

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

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Candidate Number

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Candidate ID Number

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Total Marks

You do not need any other materials.

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

(2)

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

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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 calculated in (a):

(i) labour (drivers' wage) rate variance

(2)

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

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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)

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(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).

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(c) Calculate the working capital cycle for Year 14.

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(Total for Question 2 = 16 marks)



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(b) State **three** benefits that a business would expect to gain from the use of budgetary planning.

(3)

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- 2
- 3

(c) Explain **one** difference between a fixed budget and a flexible budget.

(2)

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(d) Explain **one** advantage of preparing a flexible budget.

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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 assuming that all production was sold.

(4)

Area for writing the profit statement, consisting of multiple horizontal dotted lines.



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(c) Explain the meaning of:

(i) joint products

(2)

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(ii) by-products.

(2)

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(d) State **three** methods, other than net sales value, for the apportioning of process costs to joint products.

(3)

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

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(6)

TOTAL FOR PAPER = 100 MARKS