

Cash Budget for the six months ended 30 June 2005

	Jan	Feb	Mar	Apr	May	Jun	
	£000	£000	£000	£000	£000	£000	
<u>Receipts</u>							
Cash sales	20	20	18	16	12	10	1 mark
Credit sales	52	56	60	64	70	76	1 mark
	<u>72</u>	<u>76</u>	<u>78</u>	<u>80</u>	<u>82</u>	<u>86</u>	
<u>Payments</u>							
Purchases	50	60	70	70	80	80	1 mark
Wages and salaries	10	10	10	10	10	10	1 mark
Selling and distribution	11	12	12	12	12	12	1 mark
Administration	7	8	8	8	9	9	1 mark
Fixed assets					15		1 mark
Dividend						10	1 mark
	<u>78</u>	<u>90</u>	<u>100</u>	<u>100</u>	<u>126</u>	<u>121</u>	
Opening balance	(25)	(31)	(45)	(67)	(87)	(131)	
Receipts	<u>72</u>	<u>76</u>	<u>78</u>	<u>80</u>	<u>82</u>	<u>86</u>	
	47	45	33	13	(5)	(45)	
Payments	<u>78</u>	<u>90</u>	<u>100</u>	<u>100</u>	<u>126</u>	<u>121</u>	
Closing balance	(31)	(45)	(67)	(87)	(131)	(166)	1 mark OF

13 marks

(b)

Forecast Trading and Profit and Loss Account for the six months ended 30 June 2005

Sales		540	1 mark
less			
Opening stock	85		
Purchases	<u>450</u>		
	535		
Closing stock	<u>130</u>		
Cost of sales		<u>405</u>	1 mark
Gross profit		135	
less			
Salaries	60		1 mark
Selling and distribution	72		1 mark
Administration	51		1 mark
Depreciation	<u>8</u>		1 mark
		<u>191</u>	
		(56)	
Undistributed profit and loss		<u>75</u>	1 mark
		19	
Proposed dividend		<u>10</u>	1 mark
Undistributed profit and loss		<u>9</u>	

8 marks

(c)

- Reverse the increase in stock levels.
- Increase the sales margin.
- Reduce the debtors' payment period.
- Reduce costs further.
- Cancel purchase of fixed assets.
- Cancel the payment of proposed dividend.

1 mark per point x 4

4 marks

Total 25 marks

Question 4

(a)

	CAD lathe Machine hour rate £	
Depreciation	7 200	1 mark for each correct item. Maximum 4.
Repairs	9 000	
Heat and light	1 400	
Machine insurance	2 000	
Buildings insurance	1 000	
Supervision	3 200	
Power	<u>200</u>	
	24 000	
Divided by machine running hours	<u>2 400</u>	1 mark
Machine hour rate	£10 per hour	1 mark

6 marks

(b)

(i)

		Quotation	
		£	
Materials	60 x £4.5	270	1 mark
Labour	2 x 8 hours x £8	128	1 mark
Overheads	8 x £10	<u>80</u>	1 mark
Total cost		478	

(ii)

Time saved:	Budget	8 hours	
	Actual	<u>6.5</u> hours	
	Saving	1.5 hours	x £8 = £12
		(1)	(1)
Bonus payment	£4	(1)	

6 marks

(c)

- Safety.
- Potential savings as pace of work determined by machines.
- Errors due to carelessness have a high cost in raw material wastage.

1 mark per point x 3

3 marks

Total 15 marks

Question 5

(a)

- FIFO - First In First Out.
- LIFO -Last In First Out. **1 mark for both**
- Refers to the pricing of issues NOT stock rotation. **1 mark**

- FIFO - rising prices means that issues to production and therefore production costs will lag behind market prices, but closing stock valuations will be close to the latest market value.
- LIFO - will be the reverse of FIFO with higher issue costs to production but a closing stock which is less than the current market value.

Up to 3 marks

5 marks

(b)

Manufacturing Account for the 6 months ended 31 December 2004.

	£	£	
Opening stock of materials			
Purchases of materials	<u>216 000</u>		1 mark
	216 000		
Closing stock of materials	<u>18 000</u>		2 marks
Cost of materials consumed	198 000		
Direct labour	<u>60 000</u>		1 mark
PRIME COST		258 000	
Overheads:			
Factory	30 000		1 mark
Depreciation on plant	<u>12 000</u>		
		<u>42 000</u>	
		<u>300 000</u>	

