

## Commentary on candidate evidence

The evidence for these candidates has achieved the following marks.

### Candidate E evidence

19 40
----------

Question 1

a) Standard Profit of Actual Sales

Sales		368,500 <sup>x</sup>
Material	80,850 <sup>2</sup>	
Labour	98,280 <sup>x</sup>	
Variable o/H	31,500 <sup>x</sup>	
Fixed o/H	115,500 <sup>1</sup>	326,130
Standard Profit of Actual Sales		<u>£42,370</u> 1 (ae)

(4)

b) Total Sales Revenue Variance

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

Sales Volume Variance

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

Sales Price Variance

$$\begin{aligned} & (\text{ASP} - \text{BSP}) \times \text{AQ} \\ & (6.40 - 6.50) \times 100,000 \text{ 1 (ae)} \\ & \text{£}10,000 \text{ A} \end{aligned}$$

The use £6.50 throughout is not considered consequential. The candidate took data, in error, from the wrong table of data.

(1)

ii) Material Usage Variance

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

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

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

Material Price Variance

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

$$(6.40 - 7.00) \times 28,000, (\text{a})$$

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

(2)

iii) Fixed Overhead Cost Variance

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

$$225,000 - 210,000$$

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

Fixed Overhead Volume Variance

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

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

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

Fixed Overhead Expenditure Variance

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

$$180,000 - 210,000$$

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

(4)

...  
 ci) Selling price was increased because demand for the product rose. x

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

iii) Interest Rates increased. 1 (1)

d) Actual Hours Worked

$$\frac{2100}{0.2} \times 1 = 10500 \text{ hrs.} \quad (1)$$

Std Lab Hrs for Prod

$$10500 - 250 = 10,250 \text{ hrs} \quad \text{X (arith)} \quad (1)$$

Budgeted Lab Hrs

$$0.1075 \times 80,000 = 8,600 \text{ hrs} \quad 1 \text{ (ce)} \quad (1)$$

Std Var OH Abs Rate

$$10,250 - 8,600 = \frac{700}{250} = 2.80 \quad 1 \text{ (ce)} \quad (2)$$

Act Var o/H

$$29400 + 1,800 = 31,200 \quad \text{X} \quad (3)$$

29400 is not supported by any working – responsibility rests with the candidate to ensure marker understands how a figure has been calculated.

Bud Var o/H

$$3600 \times \text{£}2.80 \quad 1 \text{ (a)}$$

$$\text{£}24080$$

①

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. x

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

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 o/H Eff Variance. x

f) How up to date the figures from the system are. 1

If comparing they should ensure that the information has been gathered in the same way. x ①

## Candidate E commentary

This candidate achieved **19 marks** out of 40, demonstrating a mixed level of understanding of this area of study. In part (a) the key issue was a lack of appropriate working to demonstrate how certain figures, such as labour and variable overhead, had been calculated. Using the wrong figures without supporting working means that no marks can be awarded if the figure does not match that which is in the marking instructions. Whereas some marks may be available using the consequentiality rule where there is some evidence as to how the candidate has calculated a figure.

In part (b) the candidate demonstrated reasonable knowledge but made some fundamental errors, such as using the Year 3 selling price data. However, the candidate was, most of the time, capable of ascertaining whether the variance represented an adverse or favourable situation.

Part (d) challenges candidates to manipulate the formulae provided and this candidate was able, in some cases, to demonstrate this. Some errors had a consequential impact and these responses were marked accordingly. One thing that the candidate should have done was to present clear, properly annotated workings. This is especially important when a figure is based on a consequential error as it is much easier for a marker to track the error through subsequent responses when there is clear working shown.

Finally, theory responses (c), (e) and (f) highlighted a typical issue for many candidates. There can be such emphasis on learning the computational aspect of the course that theory is overlooked. In this instance theory accounted for 8 marks out of the 40 available and this candidate only managed to gain 2 marks.

## Commentary on candidate evidence

The evidence for these candidates has achieved the following marks.

