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SUBJECT:	<b>Accounting</b>
PAPER NUMBER:	I
DATE:	9 <sup>th</sup> May 2018
TIME:	4:00 p.m. to 7:05 p.m.

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Answer **ALL** questions in **SECTION A**.

Answer the question in **SECTION B**. **This question is compulsory.**

Answer any **TWO** questions from **SECTION C**.

You must show the working leading up to your answers.

Candidates may only use non-programmable calculators in this examination.

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### **SECTION A**

**Answer ALL questions in this section. This section carries a total of 22 marks.**

- XYZ Limited pays rent on 30<sup>th</sup> December every year. The rent paid on 31 December 2016 covered the period 1 January to 31 December 2017, while the rent paid on 31 December 2017 covered the period 1 January to 31 December 2018. In the Financial Statements for financial year ended 31 December 2017, the accountant included as a 'rent expense' the value of the rent paid on 31 December 2017, arguing that it is the actual amount paid during 2017.  
Explain whether you agree with the accountant, identifying the applicable accounting concept. (3 marks)
- Mr. Cassar owns all the shares but 1 in the company ABC Limited. During the year, Mr. Cassar took €10,000 worth of cash from ABC Limited for his own personal use. The accountant agrees with Mr. Cassar's view that since Mr. Cassar is practically the full owner of ABC Limited, there is no need to distinguish between the personal property of Mr. Cassar and that of ABC Limited.  
Explain whether you agree with the accountant, identifying the applicable accounting concept. (3 marks)
- In 2016, a company bought €100,000 worth of equipment. This equipment is being depreciated at 20% using the reducing balance method. As at 31 December 2017, the replacement cost of the equipment is €90,000.  
Would it be correct to value the machine at €90,000 in the financial statements for 31 December 2017? Explain your answer with reference to applicable financial reporting standard(s). (4 marks)
- The Return on Capital Employed (ROCE) of a supermarket is 30% while the Return on Capital Employed of a software development company is 150%.  
On this basis, is it correct to say that, since the ROCE of the software development company is higher than the ROCE of the supermarket, an investment in the software development company is more worthwhile? Discuss. (4 marks)
- Briefly comment on why existing and potential investors are considered important users of Financial Statements.
  - Identify **TWO** other users of Financial Statements, briefly describing their information needs. (4 marks)
- Explain the difference between capital and revenue reserves and give **TWO** examples of each type of reserve. (4 marks)

**(Total: 22 marks)**

**SECTION B**

**Answer Question 7 in this Section. This question is compulsory and carries 26 marks.**

7. The following Trial Balance was extracted from the books of Crown Import and Export Limited on 31 December 2017:

	€	€
Ordinary share capital (€2 per share)		4,000,000
Revaluation reserve		182,500
Share premium		250,000
10% Debentures		1,200,000
Retained earnings		750,000
Land	3,957,000	
Buildings	4,810,900	
Fixtures and fittings	798,700	
Motor vehicles	98,890	
Allowance for depreciation b/f:		
Buildings		1,657,250
Fixtures and fittings		217,600
Motor vehicles		46,350
Inventories (31 December 2016)	335,750	
Trade receivables/payables	950,000	1,200,000
Allowance for doubtful debts		51,480
Bank balances	361,040	800,000
Purchases/ Sales	601,500	1,740,000
Returns in>Returns out	48,500	24,000
Wages and salaries	98,700	
Carriage in	9,600	
Bad debts written off	9,400	
Water & electricity paid	35,700	
Insurance	5,500	
Rent receivable		10,000
Rent paid	11,000	
Proceeds on disposal of motor vehicle		3,000
	<b>12,132,180</b>	<b>12,132,180</b>

The following information is available:

- a) Inventory held at year end was valued at €450,000. This amount includes €30,000 worth of goods, which were damaged in a recent flooding. These goods cannot be salvaged and will be thrown away.
- b) A review of the outstanding bills at year end resulted as follows:
  - i) The amount paid in respect of rent represents the cash paid for 11 months of the year. There were no opening accruals or prepayments on this account and the monthly rental charge is the same every month.
  - ii) A bill with respect to water and electricity amounting to €1,430 had not yet been posted.

