MATRICULATION AND SECONDARY EDUCATION CERTIFICATE
EXAMINATIONS BOARD

ADVANCED MATRICULATION LEVEL
2025 FIRST SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	I
DATE:	30th May 2025
TIME:	9:00 a.m. to 12:05 p.m.

This paper contains **THREE** sections. Follow the instructions below.
Section A
Answer all **FIVE** questions from this section. Each question carries 4 marks.
Section B
Answer question 6. **This question is compulsory** and carries 30 marks.
Section C
Answer any **TWO** questions from this section. Each question carries 25 marks.

You must show the working leading up to your answers.
Candidates may only use non-programmable calculators in this examination.

SECTION A

Answer all FIVE questions in this section. Each question carries 4 marks.

1. Ratio analysis is an important tool to assess the financial statements of a company.
   a) Identify **TWO** areas that can be assessed; and (1)
   b) For **each** area identified in (a), describe **THREE** ratios that can be used. (3)

2. One of the main reasons why a company is formed is because of limited liability. Describe the difference between:
   a) limited and unlimited liability; and (2)
   b) a public company and a private company. (2)

3. In the context of a not-for-profit organisation:
   a) What is the difference between a life membership fee and an annual subscription? Describe how these would be accounted for. (2)
   b) Distinguish between a donation of a capital nature and donation of a revenue nature, explaining the accounting treatment required in **each** case. (2)

4. How does an allowance for unrealised profit arise in the accounts of a manufacturing concern? Give **TWO** instances of why and how a manufacturing concern uses an allowance for unrealised profit. (4)

5. With reference to the IASB's Conceptual Framework:
   a) Describe the **TWO** fundamental qualitative characteristics that financial information should have so that the financial statements satisfy the objective of decision-making. (3)
   b) Describe **ONE** enhancing qualitative characteristic. (1)

(Total: 20 marks)

Please turn the page.

SECTION B
Answer Question 6 in this section. This question is compulsory and carries 30 marks.

6. Sofsy plc extracted the following balances from its books on 31 March 2025:

	€	€
Ordinary Share Capital (€0.50 nominal value per share)		400,000
Share premium		180,000
Retained earnings		75,000
5% Debentures		100,000
Sales		1,800,000
Purchases	850,000	
Return in/Returns out	13,600	8,900
Carriage in	18,600	
Carriage out	24,400	
Discounts allowed/ Received	62,000	41,000
Debenture interest paid	2,500	
Dividends paid	6,000	
Wages and salaries	185,000	
Bad debts	18,200	
Allowance for expected credit losses		3,400
Proceeds from disposal		220,000
Directors' remuneration	32,000	
Trade receivables/Trade payables	56,000	81,700
Administration expenses	120,000	
Selling and distribution expenses	73,400	
Advertising	28,200	
Electricity	31,500	
Computer consumables	13,100	
Inventories	54,200	
Bank		23,700
Cash	15,000	
Premises at cost/Depreciation Allowance	1,200,000	120,000
Motor Vehicles at cost/ Depreciation Allowance	130,000	75,000
Office Equipment at cost/Depreciation Allowance	280,000	85,000
	3,213,700	**3,213,700**

Further information:

a) During the year a bonus issue was made on a 2 for 5 basis using the share premium account. No adjustments for this bonus issue had been made by 31 March 2025.

b) Closing inventories consisted of two categories of goods, Metz and Getz, which have been valued as below:

	Metz	**Getz**
	€	**€**
At cost	34,200	16,800
At net realisable value	42,500	12,300

c) Goods on a sale-or-return basis were included in sales and trade receivables at their selling price €8,200. The company has, as yet, not been informed by its customer whether these goods have been sold. Selling prices are set at a markup of 25%.

d) The Proceeds from disposal in the Trial Balance relates to the amount received from the disposal of a warehouse, which had originally cost €150,000 and had accumulated depreciation of €25,000 as at date of disposal. Except for the corresponding entry in the bank account to record the funds received, no other entries were made in the books regarding this disposal.

