

Accounting

Advanced GCE

Unit **F014**: Management Accounting

Mark Scheme for June 2013

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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1. Annotations

Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Own figure rule
	Repeat
	Noted but no credit given
	Tick

2. Subject-specific Marking Instructions

Blank answer spaces

To be sure you have not missed any candidate responses you must check every page of the question paper and annotate any blank answer spaces with the following annotation:



Additional Objects

You must check any additional pages (shown as Additional Projects) which the candidate has chosen to use.

Before you begin marking, use the Linking Tool, to 'link' any additional page(s) to the relevant question(s) and mark the response as normal.

All additional pages must be annotated with the 'SEEN' stamp, so it is clear to centres that the additional pages have been viewed by the marker.

Quality of Written Communication

The rubric states:

** In these two questions/sub questions, you will be assessed on the quality of your written communication. In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.*

4% of the paper marks are available for rewarding *Quality of Written Communication*.

Levels of Response for *Numerical* Questions

Level	Mark	Description
3	3	All account headings, terms and balances are included appropriately and in line with accounting conventions. All figures are legible with effective use made of columns and sub-totals. All accounts are ruled off as appropriate.
2	2	Almost all account headings, terms and balances are included, appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included though not always adhered to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
-	0	Responses which fail to achieve the standard required for Level 1.

Levels of Response for *Narrative* Questions

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
-	0	Responses which fail to achieve the standard required for Level 1.

Question		Answer	Marks	Guidance
1	(a)	<p><u>Budgeted (standard) cost</u></p> <p>Material: Carbon black 1,410 Nitrile <u>2,625</u> 4,035</p> <p>Labour: Blending 3,280 Forming <u>2,520</u></p> <p> <u>5,800</u> <u>9,835(2)</u></p> <p><u>Actual cost</u></p> <p>Material: Carbon black 1,512 Nitrile <u>2,356</u> 3,868</p> <p>Labour: Blending 3,159 Forming <u>2,604</u></p> <p> <u>5,763</u> <u>9,631(1)</u></p>	3	

Question		Answer		Marks	Guidance
	(b)			16	
		<u>MPV</u>			
		Carbon black	(9.40 – 9.45)160	8A(2)	
		Nitrile	(12.50 – 12.40)190	19F(2)	
		<u>MUV</u>			
		Carbon black	(150 – 160)9.40	94A(2)	
		Nitrile	(210 – 190)12.50	250F(2)	
		<u>LRV</u>			
		Blending	(8 – 8.10)390	39A(2)	
		Forming	(7 – 7)372	0(2)	
		<u>LEV</u>			
		Blending	(410 – 390)8	160F(2)	
		Forming	(360 – 372)7	84A(2)	