- c) Depreciation of non-current assets is provided as follows:
  - i) Buildings at 2% straight-line method;
  - ii) Fixtures and fittings at 15% straight-line method;
  - iii) Motor vehicles at 25% reducing balance method.
- d) During the year, Crown Import and Export Limited disposed of a motor vehicle for €3,000. The motor vehicle was acquired in 2014 at a cost of €15,000. On 26 December 2017, Crown Import and Export Limited acquired a new motor vehicle for €13,200. The policy is to provide for depreciation in full in the year of acquisition and none in the year of disposal.
- e) A review of the outstanding balances at the year-end showed that around 5% of the total receivables may not be in a position to settle their amounts due.
- f) Half of the 10% debentures were issued on 1 January 2010 and mature in 2020. The other half were issued on 1 April 2017 and mature in 2027. Interest thereon is paid in arrears on 1 January.
- g) It is company policy to carry land at fair value. At the end of the year, the market value of the land has been estimated by architects at €4,000,000.
- h) Crown Import and Export Limited also decided to carry out a valuation exercise to value its internally generated goodwill. The value of the internally generated goodwill Crown Import and Export Limited accumulated over the years amounts to €2,000,000.
- i) During 2017, Crown Import and Export Limited decided to make a bonus issue of 1 share for every 50 held. The directors wish to maintain maximum flexibility of the company's reserves. No entries have been made to record the bonus issue.

**Required:**

- A. For the year ended 31 December 2017, prepare the following statements for Crown Import and Export Limited:
  - i) A Statement of Comprehensive Income. (14)
  - ii) A Statement of Changes in Equity. (6)
- B. Prepare a Statement of Financial Position as at 31 December 2017. (6)

**(Total: 26 marks)**

**Questions continue on next page**

**SECTION C**

**Answer any TWO questions from this Section. Each question carries 26 marks.**

8. The Regal Ladies Club has provided the following information to its accountant, regarding the financial year ended 31 December 2017:

a)

	<b>1 January 2017</b>	<b>31 December 2017</b>
	<b>€</b>	<b>€</b>
Furniture (book value)	24,200	?
Bar inventory	3,500	5,400
Subscriptions in arrears	850	1,050
Subscriptions in advance	250	650
Due to suppliers of bar goods	1,795	2,940
Life Membership Fund	8,100	?
Wages accrued	280	360
Competition prizes inventory	640	820
Electricity due	580	1,060
Administration costs due	1,400	-
Administration costs prepaid	-	480

b)

<b>Receipts</b>	<b>€</b>	<b>Payments</b>	<b>€</b>
Balance 1 January 2017	9,800	Rent	8,300
Subscriptions	26,150	Annual fees to federation	4,000
Donations	2,500	Bar purchases	10,320
Proceeds from competitions	8,200	Wages	12,800
Bar sales	48,400	Stationery and printing	3,860
Furniture disposal	1,800	Competition prizes	2,780
		Bar creditors	14,800
		Other administration expenses	8,200
		Electricity	5,800

- c) The annual subscription is €50.
- d) On 1 January 2016, the club started a life membership scheme for a once-only fee of €500. During 2016, 18 members became life members. During the year ended 31 December 2017, an additional 6 existing members opted for life membership. Life membership fees are credited to a Life Membership Fund, which was to be recognised as income over a 10-year period. The amounts received from the new life members were included in the receipts for subscriptions.
- e) Two new members who joined the club during 2017, donated a cake display valued at €2,000. The donators were given life membership. The balance was recognised as a donation received during the year. It was estimated that this piece of furniture had a remaining life of 5 years, like all the other furniture owned by the club.
- f) Eight members had not paid their subscription for the year 2016, and also failed to pay in 2017 and were written off the register.

