

Q4

(a) AO1(8)

AO1: Eight marks for explaining the difference

(i) Perpetual inventory	(ii) Periodic inventory
Inventory valued (1) AO1 after each transaction (1) AO1	Totals up receipts and issues of inventory (1) AO1 and calculates a new inventory value at the end of a period (1) AO1

(iii) Allocation of overheads	(iv) Apportionment
The allotment of whole cost items of cost to centres or cost units (1) AO1	The allotment of proportions (1) AO1 of items of cost to cost centres or cost units
Category of costs will relate only to that cost centre or cost unit (1) AO1	Apportionment based on the most equitable basis. (1) AO1

(8)

(b) A01 (1): A02(12) :A03(3)

A01: One mark for recording heading job number

A02: Twelve marks for calculating and correct use of balance

A03: Three marks for complex calculation and correct use of balance

Quotation for Job 652 (1) A01

	£	£
Raw materials		
Cloth material (150 @ £6 + 300 @ £6.50)	2 850 (4) A02	
Buttons and thread 3 @ £30	<u>90 (1) A02</u>	
		2 940
Direct labour		
Cutting and machining (300 x 10/60 [1] x £9) [1]	450 (2) A02	
Finishing and packing (300 x 6/60 [1] x £7 [1])	<u>210 (2) A02</u>	
		660
Overheads		
Cutting and machining (300 x 10/60 [1] x £8[1])	400 (2) A03	
Finishing and packing (300 x 6/60 [1] x £6[1])	<u>180 (2) A02</u>	
		<u>580</u>
		4 180
Profit margin		836 (1of) A03
Quotation price		<u>5 016 (1of) A02</u>

(16)

Workings

Cloth material

Date	Receipts	Issues	Balance
1 Aug			400 @ £5
23 Aug		150 @ £5	250 @ £5
26 Sept	350 @ £6		250 @ £5 350 @ £6 [1] both
17 Oct		250 @ £5 50 @ £6	300 @ £6 [1]
27 Nov	400 @ £6.50		300 @ £6 400 @ £6.5 [1] both
15 Dec		150 @ £6	150 @ £6 400 @ £6.5

Overheads

Cutting and machining

Overhead recovery rate £80 000 divided by 10 000 hours = £8 per hour

Recovered over $300 \times 10 \text{ mins} / 60 \text{ mins} = 50 \text{ hours}$

Finishing and packing

Overhead recovery rate £36 000 divided by 6 000 hours = £6 per hour

Recovered over $300 \times 6 \text{ mins} / 60 \text{ mins} = 30 \text{ hours}$

(c) AO2 (1), AO3 (2), AO4 (3)

In favour of piecework in cutting and machining

Workers will **work faster**, avoid 'down time' and produce the **output in less time**.

The **cost per unit will fall** as production time decreases.

The **most able workers** will be the most appropriately remunerated.

Against piecework in cutting and machining

Teamwork within the department will be lost as workers become more focused on their own work.

Quality issues may occur as workers work faster and make more mistakes.

Wastage of material will be higher and material appears to be a high proportion of the cost.

Accident levels may increase.

Conclusion

Candidates may conclude that the use of piecework should/ should not be used as the method of remuneration in the Cutting and Machining Department. Candidates should support their conclusion with an appropriate rationale.

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(6)

Q4	Total marks	30
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