Question	Answer	Marks	Guidance																																																												
(c)	<p><u>Reconciliation statement for Budgeted (Standard) Cost and Actual Cost for Batch B47</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Standard cost: Material</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">4,035</td> <td style="width: 10%;"></td> </tr> <tr> <td style="padding-left: 20px;">Labour</td> <td></td> <td style="text-align: right;"><u>5,800</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">9,835(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>Adv</u></td> <td style="text-align: center;"><u>Fav</u></td> <td></td> </tr> <tr> <td>MPV CB</td> <td style="text-align: center;">8</td> <td></td> <td></td> </tr> <tr> <td>MPV N</td> <td></td> <td style="text-align: center;">19</td> <td></td> </tr> <tr> <td>MUV CB</td> <td style="text-align: center;">94</td> <td></td> <td></td> </tr> <tr> <td>MUV N</td> <td></td> <td style="text-align: center;">250</td> <td></td> </tr> <tr> <td>LRV B</td> <td style="text-align: center;">39</td> <td></td> <td></td> </tr> <tr> <td>LRV F</td> <td></td> <td style="text-align: center;">0</td> <td></td> </tr> <tr> <td>LEV B</td> <td></td> <td style="text-align: center;">160</td> <td></td> </tr> <tr> <td>LEV F</td> <td style="text-align: center;"><u>84</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">225(1)</td> <td style="text-align: center;"><u>(429)(1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;"><u>(204)</u></td> <td></td> </tr> <tr> <td>Actual cost</td> <td></td> <td style="text-align: right;"><u>9,631(1)</u></td> <td></td> </tr> </table>	Standard cost: Material		4,035		Labour		<u>5,800</u>				9,835(1)			<u>Adv</u>	<u>Fav</u>		MPV CB	8			MPV N		19		MUV CB	94			MUV N		250		LRV B	39			LRV F		0		LEV B		160		LEV F	<u>84</u>				225(1)	<u>(429)(1)</u>				<u>(204)</u>		Actual cost		<u>9,631(1)</u>		4	
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(d)	<p>Ideal: based on best possible operating conditions. Usually unlikely to exist and rarely used.</p> <p>Attainable: Based on efficient operating conditions. Will be based on higher performance so that achievement is possible.</p> <p>(2 x 3 marks) (1 for type plus up to 2 for development)</p>	6																																																													
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2	(a)*	Question	Answer	Marks	Guidance																																																																											
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Question			Answer	Marks	Guidance
			<u>Budgeted Balance Sheet extract as at 30 Sept 2013</u> <u>Current Assets</u> Stock 39,600 Debtors 1,400(1) Bank 45,456(1) <u>Current Liabilities</u> Creditors 19,800(1) Equipment 63,000(1)	<p style="text-align: right;">QWC</p> <p style="text-align: center;">3</p>	

Question		Answer	Marks	Guidance
	(b)	<p>Management of cash. Planning for actions to take if deficit or if surplus funds. Possible investment.</p> <p>Financial awareness. Managers will become aware of financial matters and the importance of cost control.</p> <p>Responsibility. Will clarify the responsibilities of each manager who has a budget and the income generation and expenditure of departments.</p> <p>Strengths and weaknesses. The necessary examination of costs can result in improvements in efficiency. Weaknesses become apparent and actions can then be taken.</p> <p>Motivation. A budget holder may view his budget as a target and it may have a motivating impact.</p> <p>(3 x 3 marks) (1 for point plus up to 2 for development)</p>	9	
		Total	37	

Question		Answer			Marks	Guidance
3	(a)				10	Also accept
			<u>Product 1</u>	<u>Product 2</u>	<u>Product 3</u>	
		Sales	220,000	150,000	230,000	
		Var costs	<u>138,000</u>	<u>66,000</u>	<u>102,000</u>	
		Contribution	82,000 (2)	84,000 (2)	128,000 (2)	
		Fixed costs	<u>92,000</u>	<u>44,000</u>	<u>68,000</u>	
		Profit	<u>(10,000)</u>	<u>40,000</u>	<u>60,000</u>	
			Product 1 makes a positive contribution. Discontinuing would reduce profit. Profit would reduce by the contribution of product 1. Profit would fall to 8,000. Fixed costs would still need to be covered. Would retain. (4 x 1 mark)			
	(b)	(i)	Selling price	20		
			Variable costs	13.20(2)		
			Contribution	6.80(1)		
			Quantity	x 500		
			Profit	<u>3,400(1)</u>		
		(ii)	Whether special order makes a positive contribution and increases profit. Reaction of other customers paying the full price. Will fixed costs remain or will they increase with the additional order? Reaction of competitors who may start a price war. Does the company have the capacity to increase production? Special orders are not a long term solution, fixed costs must be covered. (3 x 2 marks) (1 for point plus 1 for development)			6
			Total			20

Question		Answer	Marks	Guidance																											
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(d)	<p>A single rate may result in a department being charged overhead, even though a job might not have passed through it.</p> <p>Departmental rates are likely to lead to fairer apportionment because expenditure in each department can clearly be related to actual work in that department.</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p>	4																											

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