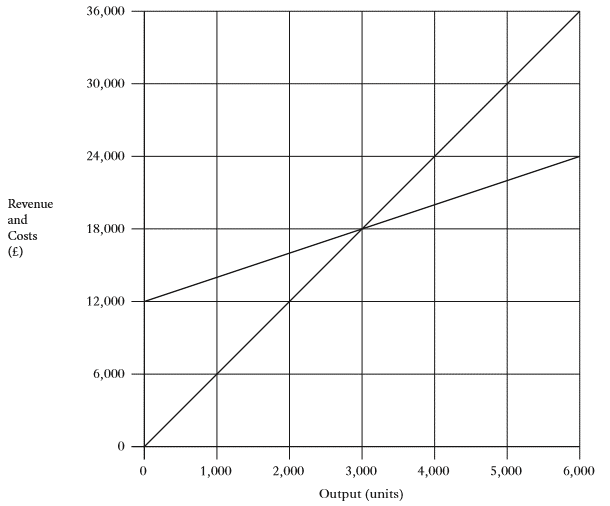
**Question 38**

**PART A**

The following chart shows the June sales revenue and costs of Katie Wanode’s business for Product Z, at maximum production with all units sold:



**(a)** From the chart above, state the following:

1. Break-even in units and Sales Revenue
2. Fixed Costs
3. Total Costs at sales of 6,000 units **4**

**(b)** Calculate the following:

1. Selling Price per unit
2. Variable Cost per unit
3. Contribution per unit
4. Margin of Safety in units and Sales Revenue from sales of 6,000 units
5. Profit or Loss on sales of 5,000 units **13**

**PART B**

On checking the accounts of J Martin, the following errors were found:

1) Goods purchased by cheque for £800 had only been entered in the bank account.

2) The advertising account had been over added by £3,000.

3) Repairs to machinery costing £92 had been entered in the machinery repairs account as £29.

4) A bill for electricity, £1,000 paid by cheque, had been entered in the wrong side of both ledger accounts.

5) Discount allowed of £50 had been entered in the discount received account in error.

6) Purchase of fixtures and fittings worth £6,500 had been entered in the vehicles account in error.

State whether each correction above will **increase/decrease/no effect** the Profit   
for the Year. Set out your answer as follows: **9**

|  |  |  |
| --- | --- | --- |
| **Error number** | **Effect (increase/decrease/no effect)** | **Amount** |
|  |  |  |

**PART C**

**(a)** State two duties of a Financial Accountant. **2**

**(b)** Describe what is meant by ‘Bad debts’ and ‘Provision for bad debts’. **2**

**Total marks 30**

|  |  |  |  |
| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Max**  **mark** | **Additional guidance** |
| **38**  **PART A**  **(a)** | 1. BEP = 3,000 units **(1)** and £18,000 revenue **(1)** 2. Fixed costs = £12,000 **(1)** 3. Total costs = £24,000 **(1)** | **4** | Watch for consequentiality throughout. |
| **(b)** | 1. Selling Price per unit = £36,000 **(1)/**6,000 **(1)** = £6 | **2** | Or any other calculation using correct figures. |
| 1. Variable Cost per unit = £24,000 **(1)** – £12,000 **(1)** = £12,000/6,000 **(1)** = £2 | **3** | Or any other calculation using correct figures. |
| 1. £6 − £2 = £4 **(2)** | **2** | All or nothing. Only **1 mark** if arithmetic error (watch for consequentiality). |
| 1. 6,000 – 3,000 = 3,000 units **(2)**     3,000 x £6 **(1)** = £18,000 | **3** | The first **2 marks** are all or nothing. Only **1 mark** if arithmetic error (watch for consequentiality). |
| 1. 5,000 – 3,000 = 2,000 units **(1)**   2,000 x £4 = £8,000  **(1)** **(1)**  **OR**  5,000 x £4 = £20,000 − £12,000 = £8,000  **(1)** **(1)**  (**1)** | **3** | Accept 2,000 units on its own for  **2 marks.**  Maximum **2 marks** if an answer is incorrect based on correct/consequential figures used.  Candidates may use a different method to get the correct answer. If incorrect, use professional judgement.  Assume profit. If candidates consequentially calculate a loss, there must be some indication of a loss to gain the final mark. |
| **Question** | **Expected Answer(s)** | **Max Mark** | **Additional Guidance** | |
| **38**  **PART B** | 1. Decrease £800 **(1)** 2. Increase £3,000 **(1)** 3. Decrease **(1)** £63 **(1)** 4. Decrease **(1)** £2,000 **(1)** 5. Decrease **(1)** £100 **(1)** 6. No effect **(1)** | **9** |  | |
| **38**  **PART C**  **(a)** | Duties of a Financial Accountant are:   * To record all financial transactions in the ledger accounts. * To prepare the final accounts — income statement, statement of financial position and petty cash statement. * To analyse the accounts using ratios and calculating ratios. * To report on accounts to the owners/managing director. * To check accounts for mistakes, fraud, etc. | **2** | Any two duties for **1 mark** each.  Accept any other relevant answer | |
| **(b)** | **Bad debts**   * Debtors who do not pay * Debts which cannot be paid * Debtors who have become bankrupt * Written off as an expense in the profit and loss account * Money you know you are not going to get   **Provision for bad debts**   * An attempt to anticipate bad debts * Sets aside profit * Deducted from debtors in the statement of financial position | **2** | No award if referring to creditors.  Bad debts must imply the past. Any one description for **1 mark**. Do not accept: ‘Debtors who don’t pay within due date’ or ‘Debtors who might not pay’.  Provision for bad debts must imply the future. Any one description for **1 mark.** Do not accept: ‘Money set aside’. | |