### Candidate F evidence

ENTER NUMBER OF QUESTION				DO NOT WRITE IN THIS MARGIN
2a.	Cost of sales	Admin	Distribution	
carriage in	£809 ✓			
directors emoluments		270 <sup>x</sup>		
general expenses	176 ✓	308 ✓	396 ✓ <sup>2</sup>	
opening inventory	585 ✓			
purchases	2,450 ✓			
warehouse expenses	40 ✓			
wages & salaries	248 ✓	31 ✓	341 ✓ <sup>2</sup>	
closing inventory	(617) ✓			
depreciation	72 ✓		108 ✓ <sup>1</sup>	
Audit fee		28 ✓ <sup>1</sup>		
	£2,984	£637	£645	9
Other income				
dividends from investments		46		
Finance costs				
Debt finance costs		70		
<u>Dividend</u>				
bonus issue ordinary shares		300		
interim preference dividend		60		
preference dividend paid		140		
		500		

ENTER NUMBER OF QUESTION	<span style="border: 1px solid red; padding: 2px;">31 40</span>	DO NOT WRITE IN THIS MARGIN
Income statement for Crown plc for the year ended 31 December Year 5.		
	£000s	
Sales revenue	4,618	1
Cost of sales	<u>2,984</u>	
Gross profit	1,634	
Admin expenses	637	
Distribution expenses	<u>845</u>	9
Profit from operations	152	
Other income	<u>46</u>	1
Profit before finance costs	198	
Finance costs	<u>70</u>	1
Profit before tax	128	
Corporation tax	<u>128</u>	1
Profit for the year	0	2 (ALE) 15
Statement of retained earnings for Crown plc for the year ended 31 December Year 5.		
	£000s	
Opening balance	225	) 1 (CR)
Profit for the year	<u>0</u>	
	226	
Dividends paid	<u>500</u>	x
Closing retained earnings	(274)	1

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	

Statement of financial position of Crown plc as at 31 December Year 5		£000s	£000s	£000s
<u>non-current assets</u>				
<del>Tangible property</del>			3,820	2
Investments			<u>1,035</u>	1
			4,855	
<u>current assets</u>				
Trade receivables		298		✓
Inventory		617		1
Other receivables		<u>44</u>		1
			959	
TOTAL ASSETS			<u>5,814</u>	✓
<u>current liabilities</u>				
Cash and cash equivalents	409			1
Trade payables	94			✓ 1
Other payables	88			1
Tax	127			1
Debt interest due	15			x
Dividends due	500			x
Redeemed debentures	<u>150</u>		<u>1,383</u>	x
<u>non-current liabilities</u>				
10% debentures		<u>550</u>	<u>1,933</u>	x (4)
NET ASSETS			3,881	
<u>Equity</u>				
Ordinary shares		1,500		x
Preference shares		2,000		1
Share premium		55		1
Revaluation reserve		300		1 (co)
Retained earnings		<u>(274)</u>	<u>3,381</u>	1 (co)

15

✓ (A.C.E)

### Candidate F commentary

This candidate received a total of **31 marks** out of a possible 40 marks. The quality of the candidate's response was very good. In part (a) of the question, the Income Statement was supported by clear and concise working notes, which provided detailed workings for key figures such as Cost of Sales, Admin and Selling & Distribution costs. Furthermore, all of the relevant labels and headings were presented as per the established accounting standard and there were no instances of the candidate entering extraneous information or making arithmetical errors.

Whilst the candidate did not properly apply the information provided in (b), the Statement of Retained Earnings was presented in the required style and the errors made here were rewarded consequentially in (c). In this final part of the question the candidate again attempted to present the information as per the relevant accounting standard, and was mainly successful in this regard.

