

Mark Scheme

March 2018 Results

Pearson LCCI Certificate in Cost and Management Accounting (VRQ) Level 3 (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 candidates 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.

Abbreviation

of Own Figure rule

Accuracy marks can be awarded where the candidates' answer does not match the mark scheme, though is accurate based on their valid method.

cao Correct Answer Only rule

Accuracy marks will only be awarded if the candidates' answer is correct, and in line with the mark scheme.

Question	Answer (AO1) 1							
1(a)(i)	Marginal cost - the e unit of output (1)	extra / varia	ble cost of pr	oducing one	additional	(1)		
Question	Answer (AO1) 1					Mark		
1(a)(ii)	Absorption cost – th including fixed and v	ne total cost ariable cost	of producing (s (1)	one unit of o	utput	(1)		
Question	Answer (AO2) 2					Mark		
1(b)(i)	Marginal costing: Materials \$16.00Labour \$ $90/60 \times \$8.00 =$ 12.00 (1)Overheads (variable) 3.50 Marginal Cost 31.50 Marginal Cost 31.50							
Question	Answer (AO2) 2					Mark		
1(b)(ii)	Absorption costing: Materials \$16.00Labour12.00Overheads (variable) 3.50 Overheads (fixed)\$280 000 / 17 500 units =Absorption Cost 47.50 (10)							
Question	Answer (AO2) 10							
queetion								
1(c)		•				магк		
1(c)		Mar	ginal	Abso	rption	магк		
1(c)		Mar \$	ginal \$	Abso \$	rption \$	Магк		
1(c)	Revenue	Mar \$	ginal \$ 900 000	Abso \$ (1)	rption \$ 900 000	Магк		
1(c)	Revenue Cost of Production Closing Inventory	Mar \$ 551 250 (78 750)	ginal \$ 900 000 (1) (1)	Abso \$ (1) 831 250 (118 750)	rption \$ 900 000 (1)	Магк		
1(c)	Revenue Cost of Production Closing Inventory Cost of Sales	Mar \$ 551 250 (78 750) (1 of)	ginal \$ 900 000 (1) (1) (472 500)	Abso \$ (1) 831 250 (118 750) (1 of)	rption \$ 900 000 (1) (712 500)	Магк		
1(c)	Revenue Cost of Production Closing Inventory Cost of Sales Gross Profit	Mar \$ 551 250 (78 750) (1 of)	ginal \$ 900 000 (1) (1) (472 500) 427 500	Abso \$ (1) 831 250 (118 750) (1 of)	rption \$ 900 000 (1) (1) (712 500)	магк		
1(c)	Revenue Cost of Production Closing Inventory Cost of Sales Gross Profit Overheads	Mar \$ 551 250 (78 750) (1 of) (1)	ginal \$ 900 000 (1) (1) (472 500) 427 500 (280 000)	Abso \$ (1) 831 250 (118 750) (1 of)	rption \$ 900 000 (1) (1) (712 500)	магк		
1(c)	Revenue Cost of Production Closing Inventory Cost of Sales Gross Profit Overheads Net Profit	Mar \$ 551 250 (78 750) (1 of) (1 of) (1 of)	ginal \$ 900 000 (1) (1) (472 500) 427 500 (280 000) \$147 500	Abso \$ (1) 831 250 (118 750) (1 of) (1 of)	rption \$ 900 000 (1) (1) (712 500) 187 500	магк		