e) After the disposal of the warehouse, the directors decided to revalue the premises to €1,500,000, based on a professional valuation. The required entries in the accounts were not made.

f) The figure for administration expenses includes an amount of €18,000 for repairs incurred during a fire which caused damage to one of the company's offices. The insurance company have notified the directors that they will pay only €12,000, which amount was to be settled after 31 March 2025.

g) Allowance for depreciation is to be made as follows:

Motor vehicles	40% on net book value
Office equipment	20% on cost
Premises	5% on valuation

h) On 31 March 2025, €8,600 of wages and salaries, €14,500 selling and distribution expenses and audit fees amounting to €18,500 were still due but unpaid.

i) The directors had received only half of their remuneration for the financial year.

j) The directors decided to transfer €80,000 to a general reserve and will also be proposing a final dividend of €0.05 per share.

k) The debentures were issued on 1 June 2024.

l) An analysis of the trade receivables did not identify any expected credit losses.

Required:
For the period ended 31 March 2025, prepare for Sofsy plc:

A. The Statement of Profit or Loss; (15)
B. The Statement of Changes in Equity; and (4)
C. The Statement of Financial Position. (11)

(Total: 30 marks)

Please turn the page.

SECTION C

Answer any TWO questions from this section. Each question carries 25 marks.

7. On 1 January 2024, Peter Vito acquired a going concern with these agreed valuations:

	€
Goodwill	50,000
Premises	230,000
Equipment	57,200
Inventories	12,500
Trade receivables	2,500
Trade payables	4,200

It was agreed that Vito was to settle only 50% of the total sum owed to the former owner on 1 January 2024; with the rest to be paid in equal instalments over the next five years at no interest. Vito took a bank loan of €50,000 at an interest rate of 6%, and paid the remaining balance from his personal savings. He also used another €26,000 from his personal savings to open a new bank current account for his business.

As he was new to entrepreneurship, Vito did not manage to keep proper records of his business activities. Nevertheless he succeeded in keeping most invoices regarding sales but, where running costs were concerned, details could only be obtained from his bank records which showed the following:

	€
Payments:	
General expenses	22,300
Wages	56,700
New computers	15,600
Insurance	8,700
Electricity	12,300
Motor vehicle deposit	12,000
Motor vehicle running costs	4,200
Receipts:	
Trade receivables	675,200

Other information about Vito:

a) Peter Vito had a closing bank balance of €7,920 (debit).

b) He made a uniform profit mark up of 25%.

c) All receipts from sales were banked except for €160 a week which he kept for personal needs and €80 weekly to pay the cleaner; as well as €10 monthly as a contribution to the local parish. Vito maintained operations for 52 weeks during the year.

d) Vito kept strict records on his credit sales and trade debtors. On 31 December 2024, his credit customers owed him €5,300. This does not includes a balance of €3,900 which Vito is pretty certain that it will not be paid as the customer was bankrupt.

e) The same could not be said for his trade payables and he could not accurately calculate the amount paid to them. From statements received, he deduces that on 31 December 2024, he owed his suppliers €8,900.

f) Vito also failed to maintain a proper record of drawings from the bank account.

g) To encourage prompt payment Vito has allowed discounts totalling €8,600 to his customers. At the same time, he benefitted from €12,250 of discounts received.

h) A bill for electricity, €480 was still owing on 31 December 2024, while the amount paid for insurance covered the fifteen months to 31 March 2025.

i) Only the down payment has been paid for the motor vehicle which had cost €32,000. The rest falls due in two equal instalments after 31 December 2024.

j) Vito made the following estimates for his closing balances:

	€
Goodwill	Nil
Premises	210,500
Equipment (including computers)	55,900
Motor vehicle	25,600
Inventory	8,450

Required:
For the twelve months ended 31 December 2024, for Peter Vito:

