

GCE

Accounting

Unit **F014**: Management Accounting

Advanced GCE

Mark Scheme for June 2017

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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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|--|-------------------|--|-----------------|--|
| | <p>(c)</p> | <p><u>Material A</u> Cheaper material of lower quality More waste and more needed</p> <p><u>Material B</u> Higher price for better quality material Less material used because of the higher quality</p> <p><u>Labour grade 1</u> Lower skilled labour Less efficient taking longer</p> <p><u>Labour grade 2</u> Higher skilled labour More efficient and quicker</p> <p>(4 x 2 marks) (1 for point plus 1 for development)</p> | <p>8</p> | |
| | <p>(d)</p> | <p>Allows management by exception. By studying variances, management attention is directed towards those areas which are not proceeding to plan.</p> <p>Variance analysis enables comparison of actual and pre-determined standards. Management can be held responsible for those variances under its control.</p> <p>Aid to pricing. Product and price policies can be formulated before production takes place. Prices can be based on standard costs.</p> <p>A properly designed system creates a positive attitude throughout the company. Can be used as the basis for incentive schemes.</p> <p>(2 x 3 marks) (1 for point plus up to 2 for development)</p> | <p>6</p> | |

| 2 | (a)* | <p><u>Cash Budget for the three months ending 30 September 2017</u></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">July</th> <th style="text-align: center; border-bottom: 1px solid black;">Aug</th> <th style="text-align: center; border-bottom: 1px solid black;">Sept</th> </tr> </thead> <tbody> <tr> <td><u>Receipts</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">40,000(1)</td> <td style="text-align: right;">43,000(1)</td> <td style="text-align: right;">43,400(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">176,400(1)</td> <td style="text-align: right;">189,630(1)</td> <td style="text-align: right;">191,394(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>189,000(1)</u></td> <td style="text-align: right;"><u>180,000(1)</u></td> <td style="text-align: right;"><u>193,500(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">405,400</td> <td style="text-align: right;">412,630</td> <td style="text-align: right;">428,294</td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>3,000(1)</u></td> <td style="text-align: right;"><u>-</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>405,400</u></td> <td style="text-align: right;"><u>415,630</u></td> <td style="text-align: right;"><u>428,294</u></td> </tr> <tr> <td><u>Payments</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">206,400(1)</td> <td style="text-align: right;">208,320(1)</td> <td style="text-align: right;">211,200(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>128,000(1)</u></td> <td style="text-align: right;"><u>137,600(1)</u></td> <td style="text-align: right;"><u>138,880(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">334,400</td> <td style="text-align: right;">345,920</td> <td style="text-align: right;">350,080</td> </tr> <tr> <td>Gen expenses</td> <td style="text-align: right;">15,000</td> <td style="text-align: right;">16,000</td> <td style="text-align: right;">15,000(1 line)</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">40,000(1)</td> <td style="text-align: right;">41,000(1)</td> <td style="text-align: right;">42,000(1)</td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>8,000</u></td> <td style="text-align: right;"><u>16,000(1 line)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>389,400</u></td> <td style="text-align: right;"><u>410,920</u></td> <td style="text-align: right;"><u>423,080</u></td> </tr> <tr> <td>Net cash flow</td> <td style="text-align: right;">16,000</td> <td style="text-align: right;">4,710</td> <td style="text-align: right;">5,214</td> </tr> <tr> <td>Opening balance</td> <td style="text-align: right;"><u>20,900</u></td> <td style="text-align: right;"><u>36,900</u></td> <td style="text-align: right;"><u>41,610</u></td> </tr> <tr> <td>Closing balance</td> <td style="text-align: right;"><u><u>36,900(1)</u></u></td> <td style="text-align: right;"><u><u>41,610(1)</u></u></td> <td style="text-align: right;"><u><u>46,824(1of)</u></u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">QWC (3)</td> </tr> </tbody> </table> | | July | Aug | Sept | <u>Receipts</u> | | | | Sales | 40,000(1) | 43,000(1) | 43,400(1) | | 176,400(1) | 189,630(1) | 191,394(1) | | <u>189,000(1)</u> | <u>180,000(1)</u> | <u>193,500(1)</u> | | 405,400 | 412,630 | 428,294 | Machinery | <u>-</u> | <u>3,000(1)</u> | <u>-</u> | | <u>405,400</u> | <u>415,630</u> | <u>428,294</u> | <u>Payments</u> | | | | Purchases | 206,400(1) | 208,320(1) | 211,200(1) | | <u>128,000(1)</u> | <u>137,600(1)</u> | <u>138,880(1)</u> | | 334,400 | 345,920 | 350,080 | Gen expenses | 15,000 | 16,000 | 15,000(1 line) | Wages | 40,000(1) | 41,000(1) | 42,000(1) | Machinery | <u>-</u> | <u>8,000</u> | <u>16,000(1 line)</u> | | <u>389,400</u> | <u>410,920</u> | <u>423,080</u> | Net cash flow | 16,000 | 4,710 | 5,214 | Opening balance | <u>20,900</u> | <u>36,900</u> | <u>41,610</u> | Closing balance | <u><u>36,900(1)</u></u> | <u><u>41,610(1)</u></u> | <u><u>46,824(1of)</u></u> | | | | QWC (3) | 27 | |