- g) The barman worked evenings only and was paid €480 monthly. The rest of the wages were paid to a groundsman who looked after the premises.
- h) The club organises High Tea evenings every month. During this activity, competitions between members and guests are held for best presentations, most often consisting of cakes and other food items. These are then sold to confectioners and the proceeds are retained by the club. €2,800 of bar purchases were used for these High Tea evenings.
- i) Furniture with a book value of €3,200 had become too dilapidated and was disposed of for €1,800.
- j) Other administration expenses, rent and electricity costs are shared between the bar and the club in the ratio of 2:3. All other expenses are to be borne by the club.

**Required:**

- A. Calculate the Accumulated Fund of the Regal Ladies Club on 1 January 2017. (2)
- B. Prepare the Subscriptions Account, the Life Membership Fund, and the Bar Trading Account for the year ended 31 December 2017. (10)
- C. Prepare the Income and Expenditure Account and the Statement of Financial Position for 2017. (10)
- D. Explain the accounting rationale underlying the treatment of life membership fees. (4)

**(Total: 26 marks)**

***Questions continue on next page***

9. Regency Enterprises Ltd extracted the following data from its final accounts for the year ended 31 March 2018:

<b><u>Statement of Financial Position</u></b>	<b>2018</b>	<b>2017</b>
	<b>€000s</b>	<b>€000s</b>
<b>Non-Current Assets</b>		
Property, plant and equipment, at cost	28,900	21,300
Depreciation allowance	<u>(11,200)</u>	<u>(8,100)</u>
	<b>17,700</b>	<b>13,200</b>
<b>Current Assets</b>		
Inventories	73,100	56,800
Trade receivables	52,900	42,300
Cash at bank	<u>2,900</u>	<u>5,000</u>
	<b>128,900</b>	<b>104,100</b>
<b>Total Assets</b>	<b>146,600</b>	<b>117,300</b>
<b>Equity</b>		
Ordinary share capital (Nominal value of €0.50 per share)	70,000	65,000
Retained earnings	<u>12,600</u>	<u>14,600</u>
	<b>82,600</b>	<b>79,600</b>
<b>Non-Current Liabilities</b>		
Bank loans	<b>17,500</b>	<b>12,500</b>
<b>Current Liabilities</b>		
Trade payables	25,300	11,800
Other payables	14,100	10,300
Income tax	900	800
Bank overdraft	<u>6,200</u>	<u>2,300</u>
	<b>46,500</b>	<b>25,200</b>
<b>Total Equity and Liabilities</b>	<b>146,600</b>	<b>117,300</b>
<b><u>Statement of Profit or Loss</u></b>		
	<b>2018</b>	<b>2017</b>
	<b>€000s</b>	<b>€000s</b>
Sales	134,500	128,500
Cost of sales	<u>(101,500)</u>	<u>(98,400)</u>
<b>Gross Profit</b>	<b>33,000</b>	<b>30,100</b>
Administration expenses	(17,400)	(16,700)
Selling & distribution expenses	<u>(9,900)</u>	<u>(10,200)</u>
<b>Operating Profit</b>	<b>5,700</b>	<b>3,200</b>
Interest charges	<u>(1,000)</u>	<u>(900)</u>
<b>Profit before taxation</b>	<b>4,700</b>	<b>2,300</b>
Income tax expense	<u>(1,700)</u>	<u>(900)</u>
<b>Profit for the year</b>	<b>3,000</b>	<b>1,400</b>

Other information:

- a) Inventory on 1 April 2016 was valued at €62,200.
- b) All purchases and sales transactions were on credit.
- c) On 1 April 2017, Regency Enterprises Ltd utilised retained earnings to make a bonus issue of shares. There were no other issues of shares.

