

| Question Number | Answer | Mark |
|-----------------|---|------|
| 1 (a)(i) | <p>AO1 (4) AO1: Four marks for correct identification and calculation of costs to arrive at standard cost.</p> <p>Standard cost of one pair of trousers =</p> $(0.75 \text{ hours} \times \text{£}7.20) + (2.5 \text{ sq m} \times \text{£}3.46) + (\text{£}17\,000 / 20\,000)$ $= \text{£}5.40 (1) \text{ AO1} + \text{£}8.65 (1) \text{ AO1} + \text{£}0.85 (1) \text{ AO1} = \text{£}14.90 (1) \text{ o/f AO1}$ | (4) |

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|-----------------|---|------|
| 1 (a)(ii) | <p>AO1 (6), AO2 (3), AO3 (1) AO1: Six marks for calculations to find cost totals and overall cost. AO2: Three marks for application of knowledge in calculations. AO3: One mark analysis of pay rise.</p> <p>Actual cost of 20 000 pairs of trousers =</p> <p>Labour $(\text{£}7.20 \times 0.75) (1) \text{ AO2} \times 20\,000 = 108\,000 (1) \text{ AO1}$ Plus $(850 \times \text{£}7.20) = 6\,120 (1) \text{ AO1}$ Plus $(0.25 \text{ hour} \times \text{£}7.20(1) \text{ AO2} \times 10\,000 \times 0.05 (1)) \text{ AO3} = \frac{900}{115\,020} (1) \text{ AO1}$</p> <p>Material $(\text{£}8.65 \times 15\,000) = 129\,750 (1) \text{ AO1}$ Plus $(\text{£}8.9 \times 5\,000) = \frac{44\,500}{174\,250} (1) \text{ AO2}$</p> <p>Fixed overheads = $\frac{15\,730}{305\,000} (1) \text{ AO1} \text{ o/f AO1}$</p> | (10) |

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|-----------------|---|------|
| 1 (a)(iii) | <p>AO1 (3) AO1: Three marks for correct identification of figures and calculation to arrive at actual cost.</p> <p>Actual cost of one pair of trousers =</p> $\frac{\pounds 305\,000}{20\,000} = \pounds 15.25$ <p>(1) o/f AO1 = £15.25 (1) o/f AO1 (1) AO1</p> | (3) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 1 (b)(i) | <p>AO2 (3), AO3 (2) AO2: Three marks for correct application of data and calculation of labour rate variance. AO3: Two marks for correct analysis of data and use in calculation of labour rate variance.</p> <p>Labour rate variance = (£7.20 (1) AO2 - $\frac{115\,020}{15\,850}$ (1) o/f AO3 x 15 850 (1) AO2 = (£7.20 - £7.2568) x 15 850 = £900 Adv (1) o/f AO2</p> | (5) |

| Question Number | Answer | Mark |
|-----------------|--|------|
| 1 (b)(ii) | <p>AO2 (4) AO2: Four marks for application of data to calculate labour efficiency variance.</p> <p>Labour efficiency variance = (15 000 (1) AO2 - 15 850(1)) AO2 x £7.20 (1) AO2 = £6 120 Adverse (1) AO2</p> | (4) |

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|-----------------|--|------|
| 1 (b)(iii) | <p>AO2 (3) AO2: Three marks for application of data to calculate labour rate variance.</p> <p>Total labour rate variance = (£900 Adv (1) o/f AO2 + £6 120 Adv(1) o/f AO2 = £7 020 Adverse (1) o/f AO2</p> | (3) |

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| 1 (b)(iv) | <p>AO2 (2), AO3 (3)</p> <p>AO2: Two marks for correct application of data and calculation of material price variance.</p> <p>AO3: Three marks for correct analysis of data and use in calculation of material price variance.</p> <p>Material price variance = $(£3.46 (1) \text{ AO2} - \frac{£174\,250}{50\,000} (1) \text{ o/f AO3} \times 50\,000 (1) \text{ AO3})$ = £1 250 Adverse (1) o/f AO2</p> | (5) |