A. Calculate his purchases and total drawings; (5)
B. Prepare his Statement of Profit or Loss; and (11)
C. Prepare his Statement of Financial Position. (9)

(Total: 25 marks)

8. The following are the statements of financial position for 365 plc as at 31 December 2024 and 2023, respectively:

Statement of Financial Position as at	31 December 2024		31 December 2023	
	€	€	€	€
Non-Current Assets				
Land and Buildings		8,100,000		7,426,000
Plant and Equipment		714,264		962,190
Motor Vehicles		614,400		768,000
Goodwill		270,000		300,000
		9,698,664		9,456,190
Current Assets				
Inventories	540,000		80,000	
Trade Receivables	121,500		18,000	
Cash and Cash Equivalents	1,690,295		1,707,165	
		2,351,795		1,805,165
TOTAL ASSETS		12,050,459		11,261,355
EQUITY AND LIABILITIES				
Ordinary share capital		5,400,000		4,000,000
Share Premium		1,670,000		1,295,000
Revaluation Reserve		2,189,000		1,089,000
General Reserve		1,145,350		1,145,350
Retained Earnings		1,000,359		2,067,250
		11,404,709		9,596,600
Non-Current Liabilities				
Debentures		500,000		--
Current Liabilities				
Debentures	--		1,500,000	
Trade payables	135,750		108,505	
Debenture Interest Payable	10,000		56,250	
Total Current Liabilities		145,750		1,664,755
TOTAL EQUITY AND LIABILITIES		12,050,459		11,261,355

The following information is available in respect of the year ended 31 December 2024:

a) The directors of 365 plc issued 2,500,000 shares of €0.40c each, the actual price per share was that of €0.55c per share. All the shares were taken up. Subsequent to this, a rights issue of 1,000,000 shares of €0.40c each were made at their nominal value.

b) The proposed dividend of €0.01 per share as at the end of 2023 was paid during 2024.

c) It is the company's policy to depreciate property, plant and equipment with a full year's depreciation in the year of acquisition and none in the year of disposal.

d) On 31 December 2023, Land and Buildings consisted of €5,000,000 for the land and €2,426,000 for the buildings. On 31 December 2024, these were revalued to land €6,100,000 and buildings €2,000,000. There were no additions of land and buildings during the year, however, a building acquired in March 2003 for €700,000 was sold for €300,000. Buildings are depreciated at 3% per annum straight line basis. There is no revaluation related to the building sold.

e) Equipment originally bought for €85,000 three years ago was disposed of for €35,000. Equipment is depreciated using a depreciation rate of 20% annually. The cost of Equipment of the 31 December 2023 was that of €1,154,628.

f) Motor vehicles are depreciated at an annual rate of 20% (Reducing Balance Method).

g) €1,500,000 debentures (bearing 3.75% interest per annum) matured and were redeemed on 1 January 2024, with the interest being paid up to that date. These were replaced by a fresh issue of €500,000 debentures bearing 2% interest per annum.

h) Goodwill pertains to the acquisition of a company in previous years. This was reassessed at € 270,000 on 31 December 2024.

Required:

A. Prepare a Statement of Cash Flows for 365 plc for the year ended 31 December 2024. (20)

B. Outline **TWO** reasons why a cash flow statement is highly beneficial for the users of financial statements. (5)

9. Mespresso Limited is a manufacturer and distributor of high-quality environmentally friendly coffee machines. Extracts from the company's fixed asset register as on 1 May 2024 are provided in Table 1 on the next page.