**Required:**

- A. Calculate the following ratios of Regency Enterprises Ltd for the financial years ended 31 March 2017 and 2018:
- Return on Capital Employed;
  - Earnings per share;
  - Inventory turnover;
  - Trade receivables collection period;
  - Trade payables payment period;
  - Current ratio;
  - Liquid (acid test) ratio;
  - Interest cover. (16)
- B. Using the ratios computed in (A), write a short report on:
- The profitability of the company from the point of view of the shareholders; and
  - The liquidity position of Regency Enterprises Ltd, suggesting what measures may be taken to improve it if you think this is necessary. (10)

**(Total: 26 marks)**

10. The following is the trial balance of Crown Manufacturing Ltd for the year ended 31 December 2017:

	€	€
Inventory: Raw materials	14,000	
Finished goods	25,300	
Work-in-progress	12,300	
Provision for unrealised profit		2,300
Purchases raw materials	64,556	
Factory wages	106,000	
Sales		435,000
Light and power	12,100	
Machinery repairs and maintenance	11,400	
Vehicles running costs	9,600	
Returns in>Returns out	7,300	5,800
Discounts allowed/Discounts received	8,800	6,500
Rent	38,400	
Other administration costs	19,300	
Other selling and distribution costs	18,500	
Administrative and sales staff salaries	14,800	
Machinery cost/Machinery depreciation	114,000	43,400
Motor vehicles cost/Motor vehicles depreciation	68,000	25,400
Shop fittings cost/Shop fittings depreciation	44,000	8,600
Loose tools	5,300	
Trade receivables/Trade payables	15,644	5,300
Share capital (€1 nominal value per share)		50,000
Share premium		10,000
General reserve		16,000
Retained profits		4,000
Bank	3,000	
	<b>612,300</b>	<b>612,300</b>

**Question continues on next page**

Additional information:

a) Inventories on 31 December 2017:

	€
Raw Materials	21,200
Finished goods	35,420
Work-in-progress	8,450

b) Accrued expenses on 31 December 2017:

	€
Light and power	1,900
Rent	2,700
Administration costs	1,800

- c) Selling and distribution costs include €2,800 which was used to buy loose tools. On 31 December 2017, loose tools were valued at €6,200.
- d) 80% of factory wages are to be considered as a direct cost, and the rest as factory overheads.
- e) Rent, light and power are to be apportioned in the ratio of 3:2 between factory overheads and administration.
- f) It is estimated that 60% of motor vehicles' running costs, including motor vehicles' depreciation, were used for transporting raw materials from suppliers. The remaining 40% relate to delivery of goods to customers.
- g) Depreciation is provided on the original cost of machinery and shop fittings, at 15% and 10%, respectively. Motor vehicles are depreciated at 40% of net book value.
- h) Finished goods are transferred to trading at cost plus 10%.
- i) The directors propose a dividend of €0.25 per share; and transferred €8,000 to the General Reserve.

**Required:**

- A. Prepare the Manufacturing Account of Crown Manufacturing Ltd for the year ended 31 December 2017, showing clearly the prime cost, cost of goods produced and the value of finished goods transferred to cost of sales. (8)
- B. Show the Provision for Unrealized Profit Account for the year. (2)
- C. Prepare the Statement of Profit and Loss and the Statement of Financial Position for the year ended 31 December 2017. (12)
- D. Give **TWO** reasons why manufacturing concerns may choose to value finished goods at cost plus profit. (4)

**(Total: 26 marks)**



11. EJ Piccino is a sole trader in general merchandise who maintains manual accounting records. He attempted to prepare his own trial balance as at 31 December 2017, as shown below. He realised that there was something wrong, and asks you to go over his accounts and make the necessary corrections.

