**Question 7**

**PART A**

Yellowdot manufactures and sells squash racquets. The following information is available:  
  
**Per racquet**

Selling price £50

Raw materials £22

Labour £18

Fixed costs per month £30,000

Current monthly sales 5,000 units

1. Calculate the:
2. Break-even Point in units **4**
3. Profit or Loss from the current monthly sales **3**
4. Sales per month in units which would result in a Profit of £10,000 **3**

The firm is considering offering a commission on sales of 10% to its sales staff in the hope that their monthly sales would increase to 7,000 units.

1. Calculate the monthly profit/loss which would be earned by this option. **4**
2. Identify **one** example of **each** of the following. You should give a different example for each.
3. Fixed Cost **1**
4. Direct Cost **1**

**PART B**

Kirkmichael Woodcrafts produces tree houses to customer specification. A customer has asked for an estimate and the following information is available for this job (Job 465):

Direct Materials 500 metres wood @ £10 per metre

1 door @ £150

2 windows @ £100 each

2 brass hinges @ 16 each

Direct Labour 50 basic hours @ £20 per hour

20 overtime hours @ time and a half

Overhead Recovery Rate 80% of total labour cost

Mark-up 30% on cost

VAT is charged at 20%

**PART B (continued)**

1. Prepare a job cost statement for Job 465, showing clearly the total cost   
   (before mark up and VAT) and final total price to be quoted to the customer. **12**
2. Describe **two** advantages of using a spreadsheet to produce accounting information. **2**

**Total marks (30)**

| **Question** | **Expected answer(s)** | **Mark** | **Additional guidance** |
| --- | --- | --- | --- |
| **7**  **PART A**  **(a) (i)** | Contribution per unit £50 − £40 = £10 **(2)**  B/E point (units) £30,000/£10 = 3,000 **(2)** | **4** | Both parts of question are all or nothing.  If arithmetic error, give **1 mark** (watch for consequentiality). |
| **7**  **(a) (ii)** | 5,000 – 3,000 = 2,000 units **(1)**  2,000 × £10 = £20,000   1. **(1)**   **OR**  5,000 × £10 = £50,000 − £30,000 = £20,000   1. **(1)**   **(1)** | **3** | Watch for consequentiality.  To gain the first mark, candidate must use 5,000 units and the break-even point correctly.  Accept 2,000 units (without showing working) for **2 marks.**  If arithmetic error where **2 marks** being given – give **1 mark.**  Max **2 marks** if an answer is incorrect based on correct/consequential figures used.  Candidates may use a different method to get the correct answer.  Assume profit, therefore candidates do not need to use the word profit in their answer. However if they consequentially calculate a loss, there must be some indication of a loss to gain the final mark. |
| **7**  **(a) (iii)** | (£30,000 + £10,000) = £40,000/£10 = 4,000 units   1. **(1)** **(1)**   **OR**  £10,000/£10 = 1,000 + 3,000 = 4,000 units   1. **(1)** **(1)** | **3** | Watch for consequentiality.  Max **2 marks** if answer incorrect, based on figures used.  Candidates may use a different method to get the correct answer. If answer incorrect, UPJ to allocate marks. |
| **7 (b)** | Commission per unit 10% × £50 = £5·00 **(1)**  New Contribution per unit = £10 − £5·00 = £5·00 **(1)**  New Total Contribution = 7,000 × £5·00 = £35,000 **(1)**  Profit = £35,000 − £30,000 = £5,000 **(1)** | **4** | Watch for consequentiality.  Mark as per solution.  Assume profit, therefore candidates do not need to use the word profit in their answer. However, if they consequentially calculate a loss, there must be some indication of a loss to gain the final mark. |
| **7**   1. **(i)** | **Fixed cost**   * Rent, heat & light, advertising, insurance, cleaning, stationery, salaries  (or any other payments to production staff). | **1** | Accept any appropriate example for **1 mark**.  **DO NOT** accept wages.  **DO NOT** accept VAT/Tax. |
| **7**  **(c) (ii)** | **Direct cost**   * Materials, labour, patents, wages (or any payments to non-production staff). | **1** | Accept any appropriate example for **1 mark**.  **DO NOT** accept salaries.  Accept costs prefixed by direct, eg direct overheads.  **DO NOT** accept overheads if on its own. |
| **PART B**  **7 (a)** | Direct Materials: 500 metres wood @ £10 per metre £5,000·00 **(1)**  1 door @ £150 £150·00 **(1)**  2 windows @ £100 each £200·00 **(1)**  2 brass hinges @ £16 each £32·00 **(1)**  Direct Labour: 50 hours @ £20 per hour £1,000·00 **(1)**  20 hours overtime at £30 £600·00 **(1)**  Overheads 80% × 1,600 £1,280·00 **(1)**  **Cost** **£8,262·00** **(1)**  Profit (30% × £8,262) £2,478·60 **(1)**  £10,740·60  VAT (20% × £10,740·60) £2148·12 **(1)**  **CUSTOMER PRICE £12,888·72** **(1)**  Layout — **1 mark**  To gain layout mark, the four 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 sub-total after profit. | **12** | Watch for consequentiality.  No sub-totals are required before cost price. If there are arithmetic errors in sub-totals —no total cost mark.  Accept labour — £1,600 for **2 marks** (watch nomenclature is correct for layout award).  If VAT calculated before profit, no mark for VAT and treat profit as consequential. |
| **7 (b)** | **Advantages:**   * Can use multiple sheets — information changes all sheets with use of formulae. * Speed — transactions can be processed much faster than in a manual system with the use of formulae. * Accuracy — use of formulae will make calculations more accurate than manual system. * Use of templates — these can be created with formulae to use from year to year, eg cash budget. * If one figure is changed, the change will ripple through with use of formulae. * Multiple access. | **2** | Accept any **two** appropriate examples for  **1 mark** each.  Accept any other relevant answer. |