   The following information was made available pertaining to the year ended 30 April 2025:

a) Plant Machinery originally costing €80,000 was sold off by way of part-exchange for a new machine, for a cost of €35,000 with a trade-in allowance of €27,000. To the date of sale, the old machine had a useful lifetime as per the above schedule and had been used for 7,000 hours. The remaining machines and the new one were used for 10,000 hours during the financial year ended 2025 and had a useful life of 30,000 hours. Machines are typically used for 10,000 hours per annum.

b) The land and buildings were acquired ten years ago. Following a professional architect's valuation, land and buildings previously valued at €2,500,000, (of which € 900,000 pertained to buildings), were now revalued to €2,800,000 as at 30 April 2025. Of the revalued amount, €800,000 pertained to buildings.

c) Store equipment originally costing €5,000, with 2 years' worth of useful life left as at 30 April 2025 was rendered obsolete and had to be derecognized from the books. All the remaining store equipment was acquired less than 8 years previously.

d) During the year ended 30 April 2025, specialised IT equipment costing €120,000 was purchased.

e) During the year ended, software to track and minimise the company's coffee machine production carbon footprint was also successfully developed internally by the company with development costs amounting to €45,000.

Question continues on the next page.

Table 1

Extracts from Mespresso Limited's Fixed Asset Register on 1 May 2024							
Property Plant and Equipment / (Non-Current Asset)	**Cost €**	**Revalued Amount as at 01/05/2024 €**	**Accumulated Depreciation as at 01/05/2024 €**	**Net Book Value as at 01/05/2024 €**	**Depreciation Basis**	**Useful Lifetime / rate**	**Depreciation Policy**
Land & Buildings	1,700,000	2,500,000	(400,000)	2,100,000	Revaluation method and Straight Line basis	50 years (buildings)	Straight line basis for buildings taking a full year's depreciation in the year of acquisition and nil in the year of disposal
Plant Machinery	650,000	n/a	(156,000)	494,000	machine hours method	30,000 hours	Based on the estimated production for the year
Motor Vehicles	120,000	n/a	(53,836)	66,164	Reducing Balance Method	18%	Annually; a full year's depreciation in the year of acquisition and nil in the year of disposal
Store and IT Equipment	68,800	n/a	(25,800)	43,000	Straight Line Method	8 years	Straight line basis; taking a full year's depreciation in the year of acquisition and nil in the year of disposal
	2,538,800	**2,500,000**	**(635,636)**	**2,703,164**			

Required:

A. Prepare as at 30 April 2025:
   i. The Land and Buildings, the accumulated depreciation and revaluation reserve accounts; (5)
   ii. The Plant Machinery, disposal and accumulated Depreciation accounts; (8)
   iii. The Motor Vehicles and accumulated Depreciation accounts; and (3)
   iv. The Store and IT Equipment, disposal (or impairment account) and accumulated Depreciation accounts. (4)

B. Describe the accounting treatment of the internally developed carbon-footprint minimisation software, assuming it has been evidenced that it will provide economic benefits to the company. (5)

(Total: 25 marks)

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MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

ADVANCED MATRICULATION LEVEL
2025 FIRST SESSION

SUBJECT:	**Accounting**
PAPER NUMBER:	II
DATE:	30th May 2025
TIME:	4:00 p.m. to 7:05 p.m.

This paper contains **THREE** sections. Follow the instructions below.

Section A
Answer all **FIVE** questions in this section. Each question carries 4 marks.

Section B
Answer question 6. **This question is compulsory** and carries 30 marks.

Section C
Answer any **TWO** questions from this section. Each question carries 25 marks.

You must show the working leading up to your answers.
Candidates may only use non-programmable calculators in this examination.

SECTION A
Answer all FIVE questions in this section. This section carries a total of 20 marks.