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|-------------------------|---|------|---|-------------------------|---------------------------|-----------------|--------------------------------|-------------------|--------------------------------|-------------------|-------------------------|-----------------|--------------------------------|-----------------------|---------------------------|-----|
| 1 (c) | <p>AO2 (6) AO2: Six marks for correct identification and calculation of costs and variances to complete reconciliation</p> <p><u>Reconciliation Statement for September 2017</u></p> <table border="1"> <thead> <tr> <th></th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Budgeted Cost of Output</td> <td>298 000 (1) o/f AO2</td> </tr> <tr> <td>Labour variance</td> <td>7 020 Adv (1) o/f AO2</td> </tr> <tr> <td>Material variance</td> <td>1 250 Adv (1) o/f AO2</td> </tr> <tr> <td>Overhead Variance</td> <td>1 270 Fav (1) AO2</td> </tr> <tr> <td>Variances Total</td> <td>7 000 Adv (1) o/f AO2</td> </tr> <tr> <td>Actual Cost of Output</td> <td>305 000 (1) o/f AO2</td> </tr> </tbody> </table> | | £ | Budgeted Cost of Output | 298 000 (1) o/f AO2 | Labour variance | 7 020 Adv (1) o/f AO2 | Material variance | 1 250 Adv (1) o/f AO2 | Overhead Variance | 1 270 Fav (1) AO2 | Variances Total | 7 000 Adv (1) o/f AO2 | Actual Cost of Output | 305 000 (1) o/f AO2 | (6) |
| | £ | | | | | | | | | | | | | | | |
| Budgeted Cost of Output | 298 000 (1) o/f AO2 | | | | | | | | | | | | | | | |
| Labour variance | 7 020 Adv (1) o/f AO2 | | | | | | | | | | | | | | | |
| Material variance | 1 250 Adv (1) o/f AO2 | | | | | | | | | | | | | | | |
| Overhead Variance | 1 270 Fav (1) AO2 | | | | | | | | | | | | | | | |
| Variances Total | 7 000 Adv (1) o/f AO2 | | | | | | | | | | | | | | | |
| Actual Cost of Output | 305 000 (1) o/f AO2 | | | | | | | | | | | | | | | |

| Question Number | Answer | Mark |
|-----------------|--|------|
| 1(d) | <p>AO1 (3) AO1: Three marks for correct identification and of reasons.</p> <p>Reasons for fixed overheads being below budget:</p> <ul style="list-style-type: none"> - reduction in rent payable (1) AO1 - reduction in managers salaries (1) AO1 - reduction in depreciation (1) AO1 - reduction in heating costs (1) AO1 - incorrect budget setting (1) AO1 - any other suitable reason | (3) |

| Question Number | Indicative content | Mark |
|-----------------|--|------|
| 1 (e) | <p>A01 (1), A02 (1), A03 (4), A04 (6)</p> <p><u>For Keeping 50% mark up</u></p> <ul style="list-style-type: none"> • Need to maintain profit margin, cannot keep same selling price for ever. • Customers may be quite willing to pay the higher price. The market may be able to carry this level of mark-up. • New price may still be below that of rival firms. • The increase in costs is £0.35, so this would mean an increase of £0.52 pence in the sales price. The selling price would rise from £22.35 to £22.87. Would customers notice this increase? • Profit would rise to £7.62 per item from £7.45 per item. <p><u>Against</u></p> <ul style="list-style-type: none"> • Passing on the increase in production cost. • Could absorb rising costs by increasing efficiency. Some areas are becoming more efficient - there seems to have been some reduction in costs in overheads. • Customers could be unhappy and go to a rival supplier. The market may be very competitive. • New price could price make firm's price higher than rivals. • The increase in costs is £0.35, so this would mean an increase of £0.52 pence in the sales price to £22.87. Would customers find this too much? • Some of the increased costs were because of the problems with the electricity supply – is it fair that customers should carry the burden of this problem? • The cutting department has been awarded a 5% wage rise but not the sewing department. This might cause dissent and a claim for a higher wage by sewing staff, thus leading to a rise in labour wages. <p><u>Decision</u></p> <p>Candidates may argue for or against continuation of a mark-up of 50%. The decision should be supported by reference to key points of their argument.</p> | (12) |

| Level | Mark | Descriptor |
|---------|--------|--|
| | 0 | A completely incorrect response. |
| Level 1 | 1-3 | Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present. |
| Level 2 | 4 - 6 | Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present. |
| Level 3 | 7 - 9 | Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and maybe non-financial information, in an appropriate format and communicates reasoned explanations |
| Level 4 | 10 -12 | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and maybe non-financial information and makes informed recommendations and decision(s). |