	€	€
Capital		150,000
Drawings		12,400
Loan	50,000	
Bank	12,600	
Equipment at cost	142,000	
Motor vehicles at cost	92,000	
Equipment depreciation allowance		32,400
Motor vehicles depreciation allowance		18,900
Sales		343,460
Purchases	223,050	
Carriage in	1,450	
Carriage out		2,300
Returns	8,000	
Advertising	3,180	
Salaries and wages	30,700	
Rent	12,000	
Loan interest		1,600
Water and electricity	11,200	
Bad debts	3,593	
Trade receivables		38,150
Trade payables	25,600	
Inventory on 1 January 2017	56,800	
Allowance for bad debts		1,163
	<b>672,173</b>	<b>600,373</b>

After examining the day books and ledgers, you identify the following errors:

- The bank balance at the end of the year was overdrawn, and the loan interest balance represents the amount of interest paid during the year on the loan of €50,000.
- The balance shown as 'Returns' is a simple addition of the totals of returns in and returns out. You ascertain that returns out amounted to €3,200.
- The purchases figure included the purchase of a furniture item, costing €260, which was for the owner's private residence, and another purchase of equipment for the business costing €1,800.
- A page in the sales daybook, totalling €4,600, was completely overlooked and not even posted in the sales ledger; while another page was overcast by €2,100.
- A receipt of €250 from a customer, whose balance had previously been written off as a bad debt, was debited to bank and credited to the customer's account.
- A cheque of €3,500 paid to a credit supplier was posted to purchases.

**Question continues on next page**

**Required:**

- A. Adjust the debit and credit balances on EJ Piccino's trial balance as at 31 December 2017, and transfer any difference to a Suspense Account. (6)
- B. Prepare journal entries to adjust the errors (c) to (f) and show the entries in the Suspense Account. (7)
- C. EJ Piccino did not carry out a stock take on 31 December 2017. Estimate the value of his closing inventory, assuming that goods were sold at a constant mark-up of 40%. (10)
- D. Give reasons why certain errors affect the Trial Balance while others have no effect whatsoever, using examples of errors discovered in EJ Piccino's books. (3)

**(Total: 26 marks)**




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Answer **ALL** questions in **SECTION A**.

Answer any **THREE** questions from **SECTION B**.

You must show the working leading up to your answers.

Candidates may only use non-programmable calculators in this examination.

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### **SECTION A**

**Answer ALL questions in this section. This section carries a total of 22 marks.**

1. What is the purpose of standard costing? (3 marks)
2. Describe the term 'flexible budgeting' and explain **ONE** of its purposes. (3 marks)
3. Marginal costing and absorption costing are two different approaches to dealing with fixed production overheads.  
Give **ONE** advantage and **ONE** disadvantage for **EACH** approach. (4 marks)
4. Mention and discuss **TWO** benefits of using variance analysis. (4 marks)
5. a) State **TWO** differences between job costing and process costing.  
b) Mention **TWO** industries that use job costing and **TWO** industries that use process costing. (4 marks)
6. Explain the difference between normal loss and abnormal loss in process costing, indicating clearly how each loss arises and how each is treated in respect of costing the product. (4 marks)

**(Total: 22 marks)**

***Questions continue on next page***

**SECTION B**

**Answer any THREE questions from this Section. Each question carries 26 marks.**

7. Amy Borg is a fashion enthusiast and she is considering starting her own business as a tailor as of May 2019. Before embarking on this venture, Amy appointed you to assist her by providing her with projections on the cash requirements based on the following information:

- a) In April 2019, Amy plans to invest €10,000 from her personal savings in a business bank account.
- b) Amy will be selling dresses to both retail outlets and individual customers. 60% of the sales will be to retail outlets. Half of the sales revenue from the retail outlets is expected to be received during the month the dresses are sold, whilst the remaining 50% will be received in 2 months' time. Individual customers are expected to pay cash and will benefit from a 5% cash discount.
- c) Monthly sales in number of dresses have been forecasted as follows:

	<b>May 2019</b>	<b>June 2019</b>	<b>July 2019</b>	<b>August 2019</b>
<b>No. of dresses</b>	30	60	80	90

