

Please check the examination details below before entering your candidate information

Candidate surname	Other names
Centre Number	Candidate Number

Pearson Edexcel International Advanced Level

Time 3 hours

Paper reference **WAC12/01**

Accounting

International Advanced Level

PAPER 2: Corporate and Management Accounting

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **both** questions in Section A and **three** questions from Section B.
- All calculations must be shown.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Do not return the Source Booklet with the question paper.

Information

- The total mark for this paper is 200.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.
- The source material for use with Questions 1 to 6 is in the enclosed Source Booklet.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ►

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Q:1/1/1/1/1/1/1

SECTION A

Answer BOTH questions in this section.

Source material for Question 1 is on pages 2 to 5 of the Source Booklet.

- 1** (a) Calculate the value of Kwale Trucking plc after the revaluations.

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(b) Calculate the goodwill paid by KV Logistics plc for Kwale Trucking plc.

(6)

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(c) Prepare the Realisation Account in the books of Kwale Trucking plc.

(8)

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(d) Prepare the Statement of Financial Position of KV Logistics plc at 1 April 2022.

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(e) Evaluate which of the two groups of shareholders, Kwale Trucking plc or Voi Deliveries plc, has benefitted the most from the merger.

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(Total for Question 1 = 55 marks)

Source material for Question 2 is on pages 6 and 7 of the Source Booklet.

- 2 (a) Calculate the net cash flow for **each** of the five years of the project.

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(b) Calculate the payback period for the project in years and months.

(8)

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(c) Calculate the average rate of return (accounting rate of return) for the project.

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(d) Calculate the net present value for the project.

(7)

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(e) Calculate, correct to two decimal places, clearly stating the formula used, the internal rate of return.

(9)

(f) Evaluate the project for Cumbria Coal plc, using the calculations made above and any relevant non-financial factors.

(12)

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(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS



SECTION B

Answer THREE questions from this section.

Indicate which question you are answering by marking a cross in the box ☐. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☐.

If you answer Question 3 put a cross in the box ☐.

Source material for Question 3 is on pages 8 to 11 of the Source Booklet.

- 3 (a) Prepare, using the appropriate balances, ready for inclusion in the year end Statement of Profit or Loss and Other Comprehensive Income, using International Accounting Standard 1 (IAS 1) format, the:
- (i) Distribution costs section

(16)

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(ii) Administrative expenses section.

(8)

(b) Evaluate the contents and the importance of the Auditor's Report on the financial statements included in the Annual Report.

(6)

(Total for Question 3 = 30 marks)

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If you answer Question 4 put a cross in the box ☐ .

Source material for Question 4 is on page 12 of the Source Booklet.

- 4 (a) (i) Explain the following terms, giving **one** example of each.

(4)