1(c)	Revenue Cost of Production Closing Inventory Cost of Sales Gross Profit Overheads Net Profit Revenue 15 000 x \$60 Cost of Production (matching Inventory) Cost of Production (matching Inventory) Closing Inventory (matching Inventory)	Mar \$ 551 250 (78 750) (1 of) (1 of) (1 of) 0.00 = \$900 arginal) = 17 psorption) = 3 arginal) = 2 5 sorption) = 2	ginal 900 000 (1) (1) (472 500) 427 500 (280 000) \$147 500 (280 000) \$147 500 (280 x \$31.50 500 x \$31.50 500 x \$47.50	Abso (1) 831 250 (118 750) (1 of) (1 of) (1 of) (0 (of) = \$5! 50 (of) = \$78 0 (of) = \$11 0	rption \$ 900 000 (1) (1) (712 500) 187 500 51 250 (1of) 831 250 (1of) 750 (1of) 18 750 (1of)	(10)		
1(c) Question	Revenue Cost of Production Closing Inventory Cost of Sales Gross Profit Overheads Net Profit Revenue 15 000 x \$60 Cost of Production (main cost	Mar \$ 551 250 (78 750) (1 of) (1 of) (1 of) 0.00 = \$900 arginal) = 17 psorption) = 1 psorption) = 2 sorption) = 2	ginal 900 000 (1) (1) (472 500) 427 500 (280 000) \$147 500 (280 000) \$147 500 (280 x \$31.50 500 x \$31.50 500 x \$47.50	Abso (1) 831 250 (118 750) (1 of) (1 of) (1 of) (1 of) (0 (of) = \$55 50 (of) = \$78 (of) = \$78 0 (of) = \$11 (1 of)	rption \$ 900 000 (1) (1) (712 500) (712 500) 187 500 51 250 (1of) 831 250 (1of) 750 (1of) 18 750 (1of)	(10) Mark		
Question 1(c)	Revenue Cost of Production Closing Inventory Cost of Sales Gross Profit Overheads Net Profit Revenue 15 000 x \$60 Cost of Production (may closing Inventory (may closing Invent	Mar \$ 551 250 (78 750) (1 of) (1 of) (1 of) 0.00 = \$900 arginal) = 17 osorption) = 17 osorption) = 2 g profit is hig eriod in the clear of the clear	ginal 900 000 (1) (1) (472 500) 427 500 (280 000) \$147 500 (0) (1) (280 000) \$147 500 (280 000) \$147 500 (0) (1) (280 000) \$147 500 (280 000) \$147 500 (280 000) \$147 500 (0) (1) (280 000) \$147 500 (0) (1) (1) (0) (280 000) \$147 500 (0) (1) (0) (1) (0) (1) (0) (1) (0) (1) (0) (1) (0) (1) (0) (1) (0) (1) (0) (2) (1) (0) (2) (1) (0) (2) (0) (2) (1) (0) (2) (1) (0) (2) (1) (0) (2) (1) (0) (2) (1) (0) (2) (1) (0) (2) (1) (1) (0) (2) (1) (1) (1) (1) (1) (1) (1) (1	Abso (1) 831 250 (118 750) (1 of) (1 of) (1 of) (1 of) (0 (of) = \$5! 50 (of) = \$12 (of) = \$78 12 (of) = \$78 12 (of	rption \$ 900 000 (1) (1) (712 500) 187 500 51 250 (1of) 831 250 (1of) 831 250 (1of) 187 500 it because \$40 od will be carried (1)	(10) Mark		

