

Candidate E evidence

Question 1

a) Standard Profit of Actual Sales

Sales		368,500
Material	80,850	
Labour	98,280	
Variable o/H	31,500	
Fixed o/H	115,500	326,130
Standard Profit of Actual Sales		<u>42,370</u>

b) Total Sales Revenue Variance

$$\begin{aligned}
 & (\text{ASP} \times \text{AQ}) - (\text{BSP} \times \text{BQ}) \\
 & (6.40 \times 100,000) - (6.50 \times 80,000) \\
 & 640,000 - 520,000 \\
 & \quad \quad \quad \pounds 120,000 \text{ F}
 \end{aligned}$$

Sales Volume Variance

$$\begin{aligned}
 & (\text{AQ} - \text{BQ}) \times \text{BSP} \\
 & 20,000 \times 6.50 \\
 & \quad \quad \quad \pounds 130,000 \text{ F}
 \end{aligned}$$

Sales Price Variance

$$\begin{aligned}
 & (\text{ASP} - \text{BSP}) \times \text{AQ} \\
 & (6.40 - 6.50) \times 100,000 \\
 & \quad \quad \quad \pounds 10,000 \text{ A}
 \end{aligned}$$

ii) Material Usage Variance

$$(SQP - AQ) \times SP$$

$$30,000 - 28,000 \times 6.40$$

$$12,800 \text{ F}$$

Material Price Variance

$$(SP - AP) \times AQ$$

$$(6.40 - 7.00) \times 28,000$$

$$16,800 \text{ A}$$

iii) Fixed Overhead Cost Variance

$$(\text{Shrs prod} \times \text{Fohelabs rate}) - \text{ActFOHcost}$$

$$225,000 - 210,000$$

$$15,000 \text{ F}$$

Fixed Overhead Volume Variance

$$\text{AcAct} - \text{Normal Act} \times \text{FOH Rate}$$

$$(80,000 - 100,000) \times 2.25$$

$$45,000 \text{ A}$$

Fixed Overhead Expenditure Variance

$$\text{Bud FOH} - \text{Ac FOH}$$

$$180,000 - 210,000$$

$$30,000 \text{ A}$$

c.i) Selling price was increased because demand for the product rose.

ii) The quality of material was poor, so more was wasted, therefore more material had to be purchased.

iii) Interest Rates increased.

d) Actual Hours Worked

$$\frac{2100}{0.2}$$

$$= 10500 \text{ hrs.}$$

Std Lab Hrs for Prod

$$10500 - 250 = 10,250 \text{ hrs}$$

Budgeted Lab Hrs

$$0.1075 \times 80,000$$

$$8,600 \text{ hrs}$$

Std Var OH Abs Rate

$$10,250 - 10,500 = \frac{700}{250}$$

$$£2.80$$

Act Var OH

$$29400 + 1,800 = £31,200$$

$$\begin{aligned} \text{Bud Var o/H} \\ 3600 \times 2.80 \\ \underline{\quad} \\ \text{£}24080 \end{aligned}$$

e i) Price Variance is favourable because better quality so higher price of material, this means less material is wasted so an adverse volume variance.

ii) Adverse volume variance then means the labour efficiency is favourable because less time is wasted producing no value goods.

iii) Favourable labour Rate variance may be due to workers working overtime, means the factory is open for more hours, increasing oh costs, thus an adverse Variable OH Eff Variance.

f) How up to date the figures from the system are.

If comparing they should ensure that the information has been gathered in the same way.

Candidate F evidence

ENTER NUMBER OF QUESTION				DO NOT WRITE IN THIS MARGIN
2a.		Cost of sales	Admin	Distribution
	carriage in	£809		
	directors emoluments		290	
	general expenses	176	308	396
	opening inventory	585		
	purchases	2,450		
	warehouse expenses	40		
	wages & salaries	248	31	341
	closing inventory	(617)		
	depreciation	72		108
	audit fee		28	
		£2,984	£637	£845
	Other income			
	dividends from investments		46	
	Finance costs			
	Reventure finance costs		70	
	<u>Dividends</u>			
	bonus issue ordinary shares		300	
	interim preference dividend		60	
	preference dividend paid		140	
			500	

ENTER NUMBER OF QUESTION	DO NOT WRITE IN THIS MARGIN
Income statement for Crown plc for the year ended 31 December Year 5.	
	£000s
Sales revenue	4,618
Cost of sales	<u>2,984</u>
Gross profit	1,634
Admin expenses	637
Distribution expenses	<u>845</u>
Profit from operations	152
Other income	<u>46</u>
Profit before finance costs	198
Finance costs	<u>70</u>
Profit before tax	128
Corporation tax	<u>127</u>
Profit for the year	1
Statement of retained earnings for Crown plc for the year ended 31 December Year 5.	
	£000s
Opening balance	225
Profit for the year	<u>1</u>
	226
Dividends paid	<u>500</u>
Closing retained earnings	(274)

