

Pearson LCCI

Certificate in Cost and Management Accounting (VRQ) Level 3

Friday 20 January 2017

Time: 3 hours

Paper Reference

ASE20098

Complete the details below in block capitals.

Candidate name

Centre Code

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Candidate Number

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Candidate ID Number

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You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen
– *pencil can only be used for graphs, charts, diagrams, etc.*
- **Fill in the boxes** at the top of this page with your name, candidate number, centre code and your candidate ID number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Answers should be given to an appropriate degree of accuracy.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- You are advised to show your workings.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions. Write your answers in the spaces provided.

- 1** Mercury is a business manufacturing men's suits. The information relating to December's production was as follows:

Direct materials \$27.50 per suit.

Direct labour was paid \$7.00 per hour.

Overheads were \$17 100 per month plus \$2.50 per suit produced.

Each suit took an average of 2 hours 15 minutes to produce.

Each suit was sold for \$95.00

In December, 1 200 suits were produced and 960 were sold.

(a) Calculate the:

- (i) marginal cost of producing one suit

(2)

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- (ii) absorption cost of producing one suit.

(2)

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(b) Prepare a statement of profit or loss, in columnar format, using:

- marginal costing
- absorption costing.

(10)

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(c) Explain the difference between the two net profit or loss figures obtained in (b).

(2)

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(Total for Question 1 = 16 marks)



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- 2 Venus manufactures a single product using a standard absorption costing system. The budgeted information relating to December 2016 was as follows:

Budgeted output	6 500 units
Direct materials	27 300 kg at \$5.10 per kg
Direct labour	2 925 hours at \$8.00 per hour
Fixed production overheads	\$12.00 per labour hour

The actual results were as follows:

Actual output	7 180 units
Direct materials	29 800 kg costing \$147 510
Direct labour	3 065 hours costing \$25 746
Fixed production overheads	\$36 750

The sales of 7 180 units resulted in revenue of \$240 530

Some of the variances relating to December 2016 have already been calculated as follows:

Material price	\$4 470.00 Favourable
Material usage	\$1 815.60 Favourable

- (a) State **one** possible reason, except for setting an inappropriate standard, for each of the following variances:

(i) material price-favourable

(1)

(ii) material usage-favourable

(1)

(iii) labour efficiency-favourable.

(1)



(b) Calculate the following variances for December:

(i) labour efficiency variance

(2)

(ii) labour rate variance

(2)

(iii) fixed overhead expenditure variance

(2)

(iv) fixed overhead volume variance.

(2)



(c) Calculate the standard cost of producing 7 180 units.

(3)

During December, the selling price of the product was the same as the budgeted price.

(d) Calculate, based on 7 180 units being produced and sold, the:

(i) budgeted profit

(2)

(ii) actual profit.

(2)



(e) Prepare a statement to reconcile the budgeted profit and the actual profit based on 7 180 units being produced and sold.

(6)

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(Total for Question 2 = 24 marks)

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- 3 Neptune manufactures and sells three products – D, E and F. The forecast details of sales and costs relating to Period 4 are as follows:

	Product D	Product E	Product F
Units sold	50 000	20 000	30 000
Selling price per unit	\$6.00	\$7.50	\$10.00
Material cost per unit	\$1.20	\$1.75	\$3.50
Labour cost per unit	\$1.50	\$2.00	\$2.50

The fixed costs for Period 4 are \$270 000

(a) Calculate the:

- (i) forecast contribution / sales ratio for **each** product **and** in total

(4)

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- (ii) forecast break-even revenue for Neptune for Period 4

(2)

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(iii) forecast margin of safety for Neptune in both \$ and as a percentage of sales

(2)

(iv) forecast profit or loss for Neptune for Period 4.

(2)

(b) Explain **two** limitations of Neptune using break-even analysis to set targets and make decisions.

(4)

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The directors of Neptune are deciding whether to introduce Product G. The following information is available:

- 8 000 units will be sold per month.
 - The selling price will be \$12.00 per unit.
 - Variable costs will be \$4.80 per unit.
 - Fixed costs will be £39 600 per month.
- (c) Prepare, using the graph paper on the next page, a break-even chart for Product G that shows clearly the:
- (i) break-even point
 - (ii) margin of safety.