Total for Question 1 = 18 marks

2(a)(i)Material usage: (63 830 - 62 080) 1 750 (1) × 3.70 (1) = 6 475 Fav (10F)Standard quantity = (54 600 / 42 000) × 49 100 = 63 830 kgStandard price = 202 020 / 54 600 = \$3.70The variance must be correctly identified as favourable for the final mark.QuestionAnswer (AO2) 2Material price: (3.70 - 3.85) (1) × 62 080 = 9 312 Adv (1)Actual price = 239 008 / 62 080 = \$3.85The variance must be correctly identified as adverse for the final mark.QuestionAnswer (AO2) 3Material price: (17 185 - 17 450) 265 (1) × 7.80 (1) = 2 067 Adv (10F)Standard quantity = (14 700 / 42 000) × 49 100 = 17 185 hoursStandard rate = 114 660 / 14 700 = \$7.80	
Standard quantity = $(54\ 600\ /\ 42\ 000) \times 49\ 100 = 63\ 830\ kg$ Standard price = $202\ 020\ /\ 54\ 600 = 3.70 The variance must be correctly identified as favourable for the final mark.(3QuestionAnswer (AO2) 2Mi2(a)(ii)Material price: $(3.70 - 3.85)\ (1) \times 62\ 080 = 9\ 312\ Adv\ (1)$ Actual price = $239\ 008\ /\ 62\ 080 = 3.85 The variance must be correctly identified as adverse for the final mark.(2QuestionAnswer (AO2) 3MiQuestionAnswer (AO2) 3MiLabour efficiency: $(17\ 185\ -\ 17\ 450)\ 265\ (1) \times 7.80\ (1) = 2\ 067\ Adv\ (10F)$ Standard quantity = $(14\ 700\ /\ 42\ 000)\ \times\ 49\ 100 = 17\ 185\ hours$ Standard quantity = $(14\ 700\ /\ 42\ 000)\ \times\ 49\ 100 = 17\ 185\ hours$	
The variance must be correctly identified as favourable for the final mark.(3QuestionAnswer (AO2) 2Material price: $(3.70 - 3.85)$ (1) × 62 080 = 9 312 Adv (1)Actual price = 239 008 / 62 080 = \$3.85The variance must be correctly identified as adverse for the final mark.QuestionAnswer (AO2) 3QuestionAnswer (AO2) 32(a)(iii)Labour efficiency: $(17 185 - 17 450) 265$ (1) × 7.80 (1) = 2 067 Adv (10F)Standard quantity = $(14 700 / 42 000) \times 49 100 = 17 185$ hoursStandard rate = 114 660 / 14 700 = \$7.80	
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2(a)(ii) Material price: (3.70 - 3.85) (1) × 62 080 = 9 312 Adv (1) Actual price = 239 008 / 62 080 = \$3.85 (1) Actual price = 239 008 / 62 080 = \$3.85 The variance must be correctly identified as adverse for the final mark. (2) Question Answer (AO2) 3 Material price: (17 185 - 17 450) 265 (1) × 7.80 (1) = 2 067 Adv (10F) Material price: (17 185 - 17 450) 265 (1) × 7.80 (1) = 2 067 Adv (10F) Standard quantity = (14 700 / 42 000) × 49 100 = 17 185 hours Standard rate = 114 660 / 14 700 = \$7.80 Image: Constant in the	lark
Actual price = 239 008 / 62 080 = $$3.85$ The variance must be correctly identified as adverse for the final mark.(2QuestionAnswer (AO2) 3Mail2(a)(iii)Labour efficiency: (17 185 - 17 450) 265 (1) x 7.80 (1) = 2 067 Adv (10F) Standard quantity = (14 700 / 42 000) x 49 100 = 17 185 hours Standard rate = 114 660 / 14 700 = \$7.80	
QuestionAnswer (AO2) 3Ma $2(a)(iii)$ Labour efficiency: (17 185 - 17 450) 265 (1) x 7.80 (1) = 2 067 Adv (10F)Standard quantity = (14 700 / 42 000) x 49 100 = 17 185 hours Standard rate = 114 660 / 14 700 = \$7.80	
Question Answer (AO2) 3 Mage 2(a)(iii) Labour efficiency: (17 185 - 17 450) 265 (1) x 7.80 (1) = 2 067 Adv (10F) Standard quantity = (14 700 / 42 000) x 49 100 = 17 185 hours Standard quantity = (14 700 / 42 000) x 49 100 = 17 185 hours Standard rate = 114 660 / 14 700 = \$7.80 Standard rate = 114 660 / 14 700 Standard rate = 114 660 / 14 700	2)
2(a)(iii) Labour efficiency: (17 185 - 17 450) 265 (1) x 7.80 (1) = 2 067 Adv (10F) Standard quantity = (14 700 / 42 000) x 49 100 = 17 185 hours Standard rate = 114 660 / 14 700 = \$7.80	lark
Standard quantity = (14 700 / 42 000) x 49 100 = 17 185 hours Standard rate = 114 660 / 14 700 = \$7.80	
The variance must be correctly identified as adverse for the final mark. (3	3)
Question Answer (AO2) 2 Ma	lark
2(a)(iv) Labour rate: (7.80 - 7.70) (1) x 17 450 = 1 745 Fav (1)	
Actual rate = $134305 / 17450 = 7.70	
The variance must be correctly identified as favourable for the final mark. (2	2) Iowla
Question Answer (AO2) 1 Ma	lark
Overhead Expenditure variance = 382 200 - 391 400 = 9 200 Adv (1)	1)
The variance must be correctly identified as adverse for the mark.	
QuestionAnswer (AO2) 2Ma	lark
2(a)(vi) Overhead Volume variance = 9.10 x 7 100 (49 100 - 42 000) = 64 610 Fav (2)	
OAR per unit = 382 200 / 42 000 = \$9.10 per unit (1) ((2)
The variance must be correctly identified as favourable for the final mark.	امیراد
	агк
Σ (D) Materials (202 020 / 42 000) x 49 100 = 236 171) (1) for Labour (114 660 / 42 000) x 49 100 = 134 043) both Overheads 382 200 382 200 Standard Cost 752 414 (1of)	

