

Mark Scheme Results

November 2015

Pearson LCCI Cost and Management Accounting (ASE20098)



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#### General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Where marks are awarded for own figure answers, these marks can only be awarded if evidence of how the candidate arrived at their values has been provided (their workings).
- If candidate's fail to provide their workings when instructed in the paper, it may not be possible to achieve all marks associated with the question, even if the final answer is correct.
- For calculation questions, full marks can be awarded where correct answer is seen with no workings shown, unless question states that candidate must provide workings.

#### Abbreviations

M1	Method Mark
	This is used to reward candidates where there is evidence of the candidate having adopted the correct method for a calculation, but where the accuracy of the answer is not necessarily being awarded a mark.
A1	Accuracy Mark
	This is used to reward candidates who have attained the answer to a specific calculation representing a method in the question. If stated in the mark scheme, the own figure rule can be used with the accuracy mark.
of	Own Figure rule
	Accuracy marks can be awarded where the candidate's answer does not match the mark scheme, though is accurate based on their valid method.
сао	Correct Answer Only rule
	Accuracy marks will only be awarded if the candidate's answer is correct, and in line with the mark scheme.
oe	Or Equivalent rule
	This rule is used when the value of an answer may be presented in a variety of ways, such as fractions (simplified/non-simplified/mixed), decimals, percentages. The candidate's answer must be equivalent in value to the mark scheme answer.
awrt	Anything Which Rounds To rule
	This rule is used when the candidate supplies a figure which rounds to the value determined by the mark scheme.

Question number	Answer	Mark
1(a)(i)	Award 1 method mark and 1 correct answer mark. Variances must state adverse or favourable Labour (drivers' wage) rate variance \$	
	Actual hours at standard rate720(1)(72 x \$10)780	
	<u>60</u> Adv (1)	(2)

Question number	Answer			Mark
1(a)(ii)	Award 1 method mark and 1 co	orrect ans	wer mark. Variances must state adverse or	
	favourable Labour (drivers' wa	ge) efficien	cy variance	
		\$		
	Standard hours at standard rate (4 x 20 x \$10)	800	(1)	
	Actual hours at standard rate (72 x \$10)	720		
		80 Fav	(1)	(2)

Question number	Answer			Mark
1(a)(iii)	Award 1 method mark and 1 c favourable Material (fuel) pric	e variance \$	ver mark. Variances must state adverse or	
	Standard price at actual usage (1.20 x 960)	1 152	(1)	
	Actual price	<u>1 180</u> <u>28</u> Ad	v (1)	(2)

Question number	Answer			Mark
1(a)(iv)	Award 1 method mark and 1 corr	ect answ	er mark. Variances must state adverse or	
	Standard usage at standard price (45 x 20 x \$1.20)	ہو 1 080	(1)	
	Actual usage at standard price (960 x \$1.20)	1 152		
		72	Adv (1)	(2)

Question number	Answer			Mark
1(a)(v)	Award 1 method mark and 1 corr favourable Fixed overhead experi-Actual fixed overheadBudgeted overhead(20 x 4 x \$12)	rect answ nditure var \$ 900 960 60 Eav	er mark. Variances must state adverse or iance (1)	

Question number	Answer			Mark
1(a)(vi)	Award 1 method mark ar F/Favourable Fixed ove	nd 1 correct answ rhead volume varia \$	er mark. Variances must state A/Adverse or ince	
	Budgeted overhead (20 x 4 x 12)	960	(1)	
	Absorbed overhead (72 x 12)	864		
		96 Adv	(1)	(2)

Question	Answer	
number		Mark
1(b)(i)	Award 1 mark for reason and 1 mark for development (of) based on the answer in (a)(i). - Adverse labour (drivers' wage) rate variance	
	For example:	
	Higher rate paid than was originally budgeted (1) due to wage award/union demands (1).	(2)

Question	Answer	
number		Mark
1(b)(ii)	Award 1 mark for reason and 1 mark for development (of) based on the answer in (a)(ii).	
	- Favourable labour (drivers' wage) efficiency variance	
	For example:	
	Completed the journeys in a quicker time (1) due to efficient scheduling/timetabling (1).	(2)

# TOTAL FOR QUESTION 1 – 16 MARKS

Question number	Answer	Mark
2(a)(i)	Award 1 mark for each correct answer Rate of inventory (stock) turnover	
	Year $13 = 365/(390\ 000/65\ 000) = 60.83 = 61\ days$ (1) Year $14 = 365/(381\ 600/72\ 000) = 68.86 = 69\ days$ (1)	(2)