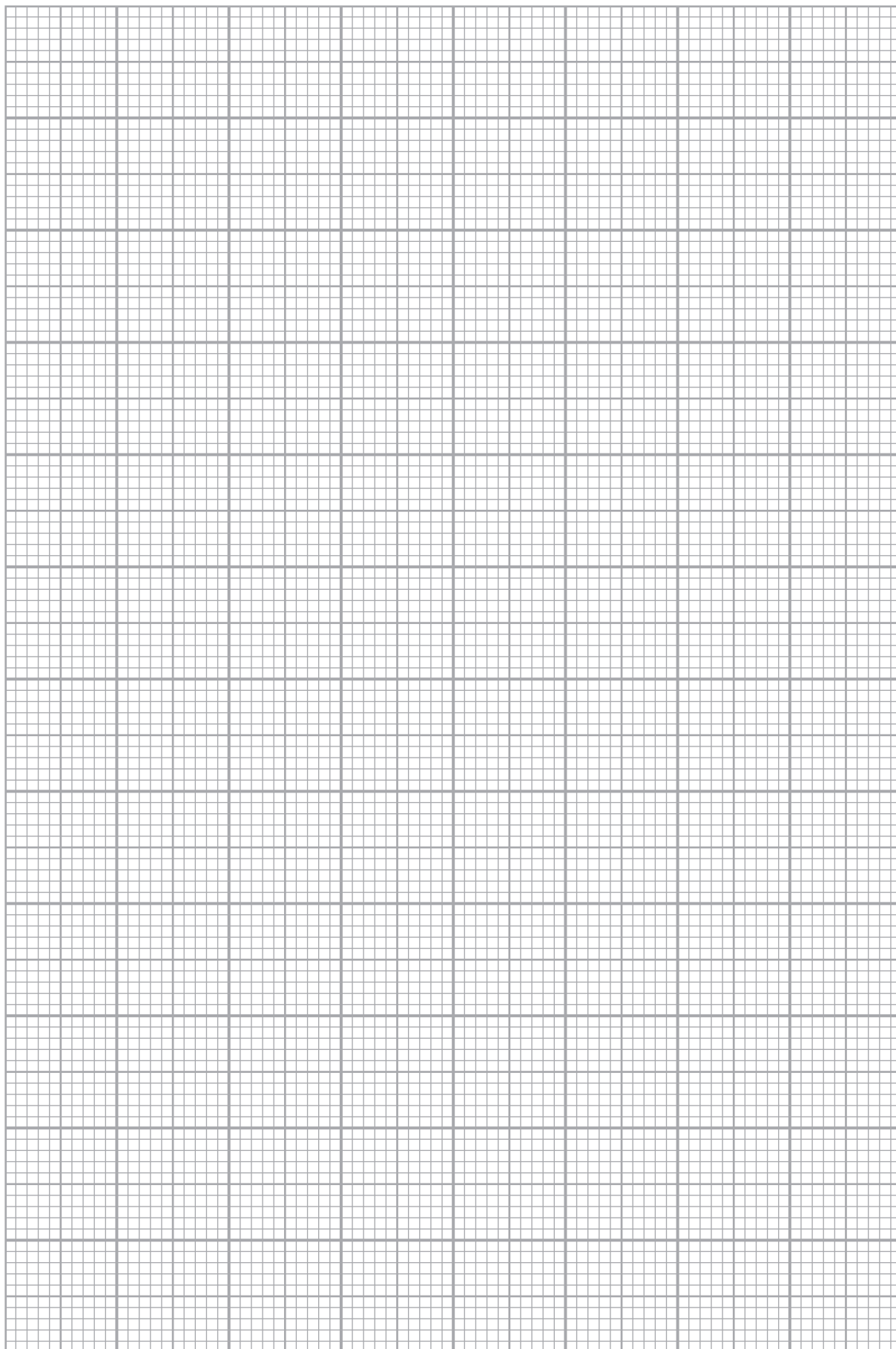
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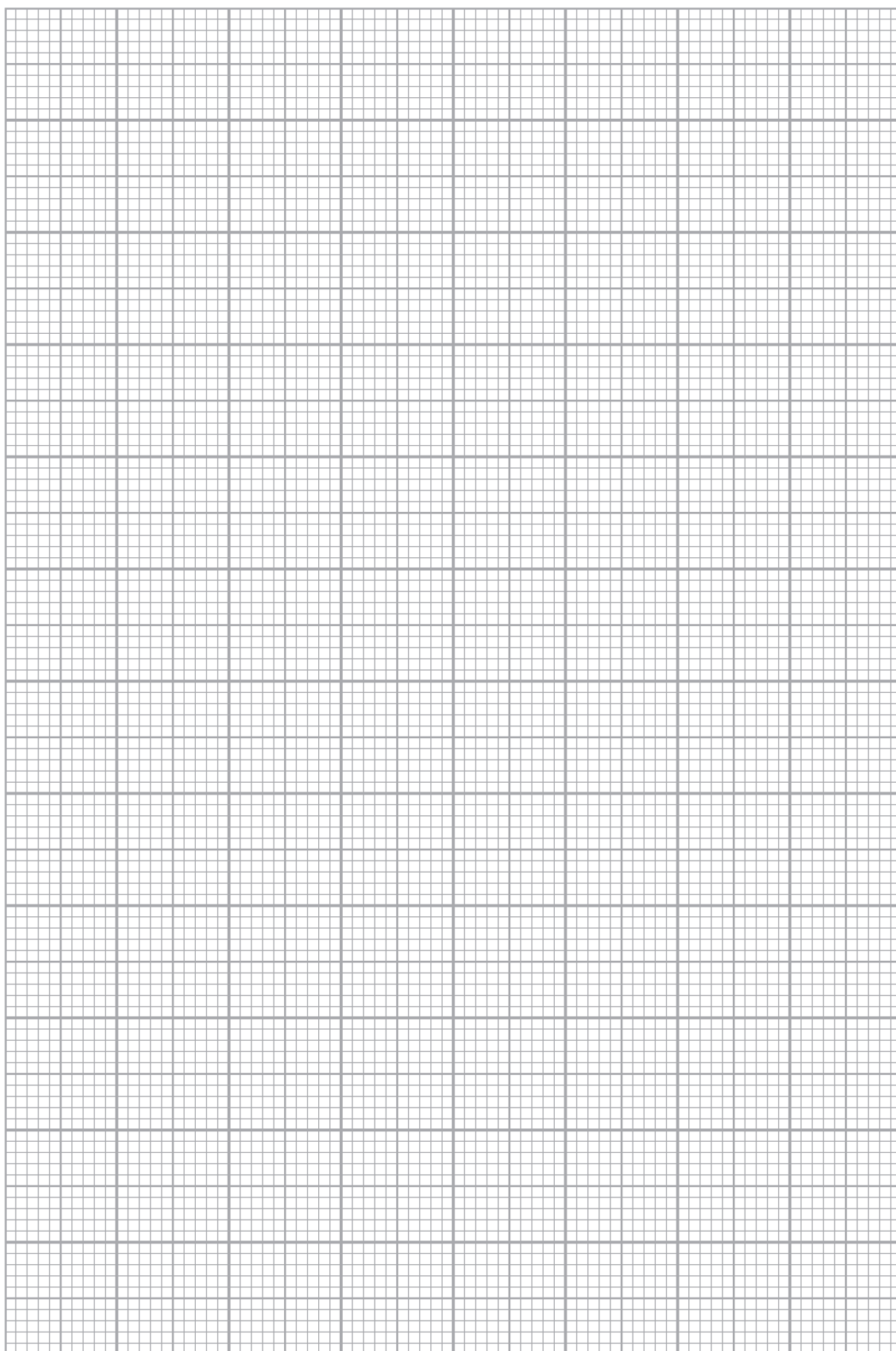
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- 4 Jupiter manufactures three main products – X, Y and Z – using a process costing system. A by-product Q is also produced by the process.