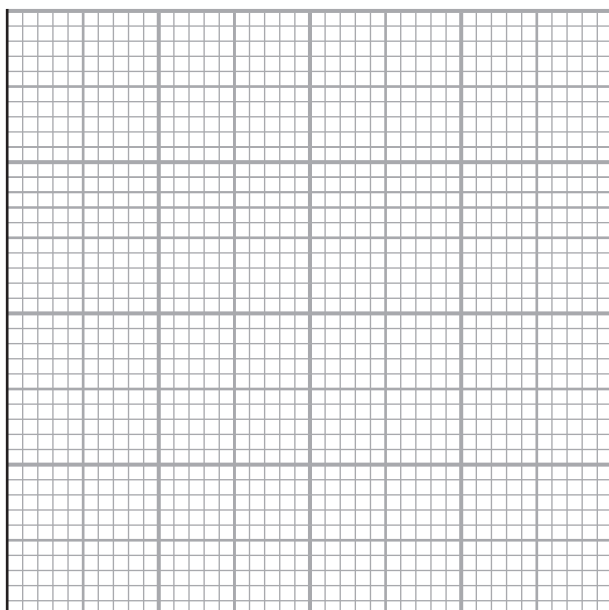
Semi-variable costs

Semi-fixed costs

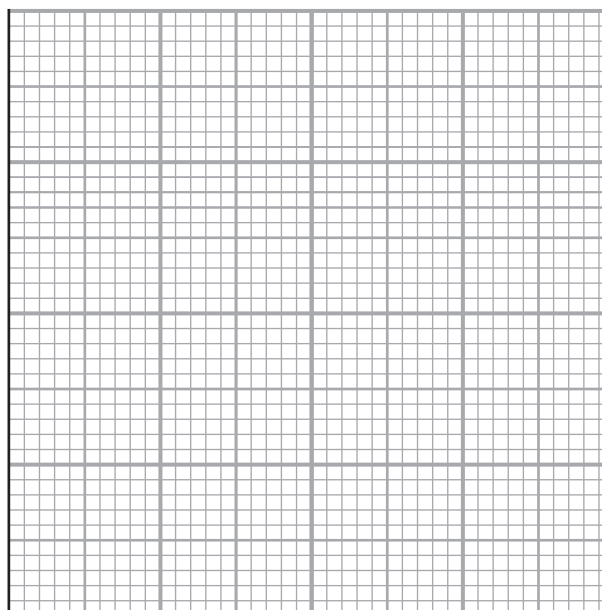
- (ii) Complete the two graphs to show how **each** cost would be drawn.

(2)

Semi-variable costs



Semi-fixed costs



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(c) Evaluate whether Voltbike Limited should value inventory using marginal costing or absorption costing.

(6)

(Total for Question 4 = 30 marks)

If you answer Question 5 put a cross in the box ☐ .

Source material for Question 5 is on pages 14 and 15 of the Source Booklet.

5 (a) Calculate the following ratios for Red Sun plc.

(i) Earnings per ordinary share

(3)

(ii) Price earnings ratio

(3)

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(iii) Dividend paid per share

(5)

(iv) Dividend cover

(3)

(v) Dividend yield

(3)

(vi) Return on capital employed.

(7)

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A member of staff comments 'I own shares in Red Sun plc, and I think that the dividend cover is the most important ratio of all the investment ratios'.

(b) Evaluate the statement made by the member of staff.

(6)

(Total for Question 5 = 30 marks)

If you answer Question 6 put a cross in the box ☐ .

Source material for Question 6 is on page 16 of the Source Booklet.

6 (a) Explain **two** purposes of standard costing.

(4)

(b) Calculate, for the factory, for Week 23, the:

(i) budgeted labour hours

(2)

(ii) actual labour hours

(2)

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(iii) budgeted labour cost

(1)

(iv) actual labour cost.

(3)

(c) Calculate the:

(i) labour efficiency variance

(4)

(ii) labour rate variance

(5)

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(iii) total labour variance.

(3)



Cronus Clocks Limited applies a policy of 'management by exception'.

- (d) Evaluate whether it is appropriate for Cronus Clocks Limited to take any action concerning the performance of the production workers in Week 23.

(6)

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(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS

Pearson Edexcel International Advanced Level

Time 3 hours

Paper
reference

WAC12/01

Accounting

International Advanced Level

PAPER 2: Corporate and Management Accounting

Source Booklet

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Q:1/1/1/1/1/1/1



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SECTION A**Answer BOTH questions in this section.**

- 1** Kwale Trucking plc merged with Voi Deliveries plc on 1 April 2022 to form a new company called KV Logistics plc.

The Statements of Financial Position of Kwale Trucking plc and Voi Deliveries plc at 31 March 2022 are shown below.

	Kwale Trucking plc £ 000s		Voi Deliveries plc £ 000s	
ASSETS				
Non-current assets				
Property, plant and equipment	35 000		25 970	
Computers	2 700		1 400	
Fixtures and fittings	500		900	
Motor vehicles	<u>15 400</u>		<u>12 200</u>	
		53 600		40 470
Current assets				
Inventory	110		230	
Trade receivables	3 400		2 400	
Cash and cash equivalents	<u>810</u>		<u>1 730</u>	
		<u>4 320</u>		<u>4 360</u>
Total assets		<u><u>57 920</u></u>		<u><u>44 830</u></u>

