Candidate 1 – Question 1, Part A

(a) (i) £40,000 ÷ 2000 = £20

(ii) £16,000 ÷ 2000 = 8

(iii) £20 - £8 = £16

(iv) 70,000 - 16,000 = 54,000 ÷ 2000 = £27

(v) $\frac{54,000}{16}$ = £3,375

(b) 8,000 - 3,375 = 4,625 x 16 = £74,000

(c) 10,000 x 16 = 160,000 - 54,000 = £106,000

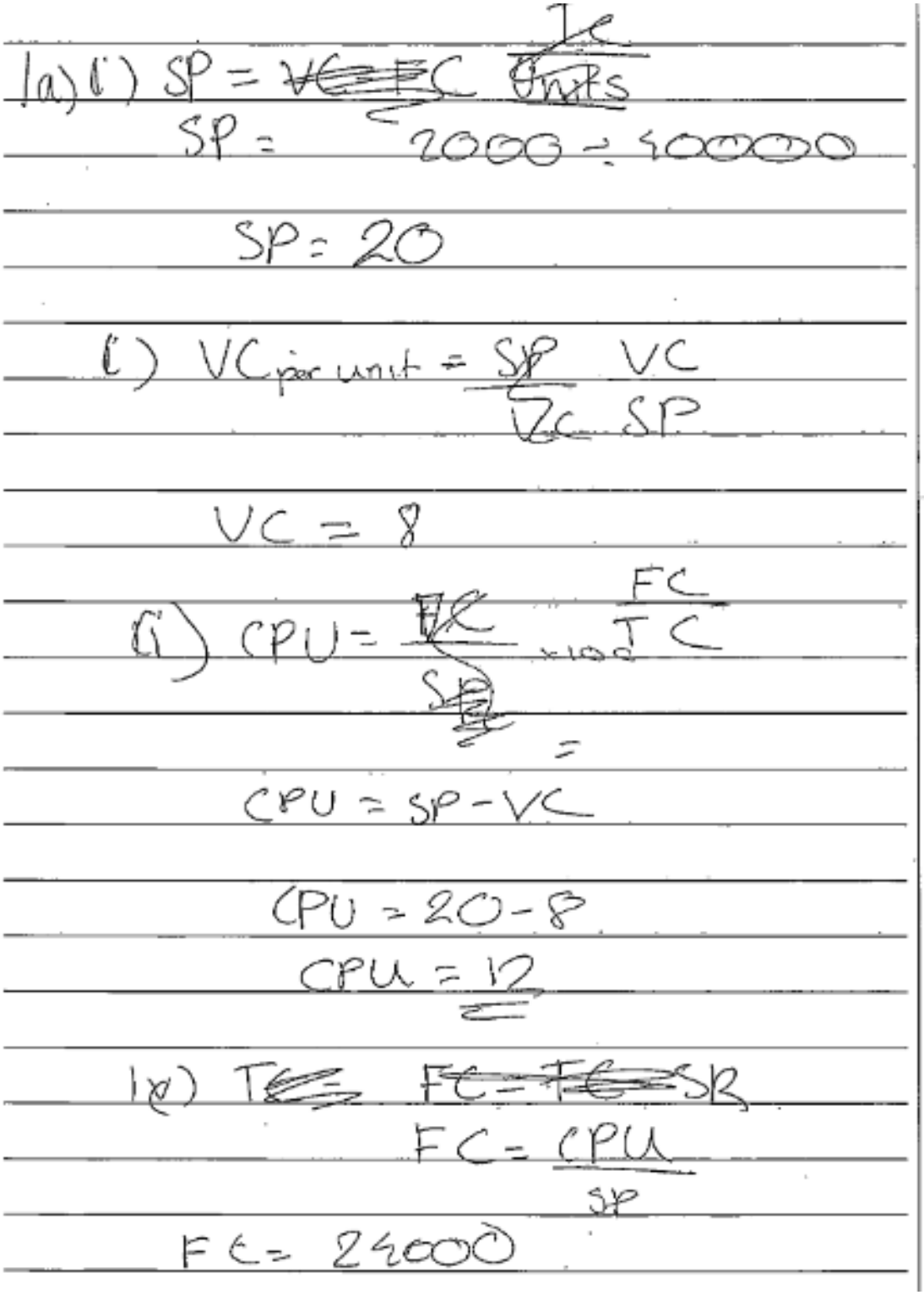
(d) 90,000 ÷ 16 = 5625 - 3375 = 2,250 units