- d) Amy estimates that she will require 3 m<sup>2</sup> of material per dress, costing €20 per m<sup>2</sup>, and various items of haberdashery costing €5 per dress. She aims to generate a gross profit mark-up of 40%, assuming that material and haberdashery are the only costs of production.
- e) At the beginning of May, Amy will request delivery of sufficient material and haberdashery to be able work on the May orders and half of the following month`s orders. At the end of each month, she plans to have sufficient stock to cover 50% of the following month`s orders. 30% of the purchases is estimated to be paid on delivery, whilst the remainder is estimated to be paid during the month following the purchase.
- f) Amy plans to rent a small studio to carry out her tailoring work for €500 per month, payable quarterly in advance as from 1 May 2019.
- g) During April 2019, Amy shall invest in a high-end sewing machine costing €2,800. She plans to pay half of the cost on acquisition. The remainder will be paid in four equal instalments commencing from the month following the purchase. The useful life of the machine is estimated at 8 years, at the end of which, the machine's estimated residual value would be nil. Depreciation will be calculated on a straight line basis and will be spread equally over the life of the machine.
- h) Amy's website shall be ready in June 2019, when the cost of €1,200 becomes payable. She is also considering T.V. advertising. The package most relevant to her business consists of 8 adverts spread over an 8-week period for a total cost of €2,000. 40% of the cost has to be paid on initial booking (contract to be signed in May 2019). The remainder has to be paid when the adverts start being aired, that is, from the first week of July 2019.

**Required:**

- A. Prepare a monthly cash budget for the **THREE** months ending 31 July 2019. (17)
- B. Prepare an extract from the budgeted Statement of Financial Position as at 31 July 2019, showing only the current assets and current liabilities. (4)
- C. Briefly explain the difference between profitability and the cash position of a business. (5)
- (Total: 26 marks)**

8. Ominar Limited is a company manufacturing a popular medicinal product, namely, the Ranimo. The management is reviewing the inventory systems in place for the main raw material used in the manufacture of Ranimo, that is, the IMO.

As at 1 March 2018, the inventory of material IMO stood at 13,000 kgs costing €9,360. The inventory movements during the month ended 31 March 2018 were as follows:

Purchases	Material IMO	
	kgs	Cost - €
5 <sup>th</sup> March	35,100	26,325
12 <sup>th</sup> March	16,000	11,840
24 <sup>th</sup> March	11,500	8,835

Issues	Material IMO
	kgs
3 <sup>rd</sup> March	10,000
7 <sup>th</sup> March	13,500
16 <sup>th</sup> March	15,200
20 <sup>th</sup> March	12,100
27 <sup>th</sup> March	10,900

The following additional information is available:

	Material IMO
Annual usage	800,000 kgs
Maximum usage per day	2,200 kgs
Minimum usage per day	1,800 kgs
Lead time	2-4 days
Cost of placing an order	€625
Holding cost per kg per annum	€10

**Required:**

- A. Calculate the inventory value of IMO as at 31 March 2018, using the following methods of valuation:
- First In First Out (FIFO);
  - Weighted Average Cost (AVCO). (10)
- B. Calculate the following for material IMO:
- The economic order quantity;
  - Re-order level;
  - Maximum inventory level;
  - Minimum inventory level. (12)
- C. Why is it important to control inventory levels? (4)
- The inventory value per kg is to be calculated to the nearest 2 decimal places.