Question	Answer (AO2) 4							
2(c)								
	Budgeted cost for production of 49 100 units Variances Fav			752 414	OF from 2b			
			Fav	Adv				
		Direct materials usage	6 475					
		Direct materials price		9 312		(1of) for first		
		Direct labour efficiency		2 067				
		Direct labour rate	1 745			(1of) for next 2 variances		
		Fixed overhead expenditure		9 200				
		Total variance	8 220	20 579	12 359 ADV	(1of)		
		Actual cost for production of 49 100 units			764 773	(1)		
	٦	Fotal variance of 12 359, mus	t come fro	om the oth	er total am	ounts	(4)	
Question	Answer (AO1) 3							
2(d)	1	l mark per variance. Answers ma	ay include:					
	Material usage (favourable): better quality of material used, less wastage, fewer production problems than expected. NOT higher skilled staff. Inappropriate standard set during budget period*.							
	Labour rate (favourable): lack of payment of overtime or lower grade of staff used. Inappropriate standard set during budget period*.							
	Overhead expenditure (adverse) : unexpected changes in costs during time between budget preparation and actual period, increase in output / some overheads not fixed in nature, Inappropriate standard set during budget period*							
	C r	Candidates should only be reward nust be as stated.	ded once fo	or using ina	ippropriate s	tandard, and it	(3)	
	A	Award marks on own figure rule.						

Total for Question 2 = 22 marks

Question	Answer AO2 (12)					Mark
3(a)		April (\$)	May (\$)	June (\$)]	
	Receipts:					
	1 Month Sales (35%)	10 290	10 605	10 010	(1)	
	2 Month Sales (62%)	16 802	18 228	18 786	(1)	
	Total Receipts	27 092	28 833	28 796		
	Payments:					
	Purchases	16 230	17 190	15 870	(1)	
	Wages & salaries	2 720	2 720	2 720	(1) for	
	Drawings	1 800	1 800	1 800	both	
	Heat, light & power		1 170		(1)	
	Other costs	1 200	1 200	1 200	(1)	
	Sales costs	1 515	1 430	1 310	(1)	
	Bank charges	359 (1)	277	201 (1)	(for both)	
	Total Payments	23 824	25 787	23 101	(1 of)	
	Surplus/(Deficit)	3 268	3 046	5 695	(1 of)	
	Opening Balance	(14 360)	(11 092)	(8 046)		
	Closing Balance	(11 092)	(8 046)	(2 351)	(1 of)	
	Receipts: April = \$29 400 x 35% = Sales costs. April = 5% c Total Payments: April, include depreciation of	\$10 290 + \$2 f \$30 300 May and June r bad debt fig	7 100 x 62% = e for correct a ures	\$16 802 dditions but	must not	
						(1)