1. Inventory of finished goods can be valued using either marginal costing or absorption costing principles.
   a) What is the difference between these **TWO** methods of inventory valuation? (2)
   b) Explain the effect of these two inventory valuation methods on reported profit in times when the quantity of inventory is increasing. (2)

2. Direct costs are variable costs while indirect costs are fixed.
   To what extent do you agree with this statement? Explain your answer. (4)

3. a) In the context of process costing, define normal loss and abnormal loss. (2)
   b) Describe the accounting treatment of these **TWO** types of losses. (2)

4. Since overheads cannot be directly traced to the cost unit, these costs are allocated, apportioned and absorbed.
   What do we mean by allocation, apportionment and absorption of overheads? Illustrate your answer with examples. (4)

5. IAS 2 Inventory specifies which costs can be included in the valuation of inventory.
   List **TWO** cost items that can be included in the valuation of inventory, and another **TWO** cost items that **cannot** be included. (4)

(Total: 20 marks)

Please turn the page.

SECTION B
Answer Question 6 in this section. This question is compulsory and carries 30 marks.

6. Crafted Ltd will commence its operations on 1 September 2025. Gayle Caruana is the mastermind behind Crafted Ltd which aims to deliver personalised and non-personalised 2D and 3D cards for all occasions. Crafted Ltd will start taking orders during the first week of September 2025. Being that Gayle Caruana is not an accountant by profession, she requested your assistance to present her with projections on the cash requirements of the company and has provided you with the following information:

a) Gayle will inject the sum of €10,000 in the business in the form of share capital from personal savings she holds at a local bank.

b) Crafted Ltd will be taking orders both from retail and individual customers. Gayle projects that 60% of the sales value will be derived from credit sales to retail outlets. Crafted Ltd plans to offer credit to retail outlets with half of the credit sales to be settled within one month from the sale, whilst the remaining balance is to be settled within two months from the sale. Individual customers are to benefit from a 10% discount given that they will pay by cash upon purchase.

c) Gayle made available the below forecast in relation to monthly sales in number of cards:

	September 2025	**October 2025**	**November 2025**	**December 2025**
No. of cards	120	140	200	250

d) The company targets a gross profit mark-up of 150% based on variable costs of production.

e) Crafted Ltd estimates that it will require 0.6 kg of material per card, costing €10 per kg, and art and craft supplies costing €3.20 per card.

f) The company will not hold any inventory of work in progress or finished cards.

g) During the month of September 2025, Crafted Ltd will acquire sufficient material and supplies to cover the September orders and 50% of the following month's orders. Thereafter, at the end of each month, Crafted Ltd plans to hold sufficient stock of material to cover 40% of the following month's production. Crafted Ltd has signed a contract with its suppliers which stipulates that the Company is requested to settle 20% of the total purchase amount on delivery, whilst the remaining balance is to be settled during the month following the purchase.

h) For the time-being, Gayle plans to employ Rita on a part-time basis. Rita will be on the Company's payroll as from 1 September 2025 and remuneration is agreed at €10 per card crafted. However, her employment contract stipulates that she will get a gross minimum guaranteed rate of €1,500 per month. The part-time income tax rate is 10%. No national insurance contributions are payable by Crafted Ltd because it is accounted for in Rita's full-time employment. The monthly net salary is payable by the end of each month. The tax is payable to the Commissioner for Revenue by the end of each month.

i) Gayle estimates that variable production overheads shall be incurred at €0.80 per card and fixed production overheads at €400 per month. The production overheads (both variable and fixed) are to be paid at the end of each month. Fixed production overheads do not include the depreciation charge and rent (see notes j and k).

j) Crafted Ltd shall acquire the necessary cutting equipment at the beginning of September 2025. The said equipment costs €2,000. On acquisition the Company is expected to settle half of the purchase price. The remaining balance will be settled in four equal instalments, starting from the month following the purchase. The cutting equipment is expected to have a useful life of four years with no residual value at the end of its useful life. Depreciation is to be calculated on a straight-line basis and will be spread equally over the life of the equipment.

k) The Company needs to rent a space to carry out its operations. Crafted Ltd entered into a lease contract with Rental Limited to rent a 50sqm workshop as from 1 September 2025 for a cost of €800 monthly. Rent is payable every three months in advance as from 1 September 2025. Rent is not included in fixed production overheads.

l) In September 2025, Crafted Ltd will sign an agreement with a local influencer to advertise its products on various media platforms. The agreement runs from 1 October 2025 till the end of November 2025 for a total cost of €600. 40% of the total cost must be paid on the signing of the agreement, whilst the remaining balance is to be spread equally over the months during which the service will be provided.