EQUITY AND LIABILITIES				
Equity				
Ordinary shares of £1 each	5 000		20 000	
Share premium	15 000		4 000	
Retained earnings	10 120		2 060	
General reserve	<u>1 000</u>		<u>500</u>	
Total equity		31 120		26 560
Non-current liabilities				
Mortgage	18 000		13 000	
Bank loans	<u>6 000</u>		<u>4 000</u>	
		24 000		17 000
Current liabilities				
Trade payables	2 150		960	
Other payables	<u>650</u>		<u>310</u>	
		<u>2 800</u>		<u>1 270</u>
Total equity and liabilities		<u>57 920</u>		<u>44 830</u>



Additional information

KV Logistics plc agreed to take over all of the assets of Kwale Trucking plc at book value, with the following exceptions.

- Property (being part of property, plant and equipment) was revalued from £18 000 000 to £22 000 000
- Computers were reduced in value by £600 000
- Fixtures and fittings were valued at £400 000
- All motor vehicles were valued at 80% of their book value.
- Inventory valued at £20 000 was considered to have no value.
- 10% of trade receivables were written off as irrecoverable debts.

All liabilities were taken over at book value.

KV Logistics plc took over all of the assets of Voi Deliveries plc at book value, with the following exceptions.

- Property (being part of property, plant and equipment) was revalued from £16 000 000 to £19 000 000
- Computers were reduced in value by £250 000
- Fixtures and fittings were valued at £700 000
- All motor vehicles were valued at 80% of their book value.
- Inventory valued at £30 000 was considered to be worth £14 000
- 10% of trade receivables were written off as irrecoverable debts.

All liabilities were taken over at book value.



Required

- (a) Calculate the value of Kwale Trucking plc after the revaluations.

(9)

The directors of KV Logistics plc offered the following to shareholders in Kwale Trucking plc.

For every £1 share owned in Kwale Trucking plc, a shareholder received:

- five £1 ordinary shares in KV Logistics plc at a premium of 30 pence (£0.30) per share

plus

- 50 pence (£0.50) cash.

Required

- (b) Calculate the goodwill paid by KV Logistics plc for Kwale Trucking plc.

(6)

- (c) Prepare the Realisation Account in the books of Kwale Trucking plc.

(8)

The value of Voi Deliveries plc was agreed at £30 000 000 for the merger.

For every £1 share owned in Voi Deliveries plc, a shareholder received:

- one £1 ordinary share in KV Logistics plc at a premium of 30 pence (£0.30) per share

plus

- 20 pence (£0.20) cash.

The goodwill paid for Voi Deliveries plc was £3 586 000

Required

- (d) Prepare the Statement of Financial Position of KV Logistics plc at 1 April 2022.

(20)

- (e) Evaluate which of the two groups of shareholders, Kwale Trucking plc or Voi Deliveries plc, has benefitted the most from the merger.

(12)

(Total for Question 1 = 55 marks)



- 2** Cumbria Coal plc has bought land that contains deposits of coal that will be mined. The land is expected to produce coal for five years and then the land will be sold.

The following information is available.

- The initial costs involved in buying the land and equipment for mining are £3 000 000
- In Years 1 to 5, sales will be 390 tons of coal per week, at a selling price of £60 per ton.
- In Years 1 to 5, the expected running costs (including depreciation) are expected to be £19 000 per week.
- On the last day of Year 5, the land and equipment will be sold for £500 000
- The land and equipment will be worked for 50 weeks in a year.

Required

- (a) Calculate the net cash flow for **each** of the five years of the project. (9)
- (b) Calculate the payback period for the project in years and months. (8)
- (c) Calculate the average rate of return (accounting rate of return) for the project. (10)

The cost of capital of Cumbria Coal plc is 12%.

The discount figures for 12% are shown below.

Year	12% discount factor
1	0.893
2	0.797
3	0.712
4	0.636
5	0.567

- (d) Calculate the net present value for the project. (7)



Cumbria Coal plc is also appraising the project using the internal rate of return method.