Candidate G evidence

ENTER NUMBER OF QUESTION	16 40		DO NOT WRITE IN THIS MARGIN
2(a) Crown plc			
COST OF SALES	€000	€000	€000
Opening inventory		617 <sup>x</sup>	
Purchases	2450		
Carriage in	30	2480	
		<hr/>	
		3097	
Less closing inventory		585 <sup>x</sup>	
			<hr/>
			2512
Add warehouse:		<del>40</del>	
expenses		40 <sup>!</sup>	
deprn: tangible assets		72 <sup>✓</sup>	
wages and salaries		200	genl exp
Directors emoluments		89 <sup>x</sup>	+ 124,000 <sup>x</sup>
Total Cost of Sales		<hr/>	<del>3,107</del> 3,107
		3,107	
DISTRIBUTION EXPENSES	€000	€000	€000
deprn: tangible assets		108 <sup>✓</sup>	
General expenses		436 <sup>x</sup>	
Wages and salaries		275 <sup>x</sup>	
Directors emoluments		<hr/>	
		115 <sup>x</sup>	934
ADMINISTRATION EXPENSES	€000	€000	€000
General expenses		339 <sup>x</sup>	
Wages and salaries		25 <sup>x</sup>	
Directors emoluments		66 <sup>x</sup>	
Audit fee		<hr/>	
		28 <sup>!</sup>	458
			<hr/>
			4.

ENRUM 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	1
	Less Cost of Sales		<u>3107</u>	✓
	GROSS PROFIT		1511	
	Administration expenses	458		
	Distribution expenses	<u>934</u>	1392	4ce
	<del>X(-)</del>		119	
	Add Finance costs		<u>55</u>	x
	Profit before tax		174	
	Less corporation tax		<u>127</u>	1
	Profit for the year ended		47	✓ (ALE) ⑦
(b)	Crown Plc			
	Statement of Retained Earnings for the			
	year ended 31 December Year 5.			
	€000	€000	€000	
	debtwrite interest	70		
	<del>Share premium</del>			
	Share premium	55		
	<del>Profit for the year</del>			
	Profit for the year	47	+ 46	
	debtwrite	<u>50</u>	222	
	less closing inventory		<u>225</u>	
			13	x ⑩

ENTER NUMBER OF QUESTION				DO NOT WRITE IN THE 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 <sup>1</sup>
	Other tangible assets	1300	(580)	720 <sup>2</sup>
x (a)	Property	2800	(300)	<u>3100</u>
				4855
	CURRENT ASSETS			
	Inventory		617 <sup>1</sup>	
	Cash		21 <sup>x</sup>	
	Trade receivables		298 <sup>✓</sup>	
	Other receivable: general expenses		44 <sup>1</sup>	
	Corporation Tax		<u>127<sup>x</sup></u>	
			1107	+ defective interest due 70 <sup>x</sup>
	<del>OTHER CURRENT LIABILITIES</del>			<u>-1177</u>
	Trade payables	298 <sup>x</sup>		
	bank overdraft	430 <sup>x</sup>		
	Other payable: wages	60 <sup>x</sup>		
	<del>OTHER CURRENT LIABILITIES</del>			<u>788</u>
	NON CURRENT LIABILITIES			
	10% Debentures			<u>700<sup>1</sup></u>
	TOTAL LIABILITIES			1488
	WORKING EQUITY			(311)
	NET ASSETS EMPLOYED			4544

ENTER NUMBER OF QUESTION				DO NOT WRITE IN THE MARGIN
	FINANCED BY.	£000	£000	£000
	Retained earnings	13	<sup>1</sup> (a)	
	Ordinary shares	1500	<sup>x</sup>	
	Preference shares	2000	<sup>1</sup>	
	Dividend payments	60	<sup>x</sup>	
	Profit for the year	47	<sup>x</sup>	<u>3620</u>
				✓ <sup>1</sup> A.
				(89)

### **Candidate G commentary**

This candidate received a total of **16 marks** out of a possible 40 marks. The quality of the candidate's response was more mixed than candidate F. In part (a) of the question, for example, the Income Statement was supported by working notes which provided workings for key figures such as Cost of Sales, Admin and Selling & Distribution costs. However, these notes were not as clear as they could have been and other figures which required some additional calculations had no supporting notes. Furthermore, several of the relevant labels and headings were not presented as per the established accounting standard throughout (a) to (c).

The candidate did not properly apply the information provided for (b), the Statement of Retained Earnings, and this statement included extraneous items. In part (c) of the question the candidate again failed to present the information as per the relevant accounting standard, with several areas showing a lack of awareness of subject content.