**(Total: 26 marks)**

9. Student organisations at the University have teamed up to organise an event to celebrate graduation. The profit made on the event will be donated to a local charity. The students will be charged an entrance fee of €75. The number of students expected to attend is 500. The estimated costs for holding the event are as follows:

	<b>€</b>
Food and beverage cost per student	40
Hire of venue	1,500
Cleaning and venue preparation	900
Advertising	750
Insurance	850
Identification tag per student	5
Equipment hire	1,200
Entertainment costs	600
Security costs	800

**Required:**

- A. Prepare a schedule showing the costs that would be incurred, clearly distinguishing between variable and fixed costs; and calculate the contribution per student and the total expected profit from the event. (4)
- B. Calculate the minimum number of students that should attend in order to break-even, and calculate the margin of safety in terms of number of students. (3)
- C. Instead of parking facilities at €3 per vehicle payable directly by the drivers at the entrance, the venue providers are offering a shuttle service at a cost of €3,000, provided that the shuttle service is used by all students attending the event. Calculate the minimum number of students that would need to attend the event in order to break-even, if the shuttle service offer is accepted. (3)
- D. As an accountancy student, you have been approached by the student organisations for advice regarding three different scenarios being considered. Assuming that the shuttle service offer is accepted for safety reasons, you are required to calculate, for each scenario below, the break-even point and the profit that would be donated to the local charity.
- i) Increase the entrance fee to €100. The number of students attending is expected to decrease to 400.
  - ii) Decrease the entrance fee to €60. The number of students attending is expected to increase to 800.
  - iii) Engage the services of a renowned band at a cost of €1,500. The number of students attending is expected to increase to 650. (12)
- E. Describe **TWO** limitations one must be aware of when using break-even analysis. (4)

**(Total: 26 marks)**

10. A local company is involved in the building of lifters tailored to customer needs. There are three departments involved, namely Assembly, Painting and Finishing. The following tables set out the budgeted and actual information for the quarter ended 31 March 2018.

Budget information:

Departments	Labour hours	Machine hours	Overheads
			€
Assembly	10,850	28,620	100,170
Painting	2,630	-	36,820
Finishing	7,120	3,260	64,080

Actual results:

Departments	Labour hours	Machine hours	Overheads
			€
Assembly	10,430	29,320	101,240
Painting	2,760	-	33,320
Finishing	7,290	3,035	67,620

The following information relates to Job Number 522, which was produced and sold in January 2018:

Departments	Material Cost	Labour Cost	Labour hours	Machine hours
	€	€		
Assembly	6,920	5,826	580	980
Painting	2,752	1,316	126	-
Finishing	5,112	2,974	310	285

Selling prices are determined by adding a 50% mark-up on production cost.

**Required:**

- Calculate the most appropriate overhead recovery rate for each department. (9)
- Explain why you consider the overhead recovery rates identified in (A) as the most appropriate. (3)
- Calculate the amount of over/under absorbed overheads for each production department during the quarter ended 31 March 2018. (6)
- Calculate the selling price of Job Number 522. (8)

**(Total: 26 marks)**

*Questions continue on next page*

11. A company operates a factory involved in the manufacture of two products, namely Product A and Product B. The factory is facing difficulties following lower production levels experienced in its production patterns. The board of directors are proposing the introduction of an incentive scheme. They have approached you as the company's cost accountant to put forward suggestions.

You have gathered the following information. The standard time allowed per unit of product is: 6 minutes for Product A; and 9 minutes for Product B.

The following information is available about three of the company's employees:

	<b>Maria</b>	<b>Ronald</b>	<b>Erica</b>
Units produced - A (units)	160	148	200
- B (units)	130	132	184
Actual hours of work (hours)	40	38	40
Rate of pay per hour (€)	5.00	7.50	8.50

For piecework calculations, the rate per minute is calculated at €0.10.

**Required:**

- A. Calculate the remuneration for each employee using the following methods of labour remuneration:
- i) Hourly rate (Basic salary); (3)
  - ii) Piecework (Flat Piece rate system); (3)
  - iii) Piecework with the remuneration guaranteed at 75% of the basic salary if the employee fails this guaranteed amount; (6)
  - iv) Individual bonus, whereby the employee is paid 50% of the hourly rate for each hour saved, in addition to the hourly pay. (10)
- B. Briefly comment on the advantages and disadvantages associated with the above methods of labour remuneration as possible incentives to increase production levels. (4)