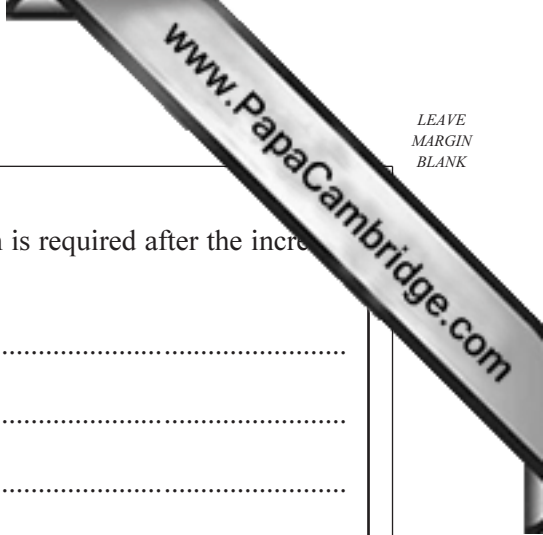
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(4 marks)

QUESTION 1 CONTINUES ON THE NEXT PAGE

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- (f) Calculate the selling price per kettle if the same net profit margin is required after the increase in fixed costs. (Assume that 25 000 kettles will be sold.)

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(5 marks)

- (g) Draft a memorandum addressed to Ron explaining **one** advantage and **one** disadvantage of using a graph to present a break-even point.

MEMORANDUM

To:

From:

Date:

Subject:

Advantage

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Disadvantage

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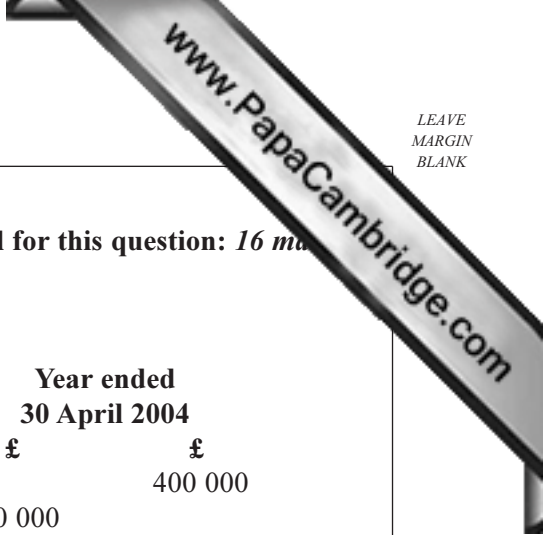
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(5 marks)

TURN OVER FOR THE NEXT QUESTION

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2

Total for this question: 16 marks

The following information is available for Eurometics Ltd.

	Year ended 30 April 2003		Year ended 30 April 2004	
	£	£	£	£
Turnover		300 000		400 000
Opening stock	40 000		50 000	
Purchases	250 000		340 000	
	<u>290 000</u>		<u>390 000</u>	
Closing stock	50 000		60 000	
Cost of goods sold		<u>240 000</u>		<u>330 000</u>
Gross profit		<u>60 000</u>		<u>70 000</u>

REQUIRED

(a) Calculate the rate of stock turnover for each year. State the formula used.

Formula

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(1 mark)

Rate of stock turnover, 30 April 2003

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(2 marks)

Workings

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Rate of stock turnover, 30 April 2004

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(2 marks)

Workings

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(b) Calculate the gross profit margin for each year. State the formula used.

Formula
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(1 mark)

Gross profit margin, 30 April 2003
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(2 marks)

Workings
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Gross profit margin, 30 April 2004
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(2 marks)

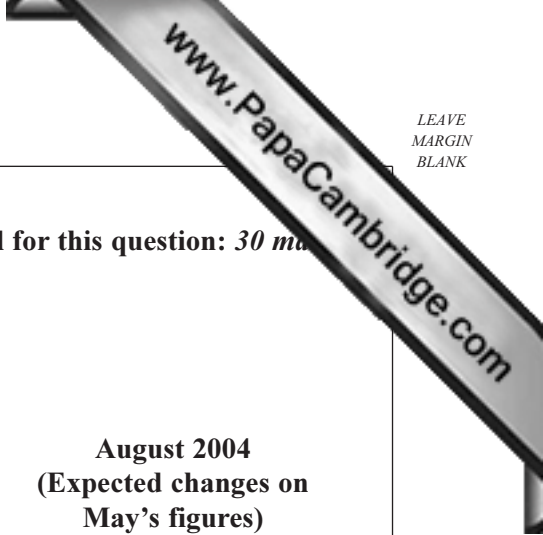
Workings
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QUESTION 2 CONTINUES ON THE NEXT PAGE

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TURN OVER FOR THE NEXT QUESTION

Turn over ►



3

Total for this question: 30 marks

Martin runs a fruit stall in a market which is open each day.

The following information is available.

	May 2004 (Actual) £	June 2004 and July 2004 (Expected changes on May's figures) £	August 2004 (Expected changes on May's figures) £
Sales	5000	an increase of 5%	an increase of 25%
Purchases	3000	to stay the same	an increase of 15%
Delivery costs	1000	an increase of 10%	an increase of 25%
Packaging	100	to stay the same	an increase of 20%

Each month Martin withdraws £500 for his personal use and pays £200 rent.

On 1 June 2004 Martin has £100 in the bank.

REQUIRED

- (a) Prepare a cash budget for the three months ending 31 August 2004.

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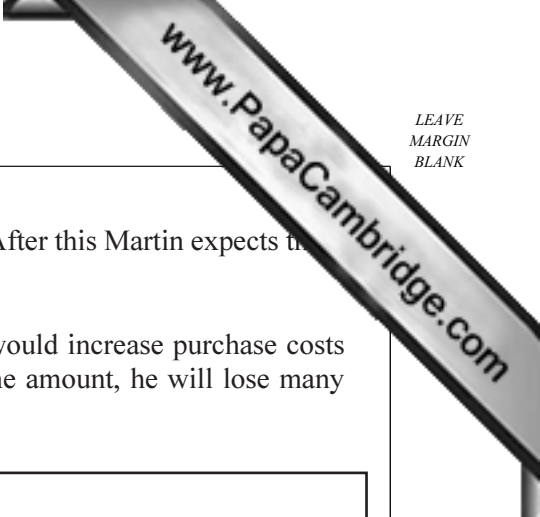
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(11 marks)



On 1 September 2004 a supermarket is due to open near to the market. After this Martin expects there to be a resulting loss in his trade of 30% based on the sales for May.

Martin is considering replacing his stock with organic produce. This would increase purchase costs by 60%. He believes that, if he increases his selling prices by the same amount, he will lose many regular customers.

REQUIRED

- (b) Assess the financial implications for September if Martin does **not** replace his stock with organic produce.

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(4 marks)

Martin proposes to change the packaging on his current produce and pass the produce off as organic. The new packaging will cost 10% more than the May prices but all other costs will remain the same as in May. The produce labelled as organic will then be sold at a 10% increase on the price in May. Martin does not expect to lose many customers this way.

REQUIRED

- (c) Assess the financial implications for September if Martin changes the packaging and replaces his stock with produce which will be sold as if it were organic.

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(6 marks)

QUESTION 3 CONTINUES ON THE NEXT PAGE

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