Question	Answer			
number		Mark		
2(a)(ii)	Award 1 mark for each correct answer Trade receivables (debtors) collection period			
	Year $13 = (43\ 200/657\ 000) \times 365 = 24 \text{ days}$ (1)			
	Year $14 = (72\ 000/730\ 000) \times 365 = 36\ days$ (1)	(2)		

Question number	Answer	Mark
2(a)(iii)	Award 1 mark for each correct answer Trade payables (creditors) payment period	
	Year $13 = (42\ 000/438\ 000) \times 365 = 35\ days$ (1)	
	Year $14 = (56\ 000/511\ 000) \ x\ 365 = 40\ days$ (1)	(2)

Question number	Answer	Mark
2(b)	Award 1 mark for recalling procedure. Award 1 mark for development of management technique.	
	• The rate of inventory turnover needs to increase (1) by promotions, discounts, marketing campaigns (1).	
	<ul> <li>Trade receivables need to pay quicker (1) the company needs to improve its credit control (1).</li> </ul>	
	<ul> <li>Trade payables may need to be paid quicker (1) if the company improves the first two factors it should have the necessary working capital to do this (1).</li> </ul>	(6)

Question number	Answer		Mark
2(c)	Award own figure marks based on v	alues used from 2(a) - Working capital cycle (days)	
		Year	
		14	
	Rate of inventory turnover	69 (1of)	
	Trade receivables collection period	36 (1of)	
		105	
	Less trade payables payment period	40 (1of)	
	Working capital cycle	<u>65</u> (10f)	(4)

# TOTAL FOR QUESTION 2 – 16 MARKS

Question number	Answer	Mark
3(a)	Capacity 80%	
	Production/Sales units (W1) <u>10 400</u> (1)	
	\$\$	
	Sales revenue ( $W2$ ) 166 400 (20f) Direct materials ( $W2$ ) 41 600 (20f)	
	Direct labour ( <b>W4</b> ) 38 000 (20f)	
	Production overheads ( <b>W5</b> ) 42 800 (3of)	
	Administration costs 10 000 (1)	
	Total budgeted costs 140 350	
	Budgeted profit <u>26 050</u> (1of)	
	Workings	
	W1 Production/Sales units at 80% capacity = 11 700 x 0.80 / 0.90 = 10 400 units [1]	
	W2 Unit sales price 187 200 / 11 700 = \$16 per unit [1] Sales revenue at 80% capacity = 10 400 x \$16 = \$166 400 [10f]	
	W3 Direct material unit cost = \$46 800 / 11 700 = \$4 per unit [1] Direct material cost at 80% capacity = 10 400 x \$4 = \$41 600 [10f]	
	W4 Direct labour cost at 90% capacity 11 700 x \$2.50 = \$29 250 Fixed indirect labour cost = 41 250 - 29 250 = \$12 000 [1] Labour cost at 80% capacity = (10 400 x \$2.50) + 12 000 = \$38 000 [1]	
		(13)

 W5 Production ov	verheads			
	Costs	Units		
High	48 000	13 000		
Low	42 800	10 400		
Difference	5 200	2 600		
Variable cost	= 5 200 / 2	600 = \$2 pe	unit [1]	
Fixed cost =	48 000 – (13	3 000 x \$2) =	\$22 000 [1]	
Production ov	verhead at 80	0% capacity	$22\ 000\ +\ (10\ 400\ x\ 2)\ =\ \$42\ 800\ [1]$	

Question	Answer	
number		Mark
3(b)	Award 1 mark for each benefit, maximum 3 marks	
	For example:	
	1. Provides a basis for control. (Progress can be measured against plan.) (1)	
	2. Provides motivation for managers and workforce. (Provided managers have participated in	
	the initial budgeting process for their department.)(1)	
	3. Provides coordination between departments. (Each department is part of the overall	
	budget.)(1)	(3)

Question number	Answer	Mark
3(c)	Award 1 mark for stating a difference and 1 mark for development.	
	<ul> <li>For example:</li> <li>A fixed budget is based on one level of activity (1). Unlike a flexible budget which has all its variable costs and revenues adjusted for different levels of activity (1).</li> <li>A fixed budget may be used for planning (1) where as a flexible budget may be used as a tool of control.(1)</li> </ul>	(2)