|-----------------|-------------------------|---|---------------------------|------|-----|------|-----------------|--|--|--|-------|-----------|-----------|-----------|--|------------|------------|------------|--|-------------------|-------------------|-------------------|--|---------|---------|---------|-----------|----------|-----------------|----------|--|----------------|----------------|----------------|-----------------|--|--|--|-----------|------------|------------|------------|--|-------------------|-------------------|-------------------|--|---------|---------|---------|--------------|--------|--------|----------------|-------|-----------|-----------|-----------|-----------|----------|--------------|-----------------------|--|----------------|----------------|----------------|---------------|--------|-------|-------|-----------------|---------------|---------------|---------------|-----------------|-------------------------|-------------------------|---------------------------|--|--|--|----------------|-----------|--|
| | | July | Aug | Sept | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Receipts</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales | 40,000(1) | 43,000(1) | 43,400(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 176,400(1) | 189,630(1) | 191,394(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>189,000(1)</u> | <u>180,000(1)</u> | <u>193,500(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 405,400 | 412,630 | 428,294 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Machinery | <u>-</u> | <u>3,000(1)</u> | <u>-</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>405,400</u> | <u>415,630</u> | <u>428,294</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Payments</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purchases | 206,400(1) | 208,320(1) | 211,200(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>128,000(1)</u> | <u>137,600(1)</u> | <u>138,880(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 334,400 | 345,920 | 350,080 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gen expenses | 15,000 | 16,000 | 15,000(1 line) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wages | 40,000(1) | 41,000(1) | 42,000(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Machinery | <u>-</u> | <u>8,000</u> | <u>16,000(1 line)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>389,400</u> | <u>410,920</u> | <u>423,080</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net cash flow | 16,000 | 4,710 | 5,214 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | <u>20,900</u> | <u>36,900</u> | <u>41,610</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing balance | <u><u>36,900(1)</u></u> | <u><u>41,610(1)</u></u> | <u><u>46,824(1of)</u></u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | QWC (3) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (b) | <p>Budgets can be imposed without participation. If managers are not involved then less likely to contribute to the process, whereas if involved more likely to contribute.</p> <p>Budgets can help motivate managers and can be seen as a target. If process participative then it is more likely to encourage and motivate staff.</p> <p>Budgets can help communicate to managers. Keeping managers up to date and aware can help motivate, whilst lack of communication can demotivate.</p> <p>If managers are involved then likely to see the goals of a business and work together (goal congruence).</p> <p>(2 x 3 marks) (1 for point plus up to 2 for development)</p> | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|----------|------------|----------------------------|--------------|--------------------|----------------------------|--|
| 3 | (a) | | | | 13 | |
| | | | X | Y | Z | |
| | | Selling price | 90 | 78 | 80 | |
| | | Variable costs | <u>70</u> | <u>60</u> | <u>56</u> | |
| | | Cont/Unit | <u>20(1)</u> | <u>18(1)</u> | <u>24(1)</u> | |
| | | Contribution | <u>20</u> | <u>18</u> | <u>24</u> | |
| | | Limiting factor | 3 | 2 | 2.5 | |
| | | Ranking | 6.67 3rd | 9 2nd | 9.6 1 st (1) | |
| | | Labour hours available | | 124,200 | | |
| | | Product Z 2.5 x 20,000 | | <u>(50,000)(1)</u> | | |
| | | | | 74,200 | | |
| | | Product Y 2 x 17,000 | | <u>(34,000)(1)</u> | | |
| | | | | 40,200 | | |
| | | Product X 3 x 13,400 | | <u>(40,200)(2)</u> | | |
| | | Contribution Z 24 x 20,000 | | 480,000(1) | | |
| | | Contribution Y 18 x 17,000 | | 306,000(1) | | |
| | | Contribution X 20 x 13,400 | | <u>268,000(1)</u> | | |
| | | Total contribution | | 1,054,000 | | |
| | | Fixed costs | | <u>890,000(1)</u> | | |
| | | Profit | | <u>164,000(1)</u> | | |

