For Examiner's Use

1 The following balances were extracted from Aurora's accounts at 31 March 2007.

	$000
Sales	3 200
Purchases of raw materials	450
Purchases returns	18
Carriage inwards	10
Direct labour	400
Direct overheads	60
Rent	40
Electricity	30
Insurance	55
Factory supervision salaries	65
Office salaries	70
Indirect factory wages	13
Factory cleaning	50
Office cleaning	50
Stocks at 1 April 2006:	
Raw materials	110
Work in progress	55
Finished goods	80
Factory machinery at cost	640
Provision for depreciation on factory machinery	280

Additional information at 31 March 2007:

	$000
Rent prepaid	5
Electricity accrued	15
Insurance prepaid	10
Stocks – Raw materials	140
Work in progress	75
Finished goods	170

Depreciation on factory machinery is to be provided at 25 % per annum reducing balance.

Rent, electricity and insurance are apportioned on the basis of 80 % to factory and 20 % to office.

Finished goods are transferred to the trading account at total factory cost plus one third.

For Examiner's Use

REQUIRED

(a) Prepare Aurora's manufacturing account for the year ended 31 March 2007.

[24]

For Examiner's Use

(b) Prepare Aurora's trading account for the year ended 31 March 2007.

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2 Archie Pelago buys and sells a single product. His first three months of trading showed the following purchases and sales.

2005	Purchases	Sales
February	300 @ $25	150 @ $35
March	120 @ $27	210 @ $38
April	240 @ $29	205 @ $41

For the following requirements either perpetual **or** periodic inventory may be used. Calculations should be taken to a maximum of **two** decimal places.

REQUIRED

(a) Calculate Archie's closing stock at 30 April 2005 using the FIFO (first in first out) method of stock valuation.

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(b) Calculate Archie's closing stock at 30 April 2005 using the LIFO (last in first out) method of stock valuation.

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(c) Calculate Archie's closing stock at 30 April 2005 using the AVCO (weighted average cost) method of stock valuation.

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For Examiner's Use

(d) Calculate Archie's gross profit using **each** of the above methods of stock valuation.

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Archie Pelago's balance sheets at 30 April 2006 and 2007 were as follows:

	30 April 2006			**30 April 2007**		
	$	$	$	$	$	$
Fixed assets						
(Net book value)						
Premises			100 000			100 000
Equipment			75 000			56 500
			175 000			156 500
Current assets						
Stock	7 500			6 800		
Debtors	10 800			8 900		
Bank	2 000			-		
Cash	400	20 700		400	16 100	
Current liabilities						
Creditors	6 200			7 300		
Bank	-			1 200		
		6 200			8 500	
Net current assets			14 500			7 600
			189 500			164 100
Capital at 1 May 2006			120 000			189 500
Net profit (loss)			83 500			(11 400)
			203 500			178 100
Less drawings			14 000			14 000
			189 500			164 100

REQUIRED

(e) For each year, calculate to a maximum of **two** decimal places:

(i) the current ratio;

(ii) the liquid ratio.

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For Examiner's Use

(f) From your calculations in **(e)** and the balance sheets given in the question discuss **briefly** Archie's financial status on 30 April 2007 compared to 30 April 2006.

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For Examiner's Use

3 Fernando manufactures 3 types of refrigerator for Household, Business and Factory use. The following data apply to the year ended 30 April 2007.

	Household	Business	Factory	Total
Sales (units)	2 400	900	2 250	5 550
	$	$	$	$
Total sales value	240 000	108 000	360 000	708 000
Total costs				
Direct material	96 000	45 000	112 500	253 500
Direct labour	72 000	28 800	94 500	195 300
Variable overheads	24 000	13 500	45 000	82 500
Fixed overheads	57 600	27 000	67 500	152 100
	249 600	114 300	319 500	683 400
Profit (loss)	(9 600)	(6 300)	40 500	24 600

REQUIRED

(a) For the year ended 30 April 2007 calculate for **each** type of refrigerator:

(i) the contribution per unit;

(ii) the contribution as a percentage of sales.

Give answers to a maximum of **two** decimal places. Workings **must** be shown.

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For Examiner's Use

(b) Calculate the break-even point for **each** type of refrigerator in both **units** and **dollars**. Give your answers to the nearest whole number. Workings **must** be shown.

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(c) The table at the beginning of the question shows that both the Household and the Business models appear to be making a loss. Explain why Fernando should **not** cease production of these two types of refrigerator.

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