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Question	Answer	Mark
3(d)	Award 1 mark for advantage and 1 mark for development.	
	<ul> <li>For example:</li> <li>Flexible budgets recognise how costs behave and allow costs to be predicted/adjusted for a range of activity levels (1). This allows for a more meaningful comparison of actual costs with budgeted costs (1).</li> </ul>	(2)

## TOTAL FOR QUESTION 3 – 20 MARKS

Ansv	ver									
				-						Mark
Process account (Net sales value basis)										
han de Daashaat han de										
Diro	ct matorial D	<b>KG</b>	<b>⊅</b> 6 000	Product	۸	(11/2)	<b>kg</b>	<b>⊅</b> 7 600	(2of)	
Dire	ct material O	400	2 400		R	$(\mathbf{W}\mathbf{Z})$	400 270	6 480	(301)	
Dire	ct labour	400	2 400		C	(W4)	200	3 920	(201)	
Ove	rheads		6 000		D	()	50	800	(1)	
Was	te disposals (W1)		400	(2) Normal L	oss		80		(1)	
		1 000	18 800				1 000	18 800		
Worl	kings									
		(1.000					-			
W1 Waste disposals = (1 000 – 920) x \$5 = \$400 [1] debit side [1]										
<b>W2</b> Labour/Overhead cost = $400 / 8 \times (\$8 + \$12) = \$1000 [1]$										
~~~	Net sales = $(400)$	x \$50) = 4	$\$1\ 000 = 1$	\$0 + \$12) = \$1 \$19 000 [1]	000	נין כ				
	Apportionment =	(18 800	– 800) x 1	19 000 / 45 000	) = 5	\$7 600	[1]			
		<b>、</b>	/							
W3	Net sales = 270 x	\$60 = \$	16 200 [1	]						
	Apportionment =	(18 800	– 800) x 1	16 200 / 45 000	) = 5	\$6 480	[1]			
		/								
W4	Container cost =	200/4 x \$	\$6 = \$300	)[1]		4400 F				
	Labour/Overhead	COST = (1)	200 / 4) /	$10 \times (\$8 + \$12)$	<u>')</u> =	\$100[	1]			
	Net sales = $(200)$	X \$51) - (10 000	(3300 + 3)	(0,0,0) = 39,800	ינין י רבי	to 000	[1]			
	Total net sales -	10 000 J	- 600) X . 16 200 ⊥	9 800 / 43 000 1 9 800 - \$15 (	J =	₽J 72U	[']			(13)
	Ansv Dire Dire Ove Was Worl W1 W2 W2 W3 W3	<ul> <li>Answer</li> <li>Direct material P Direct material Q Direct labour Overheads</li> <li>Waste disposals (W1)</li> <li>Workings</li> <li>W1 Waste disposals =</li> <li>W2 Labour/Overhead Net sales = (400 Apportionment =</li> <li>W3 Net sales = 270 x Apportionment =</li> <li>W4 Container cost = Labour/Overhead Net sales = (200 Apportionment = Total net sales =</li> </ul>	AnswerProckgDirect material Q600Direct material Q400Direct labour400Overheads1000Waste disposals (W1)1000Workings1000W1Waste disposals = (1000W2Labour/Overhead cost = 4 Net sales = (400 x \$50) - Apportionment = (18 800)W3Net sales = 270 x \$60 = \$ Apportionment = (18 800)W4Container cost = 200/4 x \$ Labour/Overhead cost = ( Net sales = (200 x \$51) - Apportionment = (18 800)W4Container cost = 200/4 x \$ Labour/Overhead cost = ( Net sales = (200 x \$51) - Apportionment = (18 800) Total net sales = 19 000 +	Answer       Process accord         kg       \$         Direct material Q       400       2 400         Direct labour       4 000       2 400         Direct labour       4 000       000         Overheads       6 000         Waste disposals (W1)       400         1000       18 800         Workings       400         W1       Waste disposals = (1 000 - 920) x \$         W2       Labour/Overhead cost = 400 / 8 x ( Net sales = (400 x \$50) - \$1 000 = Apportionment = (18 800 - 800) x 7         W3       Net sales = 270 x \$60 = \$16 200 [1 Apportionment = (18 800 - 800) x 7         W4       Container cost = 200/4 x \$6 = \$300 Labour/Overhead cost = (200 / 4) / Net sales = (200 x \$51) - (\$300 + \$2 Apportionment = (18 800 - 800) x 7	kg       Process account (Net sales         birect material P       600       6 000         Direct material Q       400       2 400         Direct