Required:

A. Prepare a monthly cash budget for the **THREE** months ending 30 November 2025. (16)

B. Prepare the budgeted Statement of Profit or Loss for the period ending 30 November 2025. (7)

C. Prepare the budgeted Statement of Financial Position as at 30 November 2025. (7)

(Total: 30 marks)

Please turn the page.

SECTION C
Answer any TWO questions from this section. Each question carries 25 marks.

7. Martina Cachia operates a ladies' clothing shop in Valletta. One of her employees has just finished her studies in retailing and is proposing Martina to delve into the possibilities that exist to expand her business and profits.

   Martina has provided the following information for the month of April 2025:

	€
Sales	14,880
Variable costs:	
Materials	5,952
Labour costs	2,232
Energy costs	992
Fixed costs:	
Labour costs	520
Rent and other expenses	1,122

   The average selling price per item of clothing is €30. A shop, right next door to Martina's clothing shop has just been put up for rental. Martina is considering two mutually exclusive options for this opportunity:

   Option 1: Opening a shop selling men's clothes; or
   Option 2: Opening a shop selling children's clothes.

   The forecasts for both options are as follows:

	Men's shop	Children's shop
Sales per month – number of clothing	2,200	1,800
Average selling price per item of clothing – €	25	20
Variable costs per item of clothing – €	2	1
Incremental fixed costs per month - €	2,500	1,800

   The implementation of either of the above options will have an effect on the current business operations. The effect is projected to be as follows:

a) Sales of the existing clothing shop is expected to increase as more people will be aware of the ladies' clothes shop. Sales are expected to increase by 1 clothing for every 2 men's clothing purchased (in Option 1) and by 1 clothing for every 1 kids' clothing purchased (in Option 2).

b) The existing clothing shop is likely to benefit from quantity discounts and hence material costs are expected to decrease by €1 per clothing.

Required:

A. For the existing clothing shop:
   i) Calculate the present average contribution per clothing; (2)
   ii) Calculate the profit for the month of April 2025: (2)
   iii) Calculate the break-even point in units; and (2)
   iv) Calculate the margin of safety in units for the month of April 2025. (2)

B. Under the existing operations, calculate the number of clothing required to be sold in order to earn a profit of €2,800 per month. (2)

C. Prepare a profit statement for **each** of the options being considered. (10)

D. Based on your computations in (C), advise Martina Cachia as to the type of clothing shop she should choose for the newly rented shop and briefly comment on the use of Cost-Volume-Profit Analysis for decision-making, highlighting **ONE** advantage and **ONE** limitation. (5)

(Total: 25 marks)

8. Kitchen Crafty Ltd has been in business for a number of years. It manufactures wooden kitchen utensils and gadgets in its factory in Marsa. One of its products is a wooden chopping board, made of high-quality acacia wood. Acacia cutting boards are popular among chefs and homeowners because of their durability, beauty, and water and stain resistance. This wooden board is not only used to chop fruits and vegetables but can also be used for serving cheese platters and snacks. The company manufactures these boards using traditional manual techniques.

In the first quarter of 2025, the budgeted sales were 9,000 boards and the standard cost card was as follows:

	€
Materials (2kg at €5/kg)	10.00
Labour (1.5 hours at €8/hr)	12.00
Variable overheads (1.5 hours at €4/hr)	6.00
Fixed overheads (1.5 hours at €3/hr)	4.50
Full production cost	32.50

The budgeted selling price was calculated at a mark-up of 40%.

