OCR
RECOGNISING ACHIEVEMENT

Monday 30 January 2012 – Afternoon

A2 GCE ACCOUNTING

F014/01 Management Accounting

Candidates answer on the Question Paper.

OCR supplied materials:
- Resource Booklet

Other materials required:
- A calculator may be used

Duration: 2 hours

Candidate forename		Candidate surname	

Centre number						Candidate number				

INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- The information required to answer questions 1–4 is contained within the Resource Booklet.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- You must show the calculations leading to your answers.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets **[ ]** at the end of each question or part question.
- The total number of marks for this paper is **120**.
- Your Quality of Written Communication will be taken into account when marking your answers to the two questions/sub-questions labelled with an asterisk (*).
- 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.
- This document consists of **20** pages. Any blank pages are indicated.

A calculator may be used for this paper

1 REQUIRED

(a) The closing stock valuation as at 31 December 2011, using the following methods of stock valuation (periodic basis):

(i) FIFO.
(ii) LIFO.

Show your workings to question **1(a)** below.

Working Box

(i) FIFO.

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.... **[3]**

(ii) LIFO.

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(b) The net profit for the six months ended 31 December 2011 under the LIFO method of stock valuation (periodic basis).

Show your workings to question **1(b)** below.

Working Box

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(c) Discuss the appropriateness of the LIFO method of stock valuation.

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.... **[4]**

Total marks [15]

2 REQUIRED

(a)* The Contract Account for the year ended 31 December 2011. The balances brought down at 1 January 2012 should be shown in the Contract Account.

Show your workings to question **2(a)** below.

Working Box

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(b) With reference to **two** accounting concepts, explain why the profit taken by Stone plc is reduced by the formula in note **(v)**.

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(c) Discuss the social responsibilities a construction company may have to each of the following:

- the local economy
- its labour force

.... **[8]**

Total marks [33]

3 **REQUIRED**

(a) On the basis of operating from Danport only;

(i) profit for year, showing the contribution per flight.

(ii) break-even in flight numbers **and** sales value.

(iii) margin of safety in flight numbers **and** as a percentage.

Show your workings to question **3(a)** below.

Working Box

(i) profit for year, showing the contribution per flight.

.... **[3]**

(ii) break-even in flight numbers **and** sales value.

.... **[2]**

(iii) margin of safety in flight numbers **and** as a percentage.

.... **[2]**

(b) On the basis of extending its operations, calculate the maximum profit Jomat plc could achieve in the next financial year if:

(i) there was no shortage of direct labour.
(ii) direct labour was limited to £3 654 000.

Show your workings to question **3(b)** below.

Working Box

(i) there was no shortage of direct labour.

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(ii) direct labour was limited to £3 654 000.

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(c) On the basis of **(b)(i)**, where there is no shortage of direct paid labour, discuss whether or not maximum profit is the best target for Jomat plc to aim for in the next financial year.

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(d) Discuss **two** other factors which Jomat plc should consider in its long term planning.

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Total marks [35]

4 REQUIRED

(a) For each product:

(i) the net cash flow for each year.
(ii) payback (to two decimal places). Assume even cash flows throughout each year.
(iii) net present value. Assume all cash flows take place at the end of each year.
(iv) accounting rate of return (to two decimal places). The accounting rate of return is defined by the business as average net profit for the product to initial capital outlay.

Show your workings to question **4(a)** below.

Working Box

(i) the net cash flow for each year.

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(ii) payback (to two decimal places). Assume even cash flows throughout each year.

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(iii) net present value. Assume all cash flows take place at the end of each year.

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(iv) accounting rate of return (to two decimal places). The accounting rate of return is defined by the business as average net profit for the product to initial capital outlay.

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(b)* Evaluate the usefulness of each of the appraisal methods stated in part **(a)**.

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(c) Explain how the original market research costs should be treated in the appraisal process.

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Total marks [37]