The inputs arising from the first week in December 2016 were as follows:

Material A	700 kg at \$6.00 per kg
Material B	500 kg at \$8.60 per kg
Direct labour	200 hours at \$7.00 per hour
Overheads are absorbed at \$13.00 per labour hour.	

The outputs arising from the first week in December 2016 were as follows:

	Quantity	Selling price per kg
Product X	300 kg	\$25
Product Y	420 kg	\$20
Product Z	340 kg	\$40
By-product Q	60 kg	\$4

All waste material has no value but does need to be disposed of safely at a cost of \$2.50 per kg.

Joint costs are apportioned between the main products on the basis of sales value.



(a) Prepare the process account for the first week of December 2016.

(10)

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Jupiter does not have an integrated accounting system. Instead, the various parts of the accounting function operate on different accounting systems and there is different specialist software.

The systems are accessed using the company password, which is known by every employee in the finance department and has been used for the past 12 months.

The directors of Jupiter have indicated that having access to management information that is accurate and up to date is absolutely essential. They have also suggested that keeping the information secure and confidential needs to be a top priority.

- (b) Explain **two** measures that the business could introduce to improve the security and confidentiality of its management information.

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(c) Evaluate, ignoring security or confidentiality issues, whether the current system is likely to produce information that is accurate and up to date.

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(Total for Question 4 = 20 marks)



- 5 Saturn is a manufacturing company. The following information is available about J66, one of the raw materials used in manufacturing.

Purchase price	\$9.60 per kg
Usage per day	High: 90 kg Average: 60 kg Low: 30 kg
Delivery lead time (days)	High: 6 days Average: 4 days Low: 2 days
Maximum inventory level	4 000 kg

In addition to a reorder level, Saturn has a minimum inventory level that acts as a buffer inventory.

- (a) Calculate the following:

(i) reorder level (kg)

(1)

(ii) minimum inventory level (kg)

(2)

(iii) reorder quantity (kg)

(1)



(iv) average inventory (kg)

(2)

(v) average inventory (\$).

(1)

(b) State the formula used to calculate the economic order quantity.

(1)

(c) Explain the **two** types of cost, apart from the purchase price of the inventory, associated with keeping inventory, giving an example of each.

(4)

1

2



One of the products made by Saturn is the TT76. The management of Saturn had set a production target for the 16 production line workers of 20 units per labour hour. Each worker is contracted to work 175 hours per month.

During November, 61 180 units of TT76 were produced and a total of 2 670 labour hours were worked.

(d) Calculate the:

(i) standard hours for production

(1)

(ii) production efficiency ratio

(2)

(iii) production capacity ratio

(3)

(iv) production volume ratio.

(2)

(Total for Question 5 = 20 marks)

TOTAL FOR PAPER = 100 MARKS



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