Pearson LCCI Certificate in Cost and Management Accounting (VRQ) Level 3 Friday 6 November 2015 Time: 3 hours Paper Reference ASE20098 Complete the details below in block capitals. Candidate name Centre Code Candidate Number Candidate ID Number Total Marks

Instructions

- Use **black** ink or ball-point pen
 - pencil can only be used for graphs, charts, diagrams, etc.
- Fill in the boxes at the top of this page with your name, candidate number, centre code and your candidate ID number.
- Answer **all** questions.
- Answer the questions in the spaces provided
 - there may be more space than you need.
- Answers should be given to an appropriate degree of accuracy.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
 - use this as a guide as to how much time to spend on each question.
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- You are advised to show your workings.
- Check your answers if you have time at the end.

Turn over ▶

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Answer ALL questions. Write your answers in the spaces provided.

1 A to Z is a transport company that uses a standard absorption costing system. A to Z provides a delivery service for Makit, to deliver its goods on a regular basis.

The standards set for **each** delivery journey are as follows:

Drivers' wages \$10.00 per hour

Journey time 4 hours Fuel consumed 45 litres Fuel cost \$1.20 per litre

Fixed overheads \$12.00 per direct labour (driver) hour

During Month 10 the following actual results were achieved:

Delivery journeys 20
Wages paid \$780
Journey time 72 hours
Fuel cost \$1 180
Fuel consumed 960 litres
Fixed overheads \$900

- (a) Calculate the following, for the 20 journeys, in Month 10:
 - (i) labour (drivers' wage) rate variance

(ii) labour (drivers' wage) efficiency variance	
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(2)

(2)

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(iii) material (fuel) price variance	(2)
(iv) material (fuel) usage variance	
	(2)
(v) fixed overhead expenditure variance	(2)
(vi) fixed overhead volume variance.	(2)



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(b) Explain one possible reason for each of the following variances (i) labour (drivers' wage) rate variance	calculated in (a):
(ii) labour (drivers' wage) efficiency variance.	(2)
(Total for C	(uestion 1 = 16 marks)

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2 The following figures have been extracted from the accounts of ABC Builder Supplies:

	Year 13 \$	Year 14 \$
Sales revenue	657 000	730 000
Ordinary goods purchased (Purchases)	438 000	511 000
Cost of sales	390 000	381 600
Average trade receivables (Debtors)	43 200	72 000
Average trade payables (Creditors)	42 000	56 000
Average inventory (Stock)	65 000	72 000

The following information is also available:

- all sales and purchases are made on credit
- all transactions occur at an even rate throughout the year.
- (a) Calculate the following working capital ratios for both years. Assume a 365 day year. Round each calculation to the nearest day.

(i) Rate of inventory (stock) turnover in days	(2)
(ii) Trade receivables (debtors) collection period in days	(2)
 (ii) Trade receivables (debtors) collection period in days	(2)
(ii) Trade receivables (debtors) collection period in days	(2)
(ii) Trade receivables (debtors) collection period in days	(2)
(ii) Trade receivables (debtors) collection period in days	(2)

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(iii) Trade payables (creditors) payment period in days	(2)
(b) Describe the actions management could take to improve the working capital ratios calculated in part (a).	(6)

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(c) Calculate the working capital cycle for Year 14.	(4)
	(Total for Question 2 = 16 marks)



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(13)

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3 Mono Products manufactures a single product for the motoring industry and has prepared the following budget for the next period:

Production/Sales units	11 700	
	\$	\$
Sales revenue		187 200
Direct materials	46 800	
Direct labour	41 250	
Production overheads	45 400	
Selling and distribution overheads	8 600	
Administration overheads	<u>10 000</u>	
Total costs		<u>152 050</u>
Profit		<u>35 150</u>

The following information is also available:

- The budget is based on a 90% utilisation of maximum capacity.
- Labour includes a direct and an indirect cost. The direct cost is \$2.50 per unit.
- Production overheads include a fixed and variable element. Production overheads are absorbed on a cost per unit basis. This is based on the maximum capacity and a total cost of \$48 000 at maximum capacity.
- Selling and distribution overheads include a fixed element of \$2 750
- Administration overheads are fixed.
- (a) Prepare a flexible budget for the period based on an **80%** utilisation of maximum capacity.