(e) SP = £24 FC = 54,000 x 51% = 27,000
VC = £10 + 54,000
81,000

$\frac{81,000}{14}$ = 5786 units

Change = 2411

Candidate 2 – Question 1, Part A



(iv) Breack Even = $\frac{FC}{CPU}$

$= \frac{12,000}{12}$

$= 1000$ units

(v) Margin of Safety =

8000 = 12

12

Units = $\frac{8000}{12}$

units = CPU × U

margin = 8000 × 12

= 96000

(vi) (C) = (10000×12) - 1260

= 108000

(d) 90000 = (units × cpu) - FC
+12000

90,000 = (unit × 12) + 12000

$\frac{102000}{12}$ = units

units = 8500

break even = $\left(\frac{CPU}{FC}\right)$

=

FC = 12000 × 1.05 = 12600

= $\left(\frac{12}{12600}\right)$ × top

= $\left(\frac{12600}{12}\right)$

= 1050 units

Candidate 1 – Question 2, Part A

Gross Profit Ratio

$\frac{56,000}{250,000} \times 100 = 0.224 \times 100 = 22.4\%$

Profit for the Year Ratio

$\frac{31,000}{250,000} \times 100 = 12.4\%$

Current Ratio

$\frac{47,000}{22,000} = 2.35$

Return on Equity Employed

$\frac{31,000}{180,000} = 17.20\%$

Trade Receivables Collection Period (in days)

$\frac{7,000}{180,000} \times 365 = 14.19$

$= 15$ days

Expenses Ratio

$\frac{25,000}{250,000} = 10\%$

Purchases

$244,400 - 22,500 + 26,000 = 248,400$

Trade Payables Payment Period (in days)

$\frac{15,000}{248,400} \times 365 = 22 \text{ days}$

(c) PFY is higher as Spinelli may have higher expenses
Current ratio is higher due to more current assets
Return on Equity is lower as they have higher expenses
Collection period higher as Betrillo wants to keep customers and give them time to pay.
For Inventory turnover, Betrillo holds less inventory.

Candidate 2 – Question 2, Part A

Gross Profit Ratio

$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \_\_ \%$

$\frac{56\,000}{250\,000} \times 100 = 22{\cdot}40\%$

Profit for the Year Ratio

$\frac{\text{Profit for year}}{\text{Sales revenue}} \times 100 = \_\_ \%$

$\frac{31,000}{250,000} \times 100 = 12{\cdot}40\%$

Current Ratio

Current Asset : Current liabilities

47,000 : 20 000

2.35 : 1

Return on Equity Employed

$\frac{\text{Profit for year}}{\text{Opening equity}} \times 100 = \_\_ \%$

$\frac{31,000}{180\,000} \times 100 = 17{\cdot}22\%$ 2/6

Trade Receivables Collection Period (in days)

$\frac{\text{Av Trade receivables}}{\text{Credit Purchases}} \times 365 = \_\_ \text{days}$

$\frac{7000}{(250\,000 - 56\,000)} \times 365 = 13{\cdot}17 \text{ days}$ 2/6

Rate of Inventory Turnover

$\frac{\text{Cost of Sales}}{\text{AV Inventory}} = \_\_ \text{ times}$

$\frac{(250\,000 - 56\,000)}{24\,250}$

$= \frac{194\,000}{24\,250} = 8 \text{ times}$

$\frac{(22\,500 + 26\,000)}{2} = 24\,250$

Expenses Ratio

$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \_\_ \%$

$\frac{(56\,000 - 31\,000)}{250\,000}$

$\frac{25\,000}{250\,000} = 0{\cdot}1 \%$

Purchases

30,000

Trade Payables Payment Period (in days)

$\frac{\text{AV Trade Payables}}{\text{Credit Purchases}} \times 100 = \_\_ \text{ days}$

$\frac{15\,000}{30\,000} \times 100 = 50 \text{ days}$

Question 2 PART A (continued)

c) Profit for year ratio Was higher % because More profit at end of year

Current ratio was lower due to Current assets being less

Return on equity Employed Was higher maybe More profit at end of year

trade receivables Collection period Was More than credit purchases Was More

rate of Inventory turn over Was more than Average Inventory Was less

d) advantage of Selling on credit basis is don't have to deal with money in and out

a disadvantage may need to wait 30 days or more to Come in

Candidate 1 - Question 3

For use with question 3

Statement of Financial Position as at 31 December Year 4

	£	£	£
Non Current Assets			
			40,000
Property	17,000	7,000	10,000
Furniture + Fittings			
			50,000
Current Assets.			
Closing Balance		22,000	
Trade Receivables		3,500	
Provision for Bad Debts		500	
Advertising		2900	
		27,900	
Current Liabilities			
Trade Payables	2,300		
Overdraft	1,000		
General Expenses	300		
		3,500	
			24,400
Working Equity.			74,400
Financed By:			
Equity			70,000
+ P FY			8,400
less Drawings			(8,000)
Bad Debts			600
Balancing			71,500

Candidate 2 - Question 3

Statement of Financial Position for Year 4

Non-Current Assets	£	£	£
Furniture + Fittings	17,000	7000	10,000
Bad Debts	600	500	100
Property			40,000
			50100
Current Assets			
Closing Inventory		22,000	
Trade Receivables		3500	
Cash + Cash Equivalents		1800	
General Expenses		1700	
Advertising		2900	
		31100	
Current Liabilities			
Trade Payables	~~[illegible]~~	2300	
		28800	
Add: Other income			
Discount received		700	
			29500
			£80600
Financed by:			
Equity			70,000
Add: Profit of the year			9900
			79900
Less: Drawings			8000
~~Equity at~~ Equity at end.			£71900

Candidate 1 - Question 4

(a) X: 8000 units × 4 hrs = 32000 labour hrs

Y: 8000 units × 6 hrs = 48,000 labour hrs.

