**Question 40**

Anne Garioch provides you with the following information about her business:

1. Cash and cash equivalents is expected to be £8,000 on 1 July.

2. Sales in units are expected to be:

|  |  |  |  |
| --- | --- | --- | --- |
| **June** | **July** | **August** | **September** |
| 2,000 | 2,100 | 2,300 | 2,050 |

3. The selling price per unit will be £40 but credit sales will receive a discount of 10%.

4. Credit customers account for 60% of the total sales and they pay one month after purchase.

5. Production units are expected to be:

|  |  |  |  |
| --- | --- | --- | --- |
| **June** | **July** | **August** | **September** |
| 2,200 | 2,300 | 2,100 | 2,200 |

6. Raw material costs are £12 per unit, paid for one month after production.

7. Direct wages will be £8 per unit, paid in the same month as production.

8. Fixed overheads of £20,000 will be paid each month.

9. In July, Anne proposes to buy a delivery van for £15,000 on hire purchase. The business will pay 20% of the purchase price in July and the balance in equal instalments over the following 12 months.

**(a)** Prepare Anne’s Cash Budget for the months of July, August and September. **20**

Emma, who is an employee of Anne, worked the following hours on Job 5656:

Monday: 7 hours

Wednesday: 5 hours

Sunday: 4 hours

Emma is paid a basic rate of £25 per hour and is paid double time on a Sunday. If she completes the job in less than 20 hours, she gets a bonus of £12·50 for each hour saved.

**(b)** Calculate the charge to Job 5656 for Emma’s labour. **6**

**(c)** For each overhead below, suggest a suitable basis for apportionment to a cost centre:

**(i)** Rent

**(ii)** Canteen costs **2**

**(d)** Outline what is meant by the following terms:

**(i)** Limiting factor

**(ii)** Contribution **2**

**Total marks 30**

|  |  |  |  |
| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| **40 (a)** | **Cash Budget of Anne Garioch for the 3 months July-September**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  | **July** |  | **August** |  | **September** |  | | Opening Balance | 8,000 | **(1)** | 17,000 |  | 33,760 | **(1)** | | **Receipts** |  |  |  |  |  |  | | Cash Sales Revenue | 33,600 | **(3)** | 36,800 | **(1)** | 32,800 | **(1)** | | Credit Sales Revenue | 43,200 | **(4)** | 45,360 | **(1)** | 49,680 | **(1)** | |  | 76,800 |  | 82,160 |  | 82,480 |  | |  |  |  |  |  |  |  | | **Payments** |  |  |  |  |  |  | | Raw Materials | 26,400 | **(1)** | 27,600 |  | 25,200 | **(1)** | | Wages | 18,400 |  | 16,800 |  | 17,600 | **(1)** | | Fixed Costs | 20,000 |  | 20,000 |  | 20,000 | **(1)** | | Van | 3,000 | **(1)** | 1,000 |  | 1,000 | **(1)** | |  | 67,800 |  | 65,400 |  | 63,800 |  | |  |  |  |  |  |  |  | | Closing Balance | 17,000 |  | 33,760 |  | 52,440 | **(1)** | |  |  |  |  |  |  |  |   **Workings:**  Cash Sales Revenue July — 2,100 **[1]** x (£40 **[1]** x 40% **[1]**)  Cash Sales Revenue August — 2,300 **[1]** x (£4 x 95% x 20%)  Cash Sales Revenue September — 2,050 **[1]** x (£4 x 95% x 20%)  Credit Sales Revenue July — 2,000 **[1]** x (£40 **[1]** x 90% **[1]** x 60% **[1])**  Credit Sales Revenue August — 2,100 **[1]** x (£40 x 90% x 60%)  Credit Sales Revenue September — 2,300 **[1]** x (£40 x 90% x 60%) | **20** | Watch for consequentiality throughout.  **Receipts**  Marks should be awarded to candidates for correct calculation. For credit sales revenue, if candidates do not delay receipt by a month, they will gain full marks for July figure (if correctly calculated) but no award for August and September figures, eg:  July August September  45,360 49,680 44,280  **(4)** **(0)** **(0)**  Cash and credit sales revenue for August and September are consequential on the July calculation.  **Payments**  For raw materials, if calculation correct but figures entered into wrong months — maximum **1 mark** per line. |

|  |  |  |  |
| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| **(b)** | Basic — Mon/Wed 12 x £25 = £300 **(1)**  Sunday 4 x £50 = £200 **(2)**  Bonus 4 x £12·50 = £50 **(2)**  £550 **(1)** | **6** | **2 mark** lines are all or nothing. |
| **40 (c)** | **(i)** Floor area  **(ii)** No of employees | **2** |  |
| **(d)** | **(i)** Limiting factor:   * Something that stops a business producing all the units demanded **(1)** * Something that restricts capacity of a business **(1)**   **(ii)** Contribution:   * Selling price — variable cost. **(1)** (don’t need per unit) * The amount you make on a product which helps to pay fixed costs. **(1)** | **2** | Any one outline for **1 mark**. Do not accept an example on its own.  Accept any other suitable answer.  Any one outline for **1 mark.**  Accept any other suitable answer. |