Question	Answer (A01) 2 (A03) 2	Mark				
3(b)	1 AO1 Mark awarded for basic point and 1 AO3 mark awarded for development.					
	Answers may include:					
	 The business will be able to identify potential cash flow problems (1) – and be able to arrange the necessary loans / overdrafts etc (1) 					
	 The business will be able to identify whether an action is affordable (1) – and be able to make changes if they are not (1) 					
	 If the business runs short of money it will not be able to afford to pay its day-to-day costs (1) such as wages and salaries (1) 	(4)				
	 If the business is unable to pay its creditors (1) then it will not receive any more supplies / may face a winding up order (1) 					
	NO reference to investing money					

Question	Answer (AO4) 3 (AO5) 2	Mark
3(c)	 Answers may include: Positive factors: The business will have a cash surplus every month (1) - the overdraft will potentially improve by \$12 009 during the 3 months (1) The overdraft is forecast to reduce (1) and will potentially disappear during July (1) The business is potentially profitable (1) so it is unlikely that creditors will become worried and look to collect what they are owed before scheduled (1) 	
	 Negative factors: The business is forecast to be overdrawn for a several months (1) - and will continue to incur bank charges and interest (1) The non-current assets are nearing the end of their useful life (1) - and so the business is potentially facing a large cash out flow soon (1) Sales are expected to fall after May (1) - this may be a very seasonal business where cash inflows are likely to be poor in the next few months (1). 	
	 Indeterminate factors: The cash budget only covers a 3-month period (1) – it is difficult to assess how seasonal this business may be / it may be not be wise to rely on the improvement in cash flow to continue (1) Maximum 3 marks for this section. Maximum of 2 marks for positive factors 	
	Maximum of 2 marks for negative factors. Conclusion: Ganymede Ltd's cash flow is good (1) because the overdraft is reducing with cash surpluses every month (1) OR Cash flow is not good (1) because overdraft is still present and non-current assets needs replacing in the near future (1). 2 marks for conclusion compatible with factors used in main response.	(5)

Total for Question 3 = 21 marks

Question	Answer (AO1)	1 (AO2	2) 9						Mark
4(a)								_]
		0	verhead Dist	tribution Ta	ble				
	Evpance	Total		Manuella	Depart	ments	A alves ive	-	
	Expense Pent & rates	8 400		Manur g	<u>Раскіпд</u> 1 680	2 520	Admin 840	(1)	
	Machinery depn	9 500	M Value	7 885	1 140	475	- 040	(1)	
	Stores salary	3 900	Direct	-	-	3 900	-	(1)	
	Admin salary	4 200	Direct	-	-	-	4 200	for both	
	Heat,light,power	2 700	Usage	1 215	810	270	405	(1)	
	Other Oheads	<u>8 000</u>	<u>Direct</u>	<u>3 420</u>	<u>2 170</u>	<u>840</u>	<u>1 570</u>	(1)	
	Admin Overheada	36 700	60/40	15 880	5 800	8 005	7015	(1 of)	
	Storos Overheads		320/80	4 209 6 404	2 800	-	(7015)	(1 of)	
	Revised Total		520/80	26 493	10 207	<u>(8 003)</u> 0	0	(1 of)	
								(_ 0.)	
	Award (1) if appro	opriate ba	ases used f	or rent &	rates, ma	chine, an	d HL&P		(10)
	Totals – award (1	of) if all	6 expenses	s are atter	npted				(10)
Question	Answer (AO2)	2							Mark
4(b)	Manufacturing OA	R = \$26	493 (of) /	<u>800 MH</u> =	\$33.12	per mac	hine hou	ur (1of)	
	Packing OAP = ¢1		f) / 1 600		39 nor /	direct lal	hour hou	(1 of)	
	Facking OAK – \$1	LU 207 (U	<u>, 1 000</u>	<u>DLII</u> – ֆ ι	.30 per 0				(2)
	Manufacturing mu	ust not be	based on	labour ho	Jrs				
Question	Answer (AO2)	4							Mark
4(c)	/	-							Thank
-(0)	Manufacturing D	epartmer	nt	F	acking De	epartmen	t		
	Overheads Abso	rbed		C	Overheads	5			
				A	bsorbed				
	840 x \$33.12 (1	.OF)	\$27 821 (1	.of) 1	. 760 x \$	6.38	\$11 229	(1 of)	
	Overheads Incur	red	+						
	O	-	<u>\$25 800</u>	- (1)			<u>\$9 950</u>	(1 - 6)	
	Over-/Under			στ)			\$1 2/9 Over	(1 01)	
			Over				Over		
									(4)
Question	Answer (AO3)	2							Mark
4(d)	Why pre-determin	ned overh	nead absorp	otion rates	are used				
	Answers may incl	ude:							
	To ensure that co	sts are pa	assed onto	the custo	mer as ar	d when v	vork is do	one (1)	
		ure that a	iii overneac		e covered	auring th	ie period	(1).	(2)
	To assist with cos	t-plus pri	ce-setting	(1) as it v	vill help e	nsure tha	it even th	ie indirect	
		eu when	providing	a quotatio	·· (1).				
Question	Answer (AO3)	1 (AO4) 1						Mark
4(a)		- (//0	/ -						TIUTK
4(8)	1 AO3 mark to be development.	awarded	l for basic p	oint and	1 AO4 ma	irk to be a	awarded	for	
	The choice of met	hod repre	esents the	nature of	the activi	ties going	on in the	e	
	department (1).	Manufact	uring depai	tment is o	capital ir	Itensive	whilst the	e Packing	
	uepartment is iat	ουις ιπτε	nsive (1).						
									(2)
	1								