labour       4 000       000         Overheads       6 000         Waste disposals (W1)       400       (2)         1 000       18 800       (2)         Workings       400       (2)         W1       Waste disposals = (1 000 - 920) x \$5 = \$400 [1] c         W2       Labour/Overhead cost = 400 / 8 x (\$8 + \$12) = \$1         Net sales = (400 x \$50) - \$1 000 = \$19 000 [1]         Apportionment = (18 800 - 800) x 19 000 / 45 000         W3       Net sales = 270 x \$60 = \$16 200 [1]         Apportionment = (18 800 - 800) x 16 200 / 45 000         W4       Container cost = 200/4 x \$6 = \$300 [1]         Labour/Overhead cost = (200 / 4) / 10 x (\$8 + \$12         Net sales = (200 x \$51) - (\$300 + \$100) = \$9 800         Apportionment = (18 800 - 800) x 9 800 / 45 000         Total net sales = 19 000 + 16 200 + 9 800 = \$45 00	Answer         kg       Process account (Net sales val         Direct material P       600       6000       A         Direct material Q       400       2 400       B         Direct labour       4 000       C         Overheads       6 000       D         Waste disposals (W1) $400$ (2) Normal Loss         Workings $1000$ $18 800$ 1000         Workings       W1       Waste disposals = (1 000 – 920) x \$5 = \$400 [1] debit         W2       Labour/Overhead cost = 400 / 8 x (\$8 + \$12) = \$1 000         Net sales = (400 x \$50) - \$1 000= \$19 000 [1]       Apportionment = (18 800 - 800) x 19 000 / 45 000 = \$19 000 [1]         W3       Net sales = 270 x \$60 = \$16 200 [1]       Apportionment = (18 800 - 800) x 16 200 / 45 000 = \$19 000 [2]         W4       Container cost = 200/4 x \$6 = \$300 [1]       Labour/Overhead cost = (200 / 4) / 10 x (\$8 + \$12) = \$1000 + \$16 200 / 45 000 = \$10 000 = \$10 000 + \$100 0 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 + \$10 0 0 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 = \$10 000 =	Answer       Process account (Net sales value bas         kg       \$ Product         Direct material P       600       6 000       A (W2)         Direct material Q       400       2 400       B (W3)         Direct labour       4 000       C (W4)         Overheads       6 000       D         Waste disposals (W1) $400$ (2) Normal Loss $1000$ $18 800$ 2         Workings $1000$ $8 \times (\$8 + \$12) = \$1 000 [1]$ Net sales = (400 x \$50) - \$1 000 = \$19 000 [1]       Apportionment = (18 800 - 800) x 19 000 / 45 000 = \$7 600 [1]         M3       Net sales = $270 \times \$60 = \$16 200 [1]$ Apportionment = (18 800 - 800) x 16 200 / 45 000 = \$6 480 [1]         W4       Container cost = $200/4 \times \$6 = \$300 [1]$ Labour/Overhead cost = (200 / 4) / 10 x (\$8 + \$12) = \$100 [7]         Net sales = (200 x \$51) - (\$300 + \$100) = \$9 800 [1]       Apportionment = (18 800 - 800) x 16 200 / 45 000 = \$3 920 [1]         Apportionment = (18 800 - 800) x 9 800 / 45 000 = \$3 920 [1]       Apportionment = (18 800 - 800) x 9 800 / 45 000 = \$3 920 [1]	Kg         Process account (Net sales value basis)           Direct material P $600$ $6\ 000$ A (W2) $400$ Direct material Q $400$ $2\ 400$ B (W3) $270$ Direct labour $4\ 000$ C (W4) $200$ Overheads $6\ 000$ D $50$ Waste disposals (W1) $400$ $(2)\ Normal\ Loss$ $80\ 1\ 000$ Workings $400\ 18\ 800$ $(2)\ Normal\ Loss$ $80\ 1\ 000$ W1         Waste disposals = $(1\ 000\ -\ 920)\ x\ $5\ =\ $400\ [1]\ debit\ side\ [1]$ W2           Labour/Overhead cost = $400\ /\ 8\ x\ (\$8\ +\ \$12)\ =\ \$1\ 000\ [1]\ Apportionment\ =\ (18\ 800\ -\ 800)\ x\ 19\ 000\ /\ 45\ 000\ =\ $7\ 600\ [1]$ W3         Net sales = $270\ x\ $60\ =\ \$16\ 200\ [1]\ Apportionment\ =\ (18\ 800\ -\ 800)\ x\ 16\ 200\ /\ 45\ 000\ =\ $6\ 480\ [1]$ W4         Container cost = $200/4\ x\ $6\ =\ $300\ [1]\ Labour/Overhead\ cost\ =\ (200\ /\ 4)\ /\ 10\ x\ (\$8\ +\ \$12)\ =\ $100\ [1]\ Net\ sales\ =\ (200\ x\ \$51)\ -\ (\$300\ +\ \$100)\ =\ \$9\ 800\ [1]\ Apportionment\ =\ (18\ 800\ -\ 800)\ x\ 9\ 800\ /\ 45\ 000\ =\ \$3\ 920\ [1]\ Apportionment\ =\ (18\ 800\ -\ 800)\ x\ 9\ 800\ /\ 45\ 000\ =\ \$3\ 920\ [1]\ Total net\ sales\ =\ 19\ 000\ +\ 16\ 200\ +\ 9\ 800\ =\ \$45\ 000$	Answer         Process account (Net sales value basis)           kg         Product         kg         \$           Direct material P         600         6 000         A (W2)         400         7 600           Direct material Q         400         2 400         B (W3)         270         6 480           Direct labour         4 000         C (W4)         200         3 920           Overheads         6 000         D         50         800           Waste disposals (W1)        400         (2) Normal Loss $\frac{80}{1000}$ 18 800           Workings        1000 $\frac{400}{18 800}$ (2) Normal Loss $\frac{80}{1000}$ 18 800           W1         Waste disposals = (1 000 - 920) x \$5 = \$400 [1] debit side [1]         18 800         18 800           W2         Labour/Overhead cost = 400 / 8 x (\$8 + \$12) = \$1 000 [1] Apportionment = (18 800 - 800) x 19 000 / 45 000 = \$7 600 [1]         18 800           W3         Net sales = 270 x \$60 = \$16 200 [1] Apportionment = (18 800 - 800) x 16 200 / 45 000 = \$6 480 [1]         10           W4         Container cost = 200/4 x \$6 = \$300 [1] Labour/Overhead cost = (200 / 4) / 10 x (\$8 + \$12) = \$100 [1] Net sales = (200 x \$51) - (\$300 + \$100) = \$9 800 [1] Apportionment = (18 800 - 800) x 9 800 / 45 000 = \$3 920 [1] Apportionment = (18 800 - 800) x 9 800 / 45 000 = \$3 920 [1] Apportionment	Answer         Process account (Net sales value basis)         kg       \$       Product       kg       \$         Direct material P       600       6000       A (W2)       400       7 600 (3of)         Direct material Q       400       2 400       B (W3)       270       6 480 (2of)         Direct labour       4 000       C (W4)       200       3 920 (4of)         Overheads       6 000       D       50       800 (1)         Waste disposals (W1)       400       (2) Normal Loss       80       (1)         Workings       1000       18 800       1000       18 800       (1)         W2       Labour/Overhead cost = 400 / 8 x (\$8 + \$12) = \$1 000 [1]       Net sales = (1000 - 920) x \$5 = \$400 [1] debit side [1]       (1)         W2       Labour/Overhead cost = 400 / 8 x (\$8 + \$12) = \$1 000 [1]       Net sales = (18 800 - 800) x 19 000 / 45 000 = \$7 600 [1]         Net sales = 270 x \$60 = \$16 200 [1]       Apportionment = (18 800 - 800) x 16 200 / 45 000 = \$6 480 [1]       (1)         W4       Container cost = 200/4 x \$6 = \$300 [1]       1       Apportionment = (18 800 - 800) x 9 800 [1]         Apportionment = (18 800 - 800) x 9 800 / 45 000 = \$3 920 [1]       Net sales = (200 x \$51) - (\$300 + \$100) = \$9 800 [1]         Apportionment = (18

Question number	Answer					Mark		
4(b)	Award 1 mark for sales. 'Labour/Overheads' and	Award 1 n d 'Containe	nark for app r costs'. Aw	oortioned o ard 1 marl	costs. Award 1 mark for k for k for k for k for brofit.			
	Profit Statement for Month of May							
		Product	Product	Product				
		A \$	В\$	C \$				
	Sales	20 000	16 200	10 200	(1)			
	Less costs:							
	Apportioned	7 600	6 480	3 920	(1of)			
