

5 The following information was provided by G Limited, a manufacturing company, for the year ended 31 March 2024.

	\$
Purchases:	
Raw materials	68 000
Finished goods	32413
Wages:	
Factory operatives	183700
Factory supervisors	47200
Administration salaries	34925
Factory machinery at cost	247000
Provision for depreciation of factory machinery	51500
Factory general expenses	20250
Rates & insurance	7100
Administration expenses	5470
Carriage on purchases of finished goods	2180
Royalties	3240

	1 April 2023 \$	31 March 2024 \$
Inventory:		
Raw materials	18200	19280
Work in progress	23400	22650
Finished goods	6820	9350

### Additional information

- 1 Factory machinery is to be depreciated at 15% per annum using the reducing balance method.
- 2 On 31 March 2024 rates, \$620, were owing.
- 3 Rates and insurance are to be apportioned 60% to the factory and 40% to the office.



### **REQUIRED**

(a) Prepare the manufacturing account for the year ended 31 March 2024.

## G Limited Manufacturing account for the year ended 31 March 2024

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\$	\$



G Limited apply a standard rate of mark-up of 35%.

### **REQUIRED:**

(b) Prepare the trading section of the income statement of G Limited for the year ended 31 March 2024.

## **G** Limited Income Statement (Trading section) for the year ended 31 March 2024

\$	\$

[5]



G Limited make all sales on credit and have supplied the following information:

Trade receivables turnover	Irrecoverable debts
(days)	\$
38	32060
29	19200
	38

21

The directors of G Limited are worried about the level of debts from credit customers and are considering employing a consultant to review their credit control policy and implement any changes. They would provide training to the existing staff in the new procedures.

The consultant would charge a fee of \$14000 for their services.

#### **REQUIRED:**

(c)	Advise G Limited whether to employ the consultant to review their credit control policy. Justify your answer with <b>two</b> advantages and <b>two</b> disadvantages.
	[5]

[Total: 20]



# Cambridge IGCSE – Mark Scheme **PUBLISHED**

Question		Answer				Marks
5(a)	G Limited					
	Manufacturing accour	nt for the year	enaea 31	March 2024		
		\$		\$		
	Cost of materials consumed	Ψ		Ψ		
	Opening inventory of raw materials			18 200		
	Purchases of raw materials			68 000		
				86 200	-	
	Less Closing inventory of raw materials			19 280		
	-			66 920	(1)	
	Direct wages			183 700	(1)	
	Royalties			3 240	(1)	
	Prime cost			253 860	(1 <b>)</b> OF	
	Factory overheads					
	Wages of factory supervisor	47 200	<b>}(1)</b>			
	Factory general expenses	20 250	}			
	Factory rates and insurance					
	(7 100 + 620) × 60%	4 632	(1)			
	Depreciation of factory machinery					
	(247 000 – 51 500) × 15%	29 325	(1)	101 407	_	
				355 267	(1)OF	
	Add Opening work in progress			23 400	* -	
				378 667		
	Less Closing work in progress				* (1) both W in P	
	Cost of production			356 017	(1)OF	

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Question		Answer					Marks
5(b)		G Limited					
( )	Income Statement (Trading se	ection) for the yea	ar ended 31 Ma	arch 2024	ļ		
	,	\$	\$		\$		
	Revenue				523 908	(1)OF	
	Less Cost of sales						
	Opening inventory finished goods		6 820				
	Cost of production		356 017	(1)OF			
	Purchases of finished goods	32 413 <b>} (1)</b>					
	Carriage inwards on finished goods	2 180 }	34 593	_			
			397 430			<i></i>	
	Less Closing inventory of finished goods		9 350	=	388 080		
	Gross Profit			•	135 828	(1)OF	
	Better trained staff Improved debt collection period/reduce trade receivables quickly/improved cash flow Improved credit control Risk of irrecoverable debts reduced Only have to pay fee once but benefits should continue Accept other valid points Max 2	turnover/money	received from	credit cu	stomers mo	re	
	Disadvantages Fee charged by consultant/cannot afford the fee May damage relationship with customers May be reduction in sales New procedures are not guaranteed to generate improve No time to train staff Additional costs may be incurred Accept other valid points Max 2	ements					