Total for Question 4 = 22 marks

Question	Answer (AC)2)10							Mark
5(a)				•	-				
		kg	\$			kg	\$		
	Material Whye	7 000	24 500	(1)	Product Aye	4 275	25 605	(5)	
	Material Zed	3 000	18 600	both	Product Bee	3 325	19 915		
	Labour		4 400	(1)	Product Cee	1 900	11 380		
	Overheads		10 700	both	By-Prod Dee	300	1 800	(1)	
	Disposal		500	(1)	Norm Loss	200	0	(1)	
		10 000	58 700			10 000	58 700		
	Credit side: Net Costs = 58 700 - 1 800 = 56 900 (10f) Total product: Product Aye = 4 275 Product Bee = 3 325 Product Cee = 1 900 Total = 9 500 kg (1) Apportionment of joint-costs: Product Aye = (4 275 / 9 500) 0.45 × 56 900 (of) = \$25 605 (10f) Product Bee = (3 325 / 9 500) 0.35 × 56 900 (of) = \$19 915 (10f) Product Cee = (1 900 / 9 500) 0.20 × 56 900 (of) = \$11 380 (10f) Accept \$5.99 per kilo								
Question	Answer (AC	03) 2							Mark
5(b)	Why apportior	ning joint	costs on th	ie basis	s of kg/output	might not b	be the best	approach	
	Answers may	include:							
	Products c contributic	lo not sell on are not	for the sa currently	me prio bearing	ce (1) so prod g a higher shai	ucts making re of the co	g a greater sts (1).		
	• The amount of costs incurred in making a kg of the more expensive products might be greater than that incurred in making a kg of the cheaper products (1) and the amount of costs apportioned does not, currently, reflect this (1).								(2)
Question	Answer (AC	01) 2							Mark
5(c)	Answers may	include:							
	Physical si	ze (1) S	ales value	(1)	Net sales val	ue (1)			(2)

Question	Answer (AO4) 3 (AO5) 2	Mark
5(d)	 Answers may include: Good controls: There is a very high (97%) compliance with back-up and saving rules (1) which suggests the risk of work being lost in the event of a system crash is low (1). 	
	 Poor controls: Computers automatically lock after 15 minutes (1) which might not reduce the likelihood of someone accessing or tampering with a colleague's work (1). Low compliance (62%) with logging out and locking rules (1) which gives someone 15 minutes to interfere (possibly maliciously) with a colleague's machine (1). Employees have access to all parts of the system with their own password (1) - this means that highly sensitive information is freely available to everyone (1). 1 mark to be awarded for a conclusion and 1 mark to be awarded for reasoning that reflects the balance of the points made in favour of good or poor control. 	(5)

Total for Question 5 = 19 marks