Using a discount rate of 10%, the accountant has calculated a net present value of £39 300

The company has a target discounted cash flow return of 15%

Required

- (e) Calculate, correct to two decimal places, clearly stating the formula used, the internal rate of return.

(9)

- (f) Evaluate the project for Cumbria Coal plc, using the calculations made above and any relevant non-financial factors.

(12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

SECTION B**Answer THREE questions from this section.****3** Surma Carpets plc produces carpets at its factory.

Carpets are delivered by motor lorries from the Surma Carpets plc factory to all its shops, for sale to customers.

Company carpet fitters then drive in vans to customers' homes to fit the carpets.

At 31 March 2022, the following balances were in the books:

	Debit £	Credit £
Advertising	35 642	
Allowance for irrecoverable debts		2 500
Auditor's remuneration	12 000	
6.25% Bank loan, repayable 2025		200 000
Cash and cash equivalents	7 830	
Direct materials	212 765	
Discount allowed	4 040	
Discount received on materials		10 941
Electricity	40 656	
Factory buildings (at cost)	640 000	
Factory machinery (carrying value)	72 000	
Fuel	41 000	
General reserve		300 000
Hire of vans for carpet fitters	1 699	
Interest on bank current account		886
Inventory of finished goods at 1 April 2021	62 239	
Irrecoverable debts written off	3 098	
Maintenance	14 245	
Motor lorries (carrying value)	98 000	

Office computers (at cost)	36 000	
Ordinary shares of £1 each		600 000
7% Redeemable preference shares of £1 each		200 000
Rent on shop premises	12 657	
Retained earnings		950 994
Revenue		1 080 920
Share premium		70 000
Shop buildings (at cost)	1 650 000	
Stationery	3 125	
Trade payables		142 863
Trade receivables	68 200	
Vans for carpet fitters (carrying value)	72 000	
Vehicle running costs	21 008	
Wages	<u>450 900</u>	
	<u>3 559 104</u>	<u>3 559 104</u>

Adjustments and additional information at 31 March 2022

- All costs for carpet fitters are classed as Distribution costs.
- Inventory of finished goods was £33 734
- Advertising of £3 421 was owing.
- Rent on shop premises includes £1 750 prepaid.
- There was no change in the amount of the allowance for irrecoverable debts.
- Maintenance is divided between the factory, motor lorries, carpet fitting and office in the ratio 5 : 3 : 2 : 1
- Electricity is divided between the factory, motor lorries, carpet fitting and office in the ratio 6 : 1 : 1 : 3
- Fuel is divided between the factory, motor lorries and carpet fitting in the ratio 1 : 7 : 2
- Shop staff are paid a commission of 2.5% as a year-end bonus on all revenue. This has **not** yet been entered in the books of account.
- Wages consist of the following:

	Number of staff	Wage per staff member (£)
Carpet fitters	7	14 900
Motor lorry drivers	6	16 050
Office staff	3	10 500
Factory staff	12	10 000
Shop staff	10	9 880

- Assuming a nil residual value in each case and using the straight-line method the:
 - factory buildings are to be depreciated over a 50-year life
 - shop buildings are to be depreciated over a 40-year life
 - office computers are to be depreciated over a 5-year life.
- The following are to be depreciated using the reducing balance method:
 - factory machinery at 25% per year
 - motor lorries at 40% per year
 - vans for carpet fitters at 35% per year.
- A transfer of £100 000 is to be made from retained earnings to the General reserve.

You are a member of the Accounts Department. The Finance Director has asked you to carry out the following tasks.

Required

- (a) Prepare, using the appropriate balances, ready for inclusion in the year end Statement of Profit or Loss and Other Comprehensive Income, using International Accounting Standard 1 (IAS 1) format, the:
 - (i) Distribution costs section (16)
 - (ii) Administrative expenses section. (8)
- (b) Evaluate the contents and the importance of the Auditor's Report on the financial statements included in the Annual Report. (6)

(Total for Question 3 = 30 marks)

4 (a) (i) Explain the following terms, giving **one** example of each.

- Semi-variable costs
- Semi-fixed costs.