Trading and Profit and Loss Account

	£	£	
Sales		312 500	1 mark
less			
Opening stock of finished goods	0		
Goods transferred from manufacture	<u>280 000</u>		1 mark
	280 000		
Closing stock of finished goods	<u>50 000</u>		2 marks
Cost of goods sold		<u>230 000</u>	
Gross profit		82 500	
Less			
Administration costs	26 000		
Selling agents commission	<u>31 250</u>		1 mark
		<u>57 250</u>	
Net profit		<u>25 250</u>	

10 marks

Total 15 marks

Question 6

(a)(i) Material price	AQ(SP-AP)	= 1 500(£10-£9) = £1 500 F	2 marks
Material usage	SP(SQ-AQ)	= £10(1 400-1 500) = £1 000 A	2 marks
(ii) Labour rate	AH(SR - AR)	= 650(£7 - £7.5) = £325 A	1 marks
Labour efficiency	SR(SH - AH)	= £7(600 - 650) = £350 A	2 marks
(iii) Labour rate	AH(SR - AR)	= 480(£6 - £6.2) = £96 A	2 marks
Labour efficiency	SR(SH - AH)	= £6 (500 -480) = £120 F	1 mark

10 marks

(b)

- Poor quality raw material leading to higher wastage in machining.
- Poor quality raw material requiring more time to complete.
- More machining time requirement leading to overtime and premium payments.
- Less assembly hours but higher rate, higher grade of labour employed.

1 mark for recognition + up to 2 marks for development - Maximum 5 marks

Total 15 marks

Question 7

(a) Normal loss

- Anticipated loss, eg evaporation, wastage.
- Not valued as a loss.
- Calculated into standard cost of product.

1 Mark per point Maximum 3

(b) Abnormal gains

- Not anticipated.
- Difference between normal loss and actual loss.
- Valued as a gain.

1 Mark per point Maximum 3

(c) Equivalent production

- Total production for a period placed into completed equivalent terms.
- Used to value closing stock.
- Enables cost per unit to be established.
- Required where continuous production.

1 Mark per point Maximum 3

(d) Joint products

- Two or more products produced in same process at same time.
- Cannot be separately valued until the 'split point' is reached.
- Both products of significant retail value.

1 Mark per point Maximum 3

12 marks

(b) (i) Scrap and waste

- Scrap has some value eg metal shavings or off cuts.
- Waste has no value.
- Waste generally anticipated.
- Scrap the result of faulty production.

1 Mark per point Maximum 4

(ii) Joint products and by-products.

- Joint products have significant value.
- By-products are secondary and of little value.
- By-products incidental to the process.
- Joint products processed in their own right.

1 Mark per point Maximum 4

8 marks

Total 20 marks

Question 8

- (a)(i) Direct costs are can be traced and are directly attributable to the product. (1)
Directly attributable costs tend to be raw materials, production labour etc (1)
which also tend to vary directly with the level of output. (1)
- (ii) Marginal costs are those costs required to produce one more unit of output. (1)
To that extent, those costs are generally variable. (1)
Marginal costs may include fixed costs if these are required to produce that
additional unit of output. (1)

6 marks

- (b) Stepped fixed costs are constant (1) for a limited range of output. (1)
After that level has been reached there will be another step increase (1) eg rent,
rates, supervision. (1)

Semi variables have and element of fixed and variable in the same cost (1), eg
telephone costs (1) where there is a line rental and a variable call charge.

6 marks

- (c) Costs are only fixed over a range of output (1) as output expands in the long run
costs will increase in steps. (1)

In the short run, costs such as raw materials and labour (1) are variable, but labour
will not be directly variable (1) due to the learning curve. (1)

As staff become more familiar with the product and faster, the cost per unit falls.
(1)

Raw material costs will also fall per unit (1) as the business takes advantage
of quantity discounts. (1)

8 marks

Total 20 marks

ACCOUNTING 9011, CHIEF EXAMINER'S REPORT

Paper 1

General Comments

The overall response to the paper may be described as 'good in parts'. All the topics of the questions have been present in previous papers but candidates showed only a partial appreciation of the requirements. A good example of this was question 3, part (a) completed well, but parts (b) (i) and (ii) were either ignored or given a minimal response, which showed little appreciation of the requirements of these parts of the question.

Question 1

- (a) A good response to this part of the question, with many candidates gaining a high mark. The major weakness was confusion over the calculation of the cost of sales and the sales figure. Candidates having achieved the correct cost of sales value treated this as sales.
- (b) The key point of this part of the question - recognising that the return on capital employed was the more precise measure of comparative performance - was not identified by the majority of candidates.

Question 2

- (a) Overall there was a poor response. Candidates recognised the topic but failed to comply with the requirement of the question and showed only a total column, or made only a minimal attempt at showing continuing operations and discontinued operations.
- (b) The terms 'exceptional items' and 'extraordinary items' were not recognised by the majority of candidates. These terms have been used in questions on previous papers.

