

# INTERNATIONAL A-level

## ACCOUNTING

Paper 4 Accounting for analysis and decision making

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Specimen paper                      07:00 GMT      Time allowed: 2 hours 15 minutes

**Materials**

For this paper you may use:

- a calculator

**Instructions**

- Use black ink or black-ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).

**Information**

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.

### Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



0 1

Which formula is used to calculate the overhead absorption rate?

[1 mark]

**A**  $\frac{\text{Actual overheads}}{\text{Actual activity}}$

**B**  $\frac{\text{Actual overheads}}{\text{Budgeted activity}}$

**C**  $\frac{\text{Budgeted overheads}}{\text{Actual activity}}$

**D**  $\frac{\text{Budgeted overheads}}{\text{Budgeted activity}}$

0 2

Which of the following variances may require the calculation of flexed information?

[1 mark]

**A** Labour efficiency and material price

**B** Labour efficiency and material usage

**C** Labour rate and material price

**D** Labour rate and material usage

0 3

A business is considering investing in new machinery.

The machinery will cost £850 000. The cash flows are shown below and are assumed to accrue evenly during the year.

Year	Cash inflow £	Cash outflow £
1	450 000	200 000
2	650 000	200 000
3	650 000	200 000

What is the payback period for the machine?

[1 mark]

A 1 year 89 days

B 1 year 324 days

C 2 years 33 days

D 2 years 122 days

0 4

Standard cost is best defined as which of the following?

[1 mark]

A The actual unit cost of a product produced in a period of time

B The actual average unit cost of a product produced in a period of time

C The planned unit cost of a product produced in a period of time

D The planned average cost of a product produced in a period of time

0 5

A manufacturer requires 9 000 labour hours and 3 000 kg of material to produce 450 units of product L and 300 units of product M. It expects to have 7 500 labour hours and 3 500 kg of material available.

Which product should it produce first?

[1 mark]

A The product with the highest contribution per kg

B The product with the highest contribution per labour hour

C The product with the highest contribution per unit

D The product with the highest profit per unit

0 | 6

Which of the following is **not** a fundamental principle of ethical behaviour?

[1 mark]

- A Confidentiality
- B Integrity
- C Objectivity
- D Subjectivity

0 | 7

A company is planning to expand and will require additional finance. Which method of funding will decrease the capital gearing ratio?

[1 mark]

- A Debenture
- B Long-term bank loan
- C Mortgage
- D Ordinary shares

0 | 8

Which of the following is the correct formula (all expressed in units) to calculate budgeted units of production?

[1 mark]

- A Sales – closing inventory – opening inventory
- B Sales – closing inventory + opening inventory
- C Sales + closing inventory – opening inventory
- D Sales + closing inventory + opening inventory

0 | 9

Which of the following does **not** apply to management accounting information?

[1 mark]

- A Emphasis on decision making
- B Focuses on the needs of internal stakeholders
- C Produced within a regulatory framework
- D Reports can be produced as and when needed

1 0

A manufacturer employs one factory supervisor for every five factory workers.

Which best describes the cost of the factory supervisors' salaries?

[1 mark]

A Direct and stepped fixed

B Direct and variable

C Indirect and stepped fixed

D Indirect and variable

1 1

A manufacturer has provided the following information:

	Per unit £
Selling price	11.25
Direct materials	6.90
Direct labour	2.10

Fixed overheads for the year are expected to be £147 000.

Calculate the number of units that would have to be produced and sold to achieve a target profit of £21 750.

[5 marks]

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**Section B**

Answer **all** questions in this section.

**1 3**

Ekib Ltd has provided the following budgeted information:

Budget production	32 000 units
Budgeted direct labour cost	£1 872 000
Budgeted direct material cost	£1 972 000
Labour hours per unit	4.5
Material quantity per unit	8.5 kilograms

Actual production was 30 000 units.

Actual labour per unit is 3.5 hours at a rate of £14 per hour.

Actual material per unit is 6.75 kilograms at a cost of £9.45 per kilogram.

**1 3 . 1**

Calculate the following variances:

**[10 marks]**

Material price variance \_\_\_\_\_

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Materials usage variance \_\_\_\_\_

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Labour rate variance \_\_\_\_\_

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Labour efficiency variance \_\_\_\_\_

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1 3 . 2

Prepare a reconciliation of budgeted cost to actual cost.

[5 marks]

	£
<b>Budgeted cost</b>	
<b>Actual cost</b>	

Workings \_\_\_\_\_  
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**1 4**

Ekin plc uses batch production to manufacture two products, X and Y.

The business uses activity-based costing when calculating the overhead costs to be assigned to each product type.

The following information is available about both products per week.

	<b>X</b>	<b>Y</b>
Production in units	4 500	3 600
Number of units per batch	50	75
Material costs	£33 750	£22 750
Labour costs	£42 500	£55 250
Machine hours	10 500	2 500
Labour hours	5 000	6 500

- Each batch requires machinery to be reset. The fixed production costs for machinery preparation totalled £44 160.
- Quality control procedures for both products are conducted every 300 units. The fixed costs for quality control procedures totalled £68 310.
- All units produced each week are sold.

The selling prices for each product are based on an 80% mark-up on variable cost.

**1 4 . 1**

Prepare statements to show revenue, contribution and profit or loss per week for each type of product, X and Y.

**[14 marks]**

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**1** **4** **2**

Ekin plc implemented activity-based costing two years ago. Before this implementation both products always made a profit. The management accountant is concerned about whether the cost drivers being used now are appropriate. The management accountant is recommending that the directors of Ekin plc consider changing back to using a traditional absorption costing method.

Advise the directors of Ekin plc whether they should change back to absorption costing.

**[6 marks]**

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**1 5**

Webster, a sole trader, has provided the following budgeted information.

	<b>Sales</b> £	<b>Purchases</b> £
November	48 000	24 000
December	55 000	30 000
January	60 000	36 000

- 25% of sales will be on a cash basis with a 3% cash discount, 60% on a one-month credit basis and 15% on a two-month credit basis.
- Half of purchases will be on a cash basis with the other half being on a one-month credit basis.
- Wages will be £6 000 in December and are paid in the month incurred. From January, they will increase by 2.5%.
- A loan of £45 000 is being repaid in equal monthly instalments over five years. The amount still owing at 1 January will be £18 000. Interest is charged at a rate of 5% per annum and is calculated and paid monthly on the basis of the outstanding balance at the start of each month.
- Non-current assets have a carrying value of £48 000 and an estimated scrap value of £12 000. They are being depreciated at 20% per annum using the reducing balance method.
- Expenses (including depreciation) are £15 000 per month and are paid in the month incurred.
- Cash drawings are taken each month based on 8% of monthly sales.
- The bank balance at 1 January is expected to be £1 250.

**1 5 . 1**

Prepare a cash budget for Webster for the month of January.

**[14 marks]**

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Workings









Extra space \_\_\_\_\_

Lined writing area with horizontal lines for text.

**END OF QUESTIONS**

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