| (b) | <table border="0"> <thead> <tr> <th></th> <th>X</th> <th>Y</th> <th>Z</th> </tr> </thead> <tbody> <tr> <td>Selling price</td> <td>90</td> <td>78</td> <td>80</td> </tr> <tr> <td>Variable costs</td> <td><u>73</u></td> <td><u>62</u></td> <td><u>58.50</u></td> </tr> <tr> <td>Cont/unit</td> <td><u>17(1)</u></td> <td><u>16(1)</u></td> <td><u>21.50(1)</u></td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>Contribution X 17 x 18,000</td> <td></td> <td>306,000</td> <td></td> </tr> <tr> <td>Contribution Y 16 x 17,000</td> <td></td> <td>272,000</td> <td></td> </tr> <tr> <td>Contribution Z 21.50 x 20,000</td> <td></td> <td><u>430,000(1)</u></td> <td></td> </tr> <tr> <td>Total contribution</td> <td></td> <td>1,008,000(1)</td> <td></td> </tr> <tr> <td>Fixed costs</td> <td></td> <td><u>890,000(1)</u></td> <td></td> </tr> <tr> <td>Profit</td> <td></td> <td><u>118,000(1)</u></td> <td></td> </tr> </tbody> </table> | | X | Y | Z | Selling price | 90 | 78 | 80 | Variable costs | <u>73</u> | <u>62</u> | <u>58.50</u> | Cont/unit | <u>17(1)</u> | <u>16(1)</u> | <u>21.50(1)</u> | | | | | Contribution X 17 x 18,000 | | 306,000 | | Contribution Y 16 x 17,000 | | 272,000 | | Contribution Z 21.50 x 20,000 | | <u>430,000(1)</u> | | Total contribution | | 1,008,000(1) | | Fixed costs | | <u>890,000(1)</u> | | Profit | | <u>118,000(1)</u> | | 7 | |
|-------------------------------|--|-------------------|-----------------|---|---|---------------|----|----|----|----------------|-----------|-----------|--------------|-----------|--------------|--------------|-----------------|--|--|--|--|----------------------------|--|---------|--|----------------------------|--|---------|--|-------------------------------|--|-------------------|--|--------------------|--|--------------|--|-------------|--|-------------------|--|--------|--|-------------------|--|---|--|
| | | X | Y | Z | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Selling price | 90 | 78 | 80 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Variable costs | <u>73</u> | <u>62</u> | <u>58.50</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cont/unit | <u>17(1)</u> | <u>16(1)</u> | <u>21.50(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution X 17 x 18,000 | | 306,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution Y 16 x 17,000 | | 272,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contribution Z 21.50 x 20,000 | | <u>430,000(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total contribution | | 1,008,000(1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed costs | | <u>890,000(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit | | <u>118,000(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (c)* | <p><u>Option 1</u> Lower wage costs and generates more profit, however cannot meet customer demands.</p> <p>Risk of customers not being happy and move to competitors.</p> <p>May damage reputation of business and impact future orders.</p> <p><u>Option 2</u> Higher wage costs and generates less profit.</p> <p>Meets customers' demands and customers less likely to move.</p> <p>Need to consider long term demands before taking on additional demands.</p> <p>Competitors may increase their labour rates and Sycamore Ltd would need to reassess.</p> <p>Recommendation (1)</p> <p>(Each option 2 x 2 marks) (1 for point plus 1 for development)</p> <p style="text-align: right;">QWC (2)</p> | 11 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|------------------|----------------------|---|--------------------------|--------------------|-------------------|--------------------|---------------|--------------------|---------------------|-------------------|----------------|--------|------------------|-----------|-----------|-----------|--|--|---------------|----------------------|--|--|-----------------|--------------------|--|--|------------|--------------------|--|--|-----------------|--------------------|--|--|-------------|--------------------|--|--|--|------------------|--|------------------|------------------|----------------------|----------------|----------------------|--|--|-----------------|--------------------|--|--|-----------------------|--------------------------|--|------------------|--|------------------|-----------|--|