	Labour/Overheads	1 000		100	(1)			
	Container costs			300	(1)			
		8 600	6 480	4 320	-			
	Profit	11 400	9 720	5 880	(1of)			
					- · · ·	(4)		

Question	Answer	
number		Mark
4(c)(i)	Award 1 mark for definition and 1 mark for development Joint products	
	Two or more products separated in processing (1), each having a sufficiently high saleable value to merit recognition as a main product (1).	(2)

Question number	Answer	Mark
4(c)(ii)	Award 1 mark for definition and 1 mark for development By-product	
	A product that is not the main product for which the production process is intended (1) but has a commercial value (1).	(2)

Question number	Answer	Mark
4(d)	Award 1 mark for each method Methods of apportioning process cost	
	1. Sales revenue (1)	
	2. Units produced (1)	
	3. Product weight (1)	(3)

## TOTAL FOR QUESTION 4 – 24 MARKS

Question number	Answer	Mark					
5(a)	Award 1 mark for each correct contribution. Award 1 mark for all four unit contributions per machine hours. Award 1 mark for all four production priorities. Award 1 mark for units of each of Products C, D and A. Award up to 3 marks for units of Product B.						
	Production Quantities						
	Product A B C D						
	Labour (\$/unit) 10 12 16 8						
	Material (\$/unit) 12 16 30 10						
	Variable overheads (\$/unit) <u>5</u> <u>6</u> <u>8</u> <u>4</u>						
	Variable cost (\$/unit) 27 34 54 22						
	Selling price (\$/unit) <u>36 46 89 38</u>						
	Contribution (\$/unit) 9 (1) 12 (1) 35 (1) 16 (1)						
	Machine hours 3 6 7 4						
	Contribution/machine hour 3 2 5 4 (1of)						
	Production priority 3 4 1 2 (1of)						
	Quantities						
	Product C 400 units 2 800 machine hours (1of)						
	Product D 750 units 3 000 machine hours (1of)						
	Product A 1 000 units 3 000 machine hours (1of)						
	Product B (W1) 200 units <u>1 200 machine hours</u> (3of)						
	10 000 machine hours						
	Working						
	<ul> <li>W1 Total machine hours required to produce products C, D, and A = 8 800 hrs [1] Therefore number of machine hours available to produce Product B = 10 000 - 8 800 = 1 200 hrs [1]</li> <li>Number of Product B units (1 200 ( ())</li> </ul>						
	Number of Product B units = $(120076)$ = 200 units [1]	(12)					

Question number	Answer					Mark	
5(b)	Award 1 mark for each correct contribution figure and total as indicated. Award 1 mark for the profit.						
	Profit Statement						
		Unit	Production	Contribution \$			
	Product	contribution \$	quantities Units				
	A	9	1 000	9 000	(1of)		
	В	12	200	2 400	(1of)		
	С	35	400	14 000	(1of)		
	D	16	750	12 000	(1of)		
	Total contribution			37 400	(1of)		
	Less fixed overheads			18 600	_		
	Profit			18 800	(1of)	(6)	

Question	Answer				
number		Mark			
5(c)	Award up to 3 marks for each analysis of options (max 5 total) and award 1 mark for appropriate option stated.				
	<ul> <li>Working overtime (3 maximum)</li> <li>What is the additional cost of overtime, will it exceed income (1)?</li> <li>Will the workforce be prepared to work overtime (1)?</li> <li>Would those unable (not selected) to work overtime be resentful (1)?</li> <li>Will productivity be maintained at the same level as normal production (1)?</li> </ul>				
	<ul> <li>Subcontracting work out (3 maximum)</li> <li>Will the cost of contractor exceed income (1)?</li> <li>Will the subcontractor be able to deliver on time (1)?</li> <li>Will product quality be maintained (1)?</li> <li>What would prevent the supplier from negotiating a deal to supply the customer direct (1)?</li> </ul>				
	Appropriate advice given (1).	(6)			
	TOTAL FOR QUESTION 5 – 2				