Between January and March 2025, the following results were achieved:

- On 1 January 2025, the sales director decided to reduce the budgeted selling price by 10% after a competitor launched new chopping boards on the market. In spite of the lower price, only 8,000 chopping boards were sold.
- 18,500 kg of wood were bought at a cost of €92,130 to produce 8,000 chopping boards.
- Wages for 14,000 hours were paid for at a total cost of €116,200.
- The company incurred overhead expenditure of €88,000 (€42,000 variable and €46,000 fixed).

No inventory of raw materials, work in progress or finished goods was held at the beginning and end of the period January to March 2025.

During the end of the quarterly board meeting, the directors asked the accountant to prepare a report and explain the reasons for the resulting variances for the first three months of the year.

Required:

A. Calculate the following variances for the period January to March 2025:
   i. Sales margin price and sales margin volume variances; (4)
   ii. Material price and usage variances; (3)
   iii. Labour rate and efficiency variances; (3)
   iv. Variable production overhead expenditure and efficiency variances; and (3)
   v. Fixed production overheads expenditure and volume variances. (3)

B. Calculate the company's total budgeted and actual profit for the three-month period January to March 2025. (3)

C. Prepare a statement reconciling the budgeted profit with the actual profit, highlighting the variances which led to the difference in profit. (2)

D. Assuming you are the accountant of Kitchen Crafty Ltd, prepare a short report to the board of directors explaining the main causes of the difference between the actual and budgeted profit for the period January to March 2025. (4)

(Total: 25 marks)

Please turn the page.

9. The Ultimate Car Stop Ltd offers a range of services for car owners at its main service centre in Qormi. The car repair and maintenance business is very competitive in Malta and the company would like to ensure that clients are charged a fair price, while it is covering all the costs it incurs to provide these services.

The following information is available:

a) Number of employees and their salary

		Number of employees	**Basic Annual Salary per Employee**
Senior mechanics	Direct labour	4	€30,000
Junior mechanics	Direct labour	6	€21,000
Administration and other support staff	Indirect labour	3	€20,400
Managing director	Indirect labour	1	€45,000

b) The company operates on a forty-hour week (Monday to Friday) for 52 weeks a year. Each employee is entitled to 28 days' vacation leave in the current year and, on average, 5 days per annum are taken as sick leave. There are 9 additional paid public holidays falling on week-days in the current year.

c) In addition to the basic salary, the company pays a statutory bonus of €512 annually to each employee.

d) The company makes the following contributions:
   - 10% of the basic salary, excluding any bonuses, is paid as national insurance contribution.
   - 5% of the basic salary, excluding any bonuses, is paid to a private pension fund.
   - A private health insurance scheme is also paid by the company. The **total** annual amounts payable are as follows:

	€
Senior mechanics	€2,500
Junior mechanics	€2,900
Administration and support staff	€2,400
Managing director	€ 400

e) Total annual idle time adds up to 200 hours for all senior mechanics and 350 hours for all junior mechanics.

f) The indirect labour cost should be allocated in proportion to the number of senior and junior mechanics.

g) The company's annual overheads (besides indirect labour) are estimated at €75,000 per annum and are to be allocated equally to the senior and junior mechanics cost centres.

Required:

A. Calculate the total cost per direct labour hour for senior mechanics and junior mechanics. (14)

B. If the company's policy is to set a mark-up of 20% on all its jobs, calculate the labour hourly rates it would charge to customers for both senior and junior mechanical work. (3)

C. A car rental client has contacted the company for a quote. It requires servicing of its fleet which is expected to take 10 hours of senior mechanics' time and 25 hours of junior mechanics' time. The total charge to the client for direct material (oil, fluids, filters, etc.) to be used during the servicing is estimated at €6,200. Calculate the total amount which should be quoted to the client for this job. (3)

D. Last year, two senior mechanics and four junior mechanics resigned and had to be replaced. Describe **TWO** causes of labour turnover and give **TWO** examples of the related costs. Give **ONE** suggestion on how high labour turnover can be reduced. (5)

(Total: 25 marks)