ENTER NUMBER OF QUESTION			DO NOT WRITE IN THIS MARGIN
	<u>Tangible Assets</u>		
		property	Other
	Cost	2,800	1,300
	Revaluations	3,100	/
	Exp. or for dep	/	400
	dep		180
	MBV @ start	2,800	1,300
	NBV @ end	3,100	720
	<u>Intangible Assets</u>		
	Investments	1,035	

ENTER NUMBER OF QUESTION				DO NOT WRITE IN THIS MARGIN
Statement of financial position of Crown plc as at 31 December Year 5				
	£000s	£000s	£000s	
<u>non-current assets</u>				
Tangible property			3,820	
Investments			<u>1,035</u>	
			4,855	
<u>current assets</u>				
Trade receivables		298		
Inventory		617		
Other receivables		<u>44</u>	<u>959</u>	
TOTAL ASSETS			5,814	
<u>current liabilities</u>				
Cash and cash equivalents	409			
Trade payables	94			
Other payables	88			
Tax	127			
Debt interest due	15			
Dividends due	500			
Redeemed debentures	<u>150</u>	<u>1,383</u>		
<u>non-current liabilities</u>				
10% debentures		<u>550</u>	<u>1,933</u>	
NET ASSETS			3,881	
<u>Equity</u>				
Ordinary shares		1,500		
Preference shares		2,000		
Share premium		55		
Revaluation reserve		300		
Retained earnings		<u>(274)</u>	<u>3,581</u>	

Candidate G evidence

ENTER NUMBER OF QUESTION			DO NOT WRITE IN THESE MARGINS
2(a)	Crown plc		
	COST OF SALES	£000	£000
	Opening inventory		617
	Purchases	2450	
	Carriage in	30	2480
			3097
	less closing inventory		585
			<u>2512</u>
	Add warehouse:		40
	expenses		40
	deprn: tangible assets		72
	wages and salaries		200 + 194,000
	Directors emoluments		89
	Total Cost of Sales		<u>3,107</u> 2,595
	DISTRIBUTION EXPENSES	£000	£000
	deprn: tangible assets		108
	General expenses		436
	Wages and salaries		275
	Directors emoluments		<u>115</u>
			934
	ADMINISTRATION EXPENSES	£000	£000
	General expenses		339
	Wages and salaries		25
	Directors emoluments		66
	Audit Fee		<u>28</u>
			458

INFORM NUMBER OF QUESTION				DO NOT WRITE IN THE MARGIN
Crown Plc.				
Income Statement for the Year ended 31 December Year 5.				
	£000	£000	£000	
Sales revenue			4618	
Less Cost of Sales			<u>3107</u>	
GROSS PROFIT			1511	
Administration expenses	458			
Distribution expenses	<u>934</u>		1392	
			119	
Add Finance costs			<u>55</u>	
Profit before tax			174	
Less corporation tax			<u>127</u>	
Profit for the year ended			47	
(b) Crown Plc				
Statement of Retained Earnings for the year ended 31 December Year 5.				
	£000	£000	£000	
debtwrite interest	70			
Share premium				
Share premium	55			
Profit for the year				
Profit for the year	47			
			divided from investments + 46	
debtwrite	<u>50</u>	<u>222</u>		
less closing inventory			<u>225</u>	
			13	

ENTER NUMBER OF QUESTION				DO NOT WRITE IN THIS MARGIN
(c)	Crown Plc Statement of Financial Position as at 31 December Year 5.			
		€000	€000	€000
	NON CURRENT ASSETS	COST	DEPN	NBV
	Investments	1035	-	1035
	Other tangible assets	1300	580	720
	Property	2800	(300)	<u>3100</u>
				4855
	CURRENT ASSETS			
	Inventory		617	
	Cash		21	
	Trade receivables		298	
	Other receivable: general expenses		44	
	Corporation Tax		<u>127</u>	
			1107	+ defective interest due 70
	CURRENT LIABILITIES			<u>-1177</u>
	Trade payables	298		
	bank overdraft	430		
	Other payable: wages	60		
	788			<u>788</u>
	NON CURRENT LIABILITIES			
	10% Debentures			<u>700</u>
	TOTAL LIABILITIES			1488
	WORKING EQUITY			(311)
	NET ASSETS EMPLOYED			4544

ENTER NUMBER OF QUESTION				DO NOT WRITE IN THIS MARGIN
		€000	€000	€000
	FINANCED BY.			
	Retained earnings	13	(-)	
	Ordinary shares	1500		
	Preference shares	2000		
	Dividend payment	60		
	Profit for the year	47	<u>3620</u>	