

Pearson Edexcel
International Advanced Level**Accounting (Modular Syllabus)**
Unit 2: Corporate and Management Accounting

Friday 16 January 2015 – Morning

Source Booklet for use with Questions 1 to 7

Paper Reference

WAC02/01**Do not return the insert with the question paper.***Turn over* ►**P45048RA**

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**PEARSON**

**SOURCE MATERIAL FOR USE WITH QUESTION 2
ON PAGES 9–14 ON THE QUESTION PAPER**

- 2 Gulf Furnishings plc produces furniture at its factory. The furniture is then delivered to Gulf Furnishings plc shops, for sale to customers.

At 31 December 2014, the following balances were in the books:

	Debit £	Credit £
Advertising and marketing	142 765	
Bad debts written off	12 255	
Bank current account		72 380
6% Bank Loan, repayable 2018		800 000
Canteen Profit		122 767
Direct materials	843 216	
Discount allowed	16 548	
Discount received on materials		41 753
Dividends received from shares in other companies		27 258
Factory buildings (at cost)	2 350 000	
Factory buildings provision for depreciation		500 000
Factory machinery (carry over value)	1 110 000	
Fuel	218 646	
Hire of photocopiers	3 120	
Interest on bank current account	7 192	
Inventory of finished goods at 1 January 2014	127 952	
Maintenance of factory machinery	27 542	
Managers' salaries	209 000	
Motor lorries (carry over value)	376 000	
Ordinary shares of £1 each		2 000 000
Power	264 935	
8% Redeemable Preference shares of £1 each		1 000 000
Rent on office premises	48 971	
Retained earnings		3 078 712
Revenue		4 482 800
Shop buildings (at cost)	4 950 000	
Shop buildings provision for depreciation		600 000
Trade payables		71 185
Trade receivables	231 670	
Vehicle running costs	88 543	
Wages	1 768 500	
	<u>12 796 855</u>	<u>12 796 855</u>

- Opening stock of cotton material at the start of the week was 220 square metres, purchased at £0.28 per square metre.
- Closing stock of cotton material at the end of the week was 460 square metres.

The Purchases Day Book shows the following entries:

Purchases Day Book			
Date	Supplier	Invoice No.	£
January 3	Chattigong Textiles Ltd	0006	£201.60
January 5	Chattigong Textiles Ltd	0018	£201.60
January 6	Nazir Looms Ltd	0023	£201.60

All cotton material purchased in the first week of January was bought for the same price.

Required:

- (b) Calculate the purchase price of cotton material per square metre. (3)
- (c) For the planned production of 600 blouses for the week, calculate the:
- (i) actual material cost of production (3)
 - (ii) standard material cost of production (2)
 - (iii) material usage variance (4)
 - (iv) material price variance (4)
 - (v) total material cost variance. (2)
- (d) Calculate for the first week of January the:
- (i) total standard cost of producing 600 blouses. (2)
 - (ii) total actual cost of producing 600 blouses. (2)

Consider the information shown on the Staff Production Sheet.

- (e) Recommend possible changes to the allocation of overtime to each member of staff that would improve the performance of the Blouse section. (3)
- (f) Evaluate the performance of the Blouse section for the first week of January, including recommendations for the future of the Blouse section. (12)

(Total for Question 3 = 52 marks)

**SOURCE MATERIAL FOR USE WITH QUESTION 5
ON PAGES 27–31 ON THE QUESTION PAPER**

- 5** Andros owns a business producing and selling ice cream. The ice cream is produced in a factory and ice cream sellers then sell from bicycles, trays and freezers in areas popular with tourists. Andros is reviewing the accounts for 2014, and considering changes for 2015.

The following information is available for the year ended 31 December 2014.

- Rent of factory £775 per month
- Depreciation on assets £2 800 per year
- Direct labour in production was paid £0.25 per ice cream
- Electricity bill £935 a quarter (3-month period) plus £0.02 per ice cream
- Insurance for the year £1 420
- Material costs per ice cream £0.16
- The manager's salary £1 000 per month
- Selling price of an ice cream £1.30
- Sales of ice creams are 1400 ice creams per seller per month.
There are 11 ice cream sellers
- Ice cream sellers receive a direct wage of £0.40 for each ice cream sold
- Loan interest £225 per month
- All production was sold.

Required:

Calculate for the year ended 31 December 2014 the:

- | | |
|---|------|
| (a) number of ice creams to be sold to break even | (11) |
| (b) margin of safety in sales units | (3) |
| (c) profit for the year. | (5) |

Andros wishes to increase his profit by 5% next year. He believes that all costs and revenues will stay the same next year, except rent. The rent for 2015 will be £800 per month. However, Andros is reviewing the performance and the salary of the manager.

Required:

- | | |
|--|-----|
| (d) Calculate how much Andros would need to pay the manager per year to achieve his profit target. | (5) |
|--|-----|

**SOURCE MATERIAL FOR USE WITH QUESTION 7
ON PAGES 36–39 ON THE QUESTION PAPER**

- 7** Footprint Ltd produces four different types of footwear at its factory: shoes, boots, trainers, and sandals.

The following information is available for the factory for the month ended 31 December 2014:

	<u>Shoes</u>	<u>Boots</u>	<u>Trainers</u>	<u>Sandals</u>
Direct labour	£65 000	£32 000	£96 000	£24 000
Direct materials	£50 000	£36 000	£72 000	£27 000
Semi-variable costs	£5 per unit + fixed element £10 000	£2 per unit + fixed element £2 000	£4 per unit + fixed element £8 000	£1 per unit + fixed element £3 000
Fixed costs	£25 000	£4 000	£32 000	£3 000
Output (units)	5 000	2 000	8 000	3 000
Selling price	£30	£35	£39	£18

All output was sold.

Required:

- (a) Calculate the profit or loss for **each** of the four types of footwear, for the month ended 31 December 2014. (8)
- (b) Calculate the contribution and the profit or loss made by **each** of the four types of footwear, **per unit**, for the month ended 31 December 2014. (16)
- (c) Evaluate the calculations in (b) and make a decision about the future production of **each** of the four types of footwear. (8)

(Total for Question 7 = 32 marks)

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