| 4 | (a) | <p><u>Contract Account</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Materials b/d</td> <td style="width: 20%; text-align: right;">400,000</td> <td style="width: 30%;">Direct labour b/d</td> <td style="width: 20%; text-align: right;">149,000(1)</td> </tr> <tr> <td>Machinery b/d</td> <td style="text-align: right;">620,000(1)</td> <td>Sub-contractors b/d</td> <td style="text-align: right;">72,000(1)</td> </tr> <tr> <td>Plant hire b/d</td> <td style="text-align: right;">12,000</td> <td>Cost to date c/d</td> <td style="text-align: right;">6,500,000</td> </tr> <tr> <td>Materials</td> <td style="text-align: right;">2,700,000</td> <td></td> <td></td> </tr> <tr> <td>Direct labour</td> <td style="text-align: right;">1,680,000(1)</td> <td></td> <td></td> </tr> <tr> <td>Sub-contractors</td> <td style="text-align: right;">840,000(1)</td> <td></td> <td></td> </tr> <tr> <td>Plant hire</td> <td style="text-align: right;">164,000(1)</td> <td></td> <td></td> </tr> <tr> <td>Architects fees</td> <td style="text-align: right;">135,000(1)</td> <td></td> <td></td> </tr> <tr> <td>Head office</td> <td style="text-align: right;">170,000(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>6,721,000</u></td> <td></td> <td style="text-align: right;"><u>6,721,000</u></td> </tr> <tr> <td>Cost to date b/d</td> <td style="text-align: right;">6,500,000(1)</td> <td>Work certified</td> <td style="text-align: right;">6,100,000(2)</td> </tr> <tr> <td></td> <td></td> <td>Profit and Loss</td> <td style="text-align: right;">120,000(1)</td> </tr> <tr> <td></td> <td></td> <td>Work not yet cert c/d</td> <td style="text-align: right;"><u>280,000(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>6,500,000</u></td> <td></td> <td style="text-align: right;"><u>6,500,000</u></td> </tr> </table> | Materials b/d | 400,000 | Direct labour b/d | 149,000 (1) | Machinery b/d | 620,000 (1) | Sub-contractors b/d | 72,000 (1) | Plant hire b/d | 12,000 | Cost to date c/d | 6,500,000 | Materials | 2,700,000 | | | Direct labour | 1,680,000 (1) | | | Sub-contractors | 840,000 (1) | | | Plant hire | 164,000 (1) | | | Architects fees | 135,000 (1) | | | Head office | 170,000 (1) | | | | <u>6,721,000</u> | | <u>6,721,000</u> | Cost to date b/d | 6,500,000 (1) | Work certified | 6,100,000 (2) | | | Profit and Loss | 120,000 (1) | | | Work not yet cert c/d | <u>280,000(1)</u> | | <u>6,500,000</u> | | <u>6,500,000</u> | 13 | |
| | Materials b/d | 400,000 | Direct labour b/d | 149,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Machinery b/d | 620,000 (1) | Sub-contractors b/d | 72,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Plant hire b/d | 12,000 | Cost to date c/d | 6,500,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Materials | 2,700,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Direct labour | 1,680,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sub-contractors | 840,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Plant hire | 164,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Architects fees | 135,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Head office | 170,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>6,721,000</u> | | <u>6,721,000</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost to date b/d | 6,500,000 (1) | Work certified | 6,100,000 (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Profit and Loss | 120,000 (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | Work not yet cert c/d | <u>280,000(1)</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>6,500,000</u> | | <u>6,500,000</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (b) | <p>The 15% retention provides an incentive for the completion of the contract to a satisfactory standard.</p> <p>The retention puts the customer in a stronger position if faulty work is subsequently discovered.</p> <p>The nature of contract work may result in problems being identified at a later date.</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p> | 4 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | (c) | <p>The whole loss should be written off to the Profit and Loss Account in the period incurred.</p> <p>Application of prudence concept.</p> <p>(3 x 1 mark)</p> | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Assessment Objectives Grid

| Question | AO1 | AO2 | AO3 | Total |
|-----------------|------------|------------|------------|--------------|
| 1(a) | 6 | 10 | | 16 |
| 1(b) | 2 | 4 | | 6 |
| 1(c) | | | 8 | 8 |
| 1(d) | | | 6 | 6 |
| 2(a)* | 8 | 19 | | 27 |
| 2(b) | | | 6 | 6 |
| 3(a) | 3 | 10 | | 13 |
| 3(b) | 3 | 4 | | 7 |
| 3(c)* | | 1 | 10 | 11 |
| 4(a) | 8 | 5 | | 13 |
| 4(b) | | | 4 | 4 |
| 4(c) | | 1 | 2 | 3 |
| Total | 30 | 54 | 36 | 120 |

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CB1 2EU

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