Question 3

- (a) Candidates produced very good answers to this part of the question, a high mark being obtained by most candidates.
- (b) (i) (ii) A very poor response. Only a minority of candidates showed an understanding of the requirements.

Question 4

- (a) The answers to this part of the question varied between centres. The use of appropriate ratios was recognised by some candidates who arrived at the required figures. Other candidates showed minimal appreciation.
- (b) The majority of answers simply contrasted FIFO and LIFO as approaches to stock valuation. The majority missed the fact that FIFO provides a valuation via the latest price(s) and thus partially reflects changing price levels.

Question 5

- (a) A good response overall, the main weakness being the calculation of the ten-year subscription value. The requirement to allocate this over time was not recognised.
- (b) This part of the question produced only limited responses. Only a few candidates attempted to analyse the situation given and responded appropriately.

Question 6

- (a) (i) Good answers overall. The main error was failing to share the revaluation profit between the partners.
(ii) Good answers.
(iii) The necessary calculation to arrive at an appropriate adjustment figure was recognised by the majority. The main failing was to show the required journal entry correctly.
- (b) A poor response. Only a minority of candidates recognised the need to contrast purchased and non-purchased goodwill.

Question 7

Only a minority of candidates answered this question.

Responses were poor and contained minimal recognition of the implications of the points given. The observation in the 'General Comments' above applies again here, questions requiring an appreciation of accounting standards and the Companies' Act have been asked on numerous previous examination papers.

Question 8

This was the most popular question in this section. Good answers overall, but a variation between centres was noted. Items (a), (b) and (c) were evidently not recognised by some candidates.

Paper 2

General Comments

This was the last examination series to offer the linear 9011 Advanced Level. Most candidates had been well prepared for the examination and could access all sections of the examination. There were, however, a minority of candidates whose level of knowledge and application made the examination inaccessible.

All questions were attempted by candidates, with no marked preferences shown for particular questions in any section.

Question 1

Many candidates experienced difficulty in preparing a statement showing the contribution for the revised forecast. Many candidates failed to categorise costs as variable when calculating the contribution but included fixed costs in their calculation. Many candidates also failed to flex those costs in accordance with the new sales forecast level. Candidates were generally able to apply the principles of calculating the original and revised break evens based upon their calculations in part (a), making sound comments on the impact of these changes.

Question 2

Candidates prepared good answers to all sections of the question. The net present values were accurately calculated. A range of non-financial factors was considered. The impact of the two alternative capital sources upon the cost of capital was accurately calculated and sound advice on the choice of factory and choices in the raising of capital was provided.

Question 3

Candidates prepared competent answers to all sections of the question. The cash budget, forecast trading and profit and loss account were prepared with accuracy and sound advice was provided on how the overdraft might be reduced. Candidates generally were

less confident when preparing the stock budget with many candidates uncertain of the format for this budget.

Question 4

Most candidates prepared competent answers to all sections of the question. The costs of operating the single machine were accurately calculated and from these figures the machine hour rate prepared. The customer's order and machinist's bonus were accurately calculated and a range of disadvantages of operating a bonus scheme stated.

Question 5

Candidates experienced difficulty in preparing accurate manufacturing, trading and profit and loss accounts, which were often not in a good format and inaccurate. Calculations of the closing stocks of raw materials and finished goods were generally inaccurate. Candidates were familiar with the two methods of stock valuation and the impact of those valuation methods on profit in times of rising price levels.

Question 6

Candidates prepared accurate variance calculations. Candidates were less clear on possible inter-relationships, often failing to use the examples available from part (a) of the question. Many candidates were unfamiliar with the term 'management by exception' with a number of candidates describing exceptional items in final accounts.

Question 7

Candidates prepared good answers to both parts of the question. They were familiar with all the terms in relation to process costing and applied their knowledge to the questions set.

Question 8

There was considerable variance in the clarity of answers from candidates to all sections of the question. Many candidates failed to draw accurate distinctions between the concepts stated which questioned their underpinning knowledge.

ACCOUNTING 9011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	67	59	51	44	37

Note: Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.

Further copies of this publication are available from
Edexcel International Publications, Adamsway, Mansfield, Notts, NG18 4FN, UK
Telephone: +44 (0) 1623 450 781
Fax: +44 (0) 1623 450 481
Email: intpublications@linneydirect.com

Order Code: UA016234

For more information on Edexcel International, please contact our
International Customer Relations Unit on +44 (0) 190 884 7750
Edexcel Limited. Registered in England and Wales No. 4496750
Registered Office: 190 High Holborn, London WC1V 7BE, UK

edexcel 
INTERNATIONAL