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	(b) State three benefits that a business would expect to gain from the use of budgetary planning.	(3)
1		
2		
3		
	(c) Explain one difference between a fixed budget and a flexible budget.	(2)
	(d) Explain one advantage of preparing a flexible budget.	(2)
	(Total for Question 3 = 20	marks)



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4 Triple Products, a company supplying material to the chemical industry, uses a process system to jointly produce its three main products A, B and C. By-product D is also produced during the process.

Information regarding the joint process for the month of May is as follows:

Input Product

Raw material P 600 kg at \$10 per kg
Raw material Q 400 kg at \$6 per kg
Direct labour 500 hours at \$8 per hour

Overheads are absorbed at \$12 per direct hour

Output

Product	Quantity	Selling price per kg
Product A	400 kg	\$50
Product B	270 kg	\$60
Product C	200 kg	\$51
By-product D	50 kg	\$16

Process losses (scrap) were as expected.

These losses were disposed of at a cost of \$5.00 per kg.

Further processing before sale:

- Product A requires an additional one direct labour hour per 8 kg of output for its finishing operation.
- Product B requires no further processing.
- Product C is required to be packed into containers costing \$6.00 each.
- Each container holds 4 kg of product.
 10 containers can be filled in one direct labour hour.
- By-product D requires no further processing.

There was no work in progress at the beginning or the end of the period.

Joint processing costs are apportioned on the basis net sales value.



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(a) Prepare the process account for the month of May.	(13)



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(b) Prepare a profit statement for products A, B and C for May a production was sold.	1.43
	(4)



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(c) Explain the meaning of:	
(i) joint products	(2)
(ii) by-products.	(2)
(d) State three methods, other than net sales value, for the apportioning of process costs to joint products.	
	(3)
(Total for Question 4 = 24 ma	arks)

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The Quadruple Company manufactures and sells four products, A, B, C and D, to the computing industry. The products are manufactured using 50 machines. Each machine can produce any of the products. Each machine is limited to 200 hours of operation per period.

The following information is provided for the next period:

Products			
Α	В	C	D
1 000	600	400	750
\$36	\$46	\$89	\$38
1.25 hrs	1.5 hrs	2.0 hrs	1.0 hrs
\$12	\$16	\$30	\$10
\$5	\$6	\$8	\$4
3 hrs	6 hrs	7 hrs	4 hrs
	1 000 \$36 1.25 hrs \$12 \$5	A B 1 000 600 \$36 \$46 1.25 hrs 1.5 hrs \$12 \$16 \$5 \$6	A B C 1 000 600 400 \$36 \$46 \$89 1.25 hrs 1.5 hrs 2.0 hrs \$12 \$16 \$30 \$5 \$6 \$8

Direct labour costs \$8 per hour Fixed costs \$18 600

(a)	Calculate the amount of each product that should be produced in the next period
	to maximise profit.

(12)



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(b) Prepare the profit statement, for the next period, using the from your answer in part (a).	(6)



	The company is unable to meet the shortfall in production identified in (a). Two options have been suggested to try to solve this problem.	
	Option 1: Working overtime to make more machine hours available.	
	Option 2: Subcontract the shortfall to an outside supplier.	
	(c) Evaluate the two suggested options and advise the company which is the best option to meet the shortfall in production.	
	The state of the s	(6)

_	(Total for Question 5 = 24 m	narks)
	TOTAL FOR PAREN 400 M	1 51/6

TOTAL FOR PAPER = 100 MARKS