**Question 15**

**PART A**

The following estimates apply to Job 245A:

(1) Material costs

30 metres of material X at £20 per metre Miscellaneous materials — £200

10 metres of material Y at £10 per metre

(2) Labour

* Labour is paid at a basic rate of £10 per hour and time and a half for overtime.
* Any hours worked on this job in excess of 30 hours are charges at the overtime rate.
* It is estimated that three employees will work on this job and spend the following time:

Employee A — 12 hours, Employee B — 14 hours, Employee C — 16 hours

(3) Other direct expenses incurred for this job are estimated at £380.

(4) Overheads are charged at £10 per direct labour hour.

(5) The mark up is 20%

(6) VAT at 20% should be charged.

1. Prepare a Job Cost Statement for Job 245A, showing clearly the total cost and final   
   price to be quoted to the customer. **12**
2. Calculate the contribution to fixed costs from Job 245A, if all its costs are variable. **2**
3. State two duties of a management accountant. **2**

**PART B**

The following details relate to the purchase and issue of materials for March Year 1

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| **PURCHASES** |  |  |  | **ISSUES** |
| **Date** | **Quantity** | **Unit price** |  | **Quantity** |
| 1 March | 100 | £4·00 |  |  |
| 4 March |  |  |  | 60 to Job 261 |
| 8 March | 200 | £4·20 |  |  |
| 12 March |  |  |  | 100 to Job 266 |
| 18 March |  |  |  | 120 to Job 272 |
| 23 March | 200 | £4·50 |  |  |
| 26 March |  |  |  | 10 to Job 273 |

1. Using the FIFO method, complete the inventory record card for March. **11**
2. Outline the following terms:

**(i)** Piece rate **1**

**(ii)** Limiting factor **1**

**(iii)** Cost centre. **1**

**Total marks (30)**

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| **Worksheet for question 15** | | | | | | | | | |
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| **Inventory record card —**  **IFO** | | | | | | | | | |
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|  | **RECEIPTS** | | | **ISSUES** | | | **BALANCE** | | | |
| **Date** | **Qty** | **CPU (£)** | **Value**  **(£)** | **Qty** | **CPU**  **(£)** | **Value**  **(£)** | **Qty** | **CPU**  **(£)** | **Value**  **(£)** | |
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| **Question** | | **Expected answer(s)** | **Mark** | **Additional guidance** | | |
| **15**  **PART A**  **(a)** | | Direct Materials: 30 metres of material X at £20 per metre £600.00 **(1)**  10 metres of material Y at £10 per metre £100.00 **(1)**  Miscellaneous materials £200.00 **(1)**  Direct Labour: 30 hours @ £10 per hour £300.00 **(1)**  12 hours overtime at £15 £180.00 **(1)**  Direct Expenses £380.00 **(1)**  Overheads 42 hours × £10 £420.00 **(1)**  **Cost** **£2,180.00** **(1)**  Profit (20% × £2,180) £436.00 **(1)**  £2,616.00  VAT (20% × £2,616) £523.20 **(1)**  **CUSTOMER PRICE £3,139.20** **(1)**  Layout – **(1)**  To gain layout mark, the three material components need to be itemised and labour needs to show the hours worked. Overheads does not need nomenclature. Cost, profit, VAT and price need to be labelled. There doesn’t need to be a subtotal after profit. | **12** | Watch for consequentiality.  No subtotals are required before cost price. If there are arithmetic errors in subtotals, do not give total cost mark.  Accept labour — £480 for **2 marks** (watch nomenclature is correct for layout mark).  If VAT calculated before profit, no mark for VAT and treat profit as consequential. | | |
| **PART A**  **(b)** | | £3,139·20 − £2,180 = £959·20 | **2** | All or nothing.  **1 mark** if arithmetic error. | | |
| **PART A**  **(c)** | | Responses could include:   * Provides management with information to enable decision-making. * Responsible for the collection, processing and classification of costs. * Supplies data to make the most efficient use of limiting factors. * Provides management with data for internal use. * Accountable for the planning and control of production. * Manages cost accounting systems and determines which system is appropriate. * Prepares budgets, break-even statements and charts, etc. | **2** | Accept any two appropriate duties for  **1 mark** each.  Accept two management accounting topics as duties.  Accept any other relevant answer. | | |
| **Question** | **Expected answer(s)** | | | | **Mark** | **Additional guidance** | |
| **PART B**  **(a)** | |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **RECEIPTS** | | | | **ISSUES** | | | **BALANCE** | | |  | | **Mar** | **Qty** | **CPU** | **Value** | **Qty** | **CPU** | **Value** | **Qty** | **CPU** | **Value** |  | | 1 | 100 | £4.00 | £400 |  |  |  | 100 | £4.00 | £400 | **(1) for line** | | 4 |  |  |  | 60 | £4.00 | £240 | 40 | £4.00 | £160 | **(1) for line** | | 8 | 200 | £4.20 | £840 |  |  |  | 40 | £4.00 | £160 |  | |  |  |  |  |  |  |  | 200 | £4.20 | £840 | **(1) for line** | |  |  |  |  |  |  |  |  |  | £1,000 |  | | 12 |  |  |  | 40 | £4.00 | £160 |  |  |  | **(2) for issues** | |  |  |  |  | 60 | £4.20 | £252 | 140 | £4.20 | £588 | **(1) for balance** | | 18 |  |  |  | 120 | £4.20 | £504 | 20 | £4.20 | £84 | **(1) for issues** | |  |  |  |  |  |  |  |  |  |  | **(1) for balance** | | 23 | 200 | £4.50 | £900 |  |  |  | 20 | £4.20 | £84 |  | |  |  |  |  |  |  |  | 200 | £4.50 | £900 | **(1) for line** | |  |  |  |  |  |  |  |  |  | £984 |  | |  |  |  |  |  |  |  |  |  |  |  | | 26 |  |  |  | 10 | 4.50 | £42 | 10 | £4.20 | 42 | **(1) for issues** | |  |  |  |  |  |  |  | 200 | £4.50 | £900 | **(1) for balance** | |  |  |  |  |  |  |  |  |  | £942 |  | | | | | **11** | Watch for consequentiality throughout.  Balance marks are for having the whole box correct.  Units and cost per unit **MUST** be shown in all columns, otherwise no mark. | |
| **PART B**  **(b) (i)** | Responses could include:   * This is a method of paying workers according to the amount of work which they produce. * The method is suitable for the production of large quantities of identical products. * Is sometimes used to supplement a low basic pay. * It gives workers an incentive to work harder, as higher output = higher wages. * Quality of work may decline, with workers trying to maximise their wages. | | | | **1** | Accept any reasonable outline for **1 mark**. | |

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| **Question** | **Expected answer(s)** | **Mark** | **Additional guidance** |
| **PART B**  **(b) (ii)** | Responses could include:   * Limiting factor is something which limits the total production possible. * Where a firm has a range of products, a decision has to be made on the order of production. * Based on the contribution per unit, divided by the limiting factor. * Can be: machine hours, labour hours, availability of workers or material. * The product with the highest contribution/limiting factor will be made first, in order to maximise profits. | **1** | Accept any reasonable outline for **1 mark**. |
| **PART B**  **(b) (iii)** | Responses could include:   * Any part of a business to which costs can be charged. * Can be a department, item of equipment, machine or person. * Cost centres can be production or service. * Cost centres are used to collect overheads charged to products, which use that cost centre. | **1** | Accept any reasonable outline for **1 mark**. |