(4)

(ii) Complete the two graphs to show how **each** cost would be drawn.

(2)

Voltbike Limited commenced production of electric bicycles at its factory.

Inventory is valued using both the marginal costing method and the absorption costing method.

The following information is available for Year 1

The factory produces bicycles for **five** days a week for 50 weeks of the year.

Production	96 bicycles per day
Direct materials	£132 per bicycle
Direct labour	1 hour and 30 minutes' work per bicycle at a wage rate of £9.40 per hour
Fixed overheads	£14 800 per month
Sales units	22 800 per year
Selling price	£300 per bicycle
Semi-variable costs	£7 000 fixed element per month plus £21 per bicycle

Required

(b) Prepare for management, in columnar format, a statement showing the profit or loss for Year 1, using:

- marginal costing inventory valuation
- absorption costing inventory valuation.

(18)

(c) Evaluate whether Voltbike Limited should value inventory using marginal costing or absorption costing.

(6)

(Total for Question 4 = 30 marks)

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QUESTION 5 BEGINS ON PAGE 14.



5 You work in the Accounts Department of Red Sun plc.

The following summarised information from the Statement of Financial Position is available.

Summarised Statement of Financial Position of Red Sun plc at 31 March 2022

	£m	£m	£m
ASSETS			
Non-current assets		60	
Current assets		<u>30</u>	
Total assets			<u>90</u>
EQUITY AND LIABILITIES			
Equity			
Ordinary shares of £0.25 each		7	
Share premium		14	
Retained earnings		<u>21</u>	
Total equity and reserves			42
Non-current liabilities			
7.5% Debenture	20		
5% Bank loan	<u>10</u>		
		30	
Current liabilities	<u>18</u>		
		<u>18</u>	
Total liabilities			<u>48</u>
Total equity and liabilities			<u>90</u>

Additional information

- Profit for the year after interest but before tax was £5 000 000 (£5m).
- Tax paid on profit for the year was £800 000 (£0.8m).
- Interim dividend paid for the year was 1 pence (£0.01) per share.
- Final dividend paid for the year was £1 120 000 (£1.12m).
- Market price of one ordinary share at 31 March 2022 was £1.35

Required

(a) Calculate the following ratios for Red Sun plc.

- | | |
|----------------------------------|-----|
| (i) Earnings per ordinary share | (3) |
| (ii) Price earnings ratio | (3) |
| (iii) Dividend paid per share | (5) |
| (iv) Dividend cover | (3) |
| (v) Dividend yield | (3) |
| (vi) Return on capital employed. | (7) |

A member of staff comments 'I own shares in Red Sun plc, and I think that the dividend cover is the most important ratio of all the investment ratios'.

- (b) Evaluate the statement made by the member of staff. (6)

(Total for Question 5 = 30 marks)

6 Cronus Clocks Limited manufactures clocks at its factory.

The following information is available for Week 23:

- 28 production workers were employed.
- Each production worker is expected to produce one clock in 15 minutes.
- Production workers are expected to work for 8 hours a day, for 5 days a week.
- Production workers are paid £9.60 per hour.
- During Week 23 production was only 4 000 clocks during normal working time.
- To make up for the shortfall in production and meet the weekly target, an extra 120 hours were worked as overtime.
- The pay rate for the extra hours worked as overtime was £14.40 per hour.
- Cronus Clocks Limited uses a standard costing system.

Required

- (a) Explain **two** purposes of standard costing. (4)
- (b) Calculate, for the factory, for Week 23, the:
- (i) budgeted labour hours (2)
 - (ii) actual labour hours (2)
 - (iii) budgeted labour cost (1)
 - (iv) actual labour cost. (3)
- (c) Calculate the:
- (i) labour efficiency variance (4)
 - (ii) labour rate variance (5)
 - (iii) total labour variance. (3)
- Cronus Clocks Limited applies a policy of 'management by exception'.
- (d) Evaluate whether it is appropriate for Cronus Clocks Limited to take any action concerning the performance of the production workers in Week 23. (6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS
TOTAL FOR PAPER = 200 MARKS