



**ADVANCED GCE**  
**ACCOUNTING**  
 Management Accounting

**F003**

Candidates answer on the Answer Booklet

**OCR Supplied Materials:**

- 8 page Answer Booklet

**Other Materials Required:**

- Calculators may be used

**Tuesday 15 June 2010**  
**Afternoon**

**Duration:** 1 hour 30 minutes



**INSTRUCTIONS TO CANDIDATES**

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- You must show the calculations leading to your answers.
- Do **not** write in the bar codes.

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (\*).
- In these two questions/sub-questions, you will be assessed on the quality of your written communication. In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.
- This document consists of **8** pages. Any blank pages are indicated.



**A calculator may  
be used for this  
paper**

- 1 Jopear Ltd prepared the following Balance Sheet as at 31 May 2010.

	£	£
<i>Fixed Assets at cost</i>		80 000
Less depreciation to date		<u>18 000</u>
		62 000
<i>Current Assets</i>		
Stock	49 600	
Trade debtors	30 000	
Bank	<u>20 300</u>	
	99 900	
<i>Current Liabilities</i>		
Trade creditors	<u>24 800</u>	
		<u>75 100</u>
		<u>137 100</u>
<i>Capital and Reserves</i>		<u>137 100</u>

Sales in May 2010 were £60 000 and the trade debtors shown in the Balance Sheet relate to one half of sales in May 2010. Payment from the trade debtors is to be received in full during June 2010.

The company is in the process of preparing budgets for the three months ending 31 August 2010. The following information is available.

- (i) Budgeted sales (which provide a gross profit of 25% on cost) are:

	£
June 2010	62 000
July 2010	66 000
August 2010	70 000
September 2010	70 000

Half the sales are paid for in the month in which the sales are made and attract a 2.5% cash discount. The remainder are paid in full the following month. This pattern has been unchanged for some time.

- (ii) It has been company policy since January 2009 to arrange purchases such that stock at the end of each month exactly covers sales for the following month. Half of the purchases are paid in the month received and the company has negotiated a 2% discount for prompt payment. The remainder are paid in full the following month.
- (iii) Expenses (excluding depreciation) are £6 100 per month, payable in the month they are incurred.
- (iv) The company will be purchasing additional fixed assets costing £24 000 on 1 June 2010, with 30% payable in July 2010 and the balance in September 2010. Depreciation on all fixed assets is at the rate of 15% per annum on cost (rates being charged from the date of purchase). All fixed assets held by the company on 31 May 2010 had been purchased within the previous three years.

**REQUIRED**

- (a)\* The Cash Budget for **each of** the three months ending 30 June, 31 July and 31 August, **and** the Budgeted Trading and Profit and Loss Account for the three months ending 31 August 2010. [26]
- (b) Evaluate the advantages and limitations of a budgetary control system. [12]

**Total marks [38]**

- 2 Nadsul Ltd manufactures three products Ex, Wye and Zed all of which are made from one basic raw material. The company has been advised that due to a raw material shortage the maximum amount of raw material available for its next financial year is £474 000.

Budgeted costs and selling prices for the next year are as follows.

Product	<i>Ex</i>	<i>Wye</i>	<i>Zed</i>
Sales (units)	11 000	9 000	14 000
Selling price per unit	£ 75	£ 82	£ 83
Variable costs per unit:	£	£	£
Direct labour	26	31	20
Direct material	16	10	26
Variable overheads	13	17	13
The total annual fixed costs are £250 000.			

### REQUIRED

- (a) A statement to show the maximum profit the company can make in the next financial year. [16]

- (b) The company is considering whether or not to accept a 'special order' for 6 000 units of product Zed at a price of £70 per unit. Assume for this order that there is no shortage of raw material. Additional fixed costs of £20 000 would be incurred if this special order is accepted. Variable costs would be unchanged.

Calculate the profit/loss on this special order. [4]

- (c)\* Discuss **three** factors which a business, such as Nadsul Ltd, should take into account when considering whether or not to accept a special order. [11]

**Total marks [31]**

- 3** Ally Ltd started business on 1 January 2007. The following information is available for its first three years of trading.

	2007	2008	2009
	£	£	£
Total fixed costs	70 000	74 400	78 000
Total direct materials	140 000	136 000	158 000
Total direct labour	84 000	88 000	94 200
Total variable overheads	40 000	41 200	62 800
	£	£	£
Selling price per unit	30	32	34
	units	units	units
Sales	12 000	13 000	16 000
Production	15 000	12 000	16 000

#### REQUIRED

- (a)** Prepare a statement showing the gross profit for each of the three years under the FIFO basis of valuing issues, if the company used:
- (i)** the marginal costing method of valuing stock; [15]
  - (ii)** the absorption costing method of valuing stock. [9]
- (b)** Recommend, to Ally Ltd, which method (marginal costing or absorption costing) should be used in the published accounts. Give reasons for your recommendation. [7]

**Total marks [31]**

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