Total labour hours: 48,000 hrs + 32000 hrs

: 80,000 labour hours.

(b)

X: £40 ÷ 4 hrs : £10.00

Y: £54 ÷ 6hrs = £9.00

(c) 80000 labours hours × 1.15

= 92,000 labour hours

(d) Product X this is because the contribution is higher than product Y.

(e)

92000 ÷ £40

= 2300 units.

(g) i) Fixed costs never change - they always stay the same.

(ii) Indirect costs cannot directly have variation in output.

(f) Profit Statement:

X: 92000 x 10	920000
Y: 92000 x 9	828000
	£1748000
- fixed costs.	£380,000
	£1368000
	prog it.

Candidate 2 - Question 4

a) total labour hours Year 1

$x - \frac{8000}{4} = 2000$ $y - \frac{8000}{6} = 1333.333$

$= 1333$ (Whole unit)

b) $x - \frac{40}{4} = 10$ $y - \frac{54}{6} = 9$

Year 2: 2000 3333 = 100%

+1333 ÷100 ÷100

3333 33.33 = 1% ×115

×115 3832.95 = 115%

3832.95

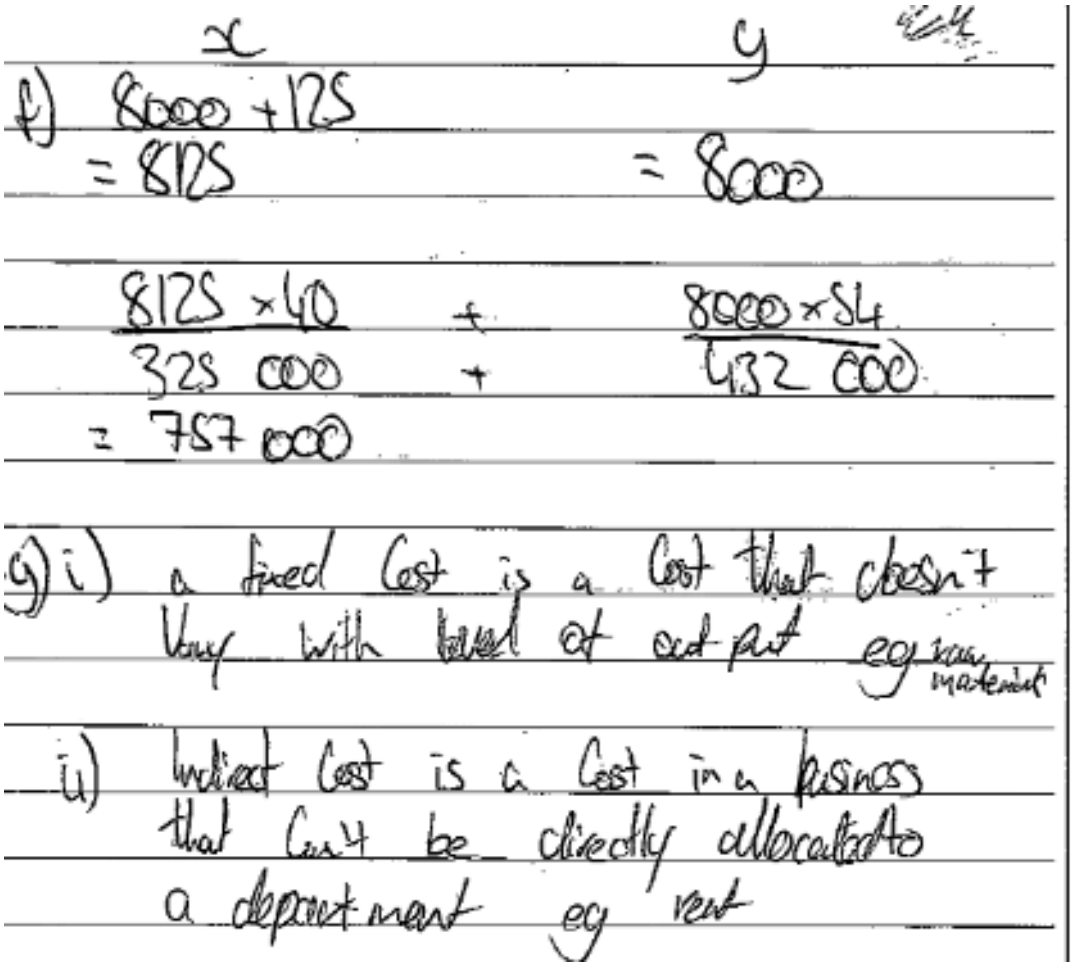
c) 3833 3833 whole hour

−3333

500 extra hours

d) he should produce more of product x as the contribution per labour hour is higher than y

e) $\frac{500}{4} = 125$ units


x
y
f) 8000 + 125
= 8125
= 8000
8125 × 40
325 000
= 757 000
+
8000 × 54
432 000
+
g) i) a fixed cost is a cost that doesn't vary with level of output eg raw material
ii) Indirect cost is a cost in a business that can't be directly allocated to a department eg rent