H

National
Qualifications
2023

X800/76/11 Accounting

THURSDAY, 25 MAY

9:00 AM – 11:30 AM

Total marks — 120

SECTION 1 — 80 marks

Attempt ALL questions.

SECTION 2 — 40 marks

Attempt ALL questions.

You may use a calculator.

All working should be shown fully, and clearly labelled.

Write your answers clearly in the answer booklet provided. In the answer booklet, you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.

X8007611

A/HTP

SECTION 1 — 80 marks

Attempt ALL questions

1. Barnaby and Collins are in partnership sharing profits and losses in the ratio of equity invested. The following is their Trial Balance as at 31 December Year 8 **after** the preparation of the Income Statement to the Gross Profit stage.

Trial Balance of Barnaby and Collins as at 31 December Year 8

	£000	**£000**
Gross Profit		142
Equity Accounts:		
Barnaby		120
Collins		360
Current Accounts at 1 January Year 8:		
Barnaby	15	
Collins		20
Drawings:		
Barnaby	20	
Collins	40	
Inventory at 31 December Year 8	20	
Rates	25	
Promotion Expenses	17	
Property at cost	310	
Equipment at cost	160	
Delivery Vans at cost	80	
Provisions for Depreciation at 1 January Year 8:		
Equipment		24
Delivery Vans		36
Cash and Cash Equivalents	61	
Trade Receivables	80	
Trade Payables		89
Provision for Doubtful Debts at 1 January Year 8		14
VAT		6
Discount (Net)		10
Loan – Collins (Received 1 July Year 8)		40
Investments	33	
	£861	**£861**

1. **(continued)**

NOTES at 31 December Year 8:

1. Equipment which had been purchased on 31 May Year 6 at a cost of £40,000 was sold on 31 October Year 8 for £20,000 by cheque. It is the firm's policy to charge a full year's depreciation in the year of purchase and none in the year of sale. No entries have been made regarding this sale.

2. Provide for depreciation for the year as follows:
   - Equipment – 20% on cost
   - Delivery Vans – £11,000

3. The Provision for Doubtful Debts is to be adjusted to 10% of Trade Receivables.

4. Property was professionally revalued during the year at £340,000.

5. The partnership agreement of Barnaby and Collins states that:
   - interest on equity will be paid at 10% per annum
   - interest on drawings will be charged at 15% per annum
   - a partnership salary of £29,000 will be paid to Barnaby
   - interest on loans from partners will be paid at 5% per annum.

(a) Prepare the:

(i) Income Statement for the year ended 31 December Year 8 **14**

(ii) updated Current Accounts **6**

(iii) Statement of Financial Position as at 31 December Year 8. **14**

(b) At the start of Year 10 Barnaby and Collins admit a new partner, Fletcher.

The following assets were revalued prior to Fletcher being admitted.

	Year 9 Value	**Revaluation**
Delivery Vans	£75,000	£60,000
Equipment	£100,000	£110,000

Revaluation Expenses amounted to £7,000.

(i) Calculate the share of profit or loss on revaluation for each partner. **4**

Fletcher is to receive 20% of residual profits, the other partners are to share the remainder in the same relative proportions as before.

(ii) State the new profit sharing ratio. **1**

(c) Outline **one** disadvantage to Barnaby and Collins of admitting Fletcher as a new partner. **1**

2. PART A **MARKS**

Handley Manufacturing Plc has 2 production departments, X and Y, and one service department, Z.

The following are the estimated overheads for Year 3.

Indirect labour	£32,000
Supervision	£20,000
Rent and rates	£48,000
Power	£16,000
Insurance of machinery	£5,000
Heat and light	£8,400
Administration	£40,000
	£169,400

The following information is also available.

	Dept X	**Dept Y**	**Dept Z**
Indirect labour	£8,320	£7,680	£16,000
Number of employees	40	32	8
Area (m^2)	6,000	4,000	2,000
Kilowatt hours	16,000	12,000	4,000
Direct machine hours	24,000	16,000	–
Value of machinery	£52,000	£40,000	£8,000
Direct materials	£243,500	£156,500	–

(a) Prepare an Overhead Analysis Sheet to calculate the total overheads allocated and apportioned to all 3 departments. **7**

(b) Re-apportion the total overheads of Department Z to the other 2 departments on the basis of area (m^2). **2**

(c) Calculate the overhead absorption rate applied to:

Dept X — based on percentage of direct materials

Dept Y — based on direct machine hours. **2**

Actual figures for the production departments for Year 3 were as follows:

	Dept X	**Dept Y**
Direct machine hours	22,000	14,000
Direct materials	£256,000	£152,000
Overheads	£96,000	£68,000

(d) Calculate the amount of overheads over-absorbed or under-absorbed in each department, clearly stating whether the overheads are over or under-absorbed. **4**

(e) (i) Describe why some overhead costs can be allocated to departments, while others require to be apportioned to departments. **2**

(ii) Other than those mentioned in part (c), identify **2** other methods of absorbing overheads. **2**

MARKS

2. **PART B**

Drumdale plc currently uses the same basic raw material to produce all 3 of its products. The company wants to make sure the best use is made of the materials in order to maximise profits.

The following information is available for Year 1.

	Product A	Product B	Product C
Sales and Production (units)	4,855	5,560	4,260
Unit data:			
Selling Price	£114	£105	£110
Raw Materials in kg	4	5	3
Labour hours	4	2	4
Variable Overheads	£12	£8	£8
Labour rates (per hour)	£10	£11	£12

Raw Materials cost £5 per kg.

Annual Fixed Costs are expected to be £165,000.

(a) Calculate for Year 1 the:

(i) contribution per unit **5**

(ii) total profit **2**

(iii) total raw materials in kg used by Drumdale plc. **2**

In Year 2, the supply of raw materials is expected to reduce by 15% and the price per kg will increase by 10%. Fixed costs are also expected to increase by £10,000.

(b) Calculate for Year 2 the:

(i) quantity of each product to be produced and sold to maximise profits **8**

(ii) total profit for Year 2. **2**

(c) Outline **2** factors to be taken into account when deciding whether to accept or reject a Special Order. **2**

[Turn over

SECTION 2 — 40 marks

Attempt ALL questions

3. The following balances have been extracted from the financial records of Stevenson Manufacturing plc for the year ended 31 December Year 5.

	£000
Inventories as at 1 January Year 5:	
Raw Materials	60
Work-in-Progress	78
Finished Goods	20
Sales Revenue	900
Purchases of Raw Materials	110
Purchases of Finished Goods	50
Factory Machinery at cost	150
Motor Vehicles at cost	90
Provision for Depreciation as at 1 January Year 5:	
Factory Machinery	30
Motor Vehicles	10
Sales Revenue Returns	30
Carriage In on Finished Goods	15
Rent	140
Production Wages	50
Factory Repairs	20
Insurance	25
Bad Debts	28
Salaries	120
Royalties	30
Heating and Lighting	80
Selling Expenses	20
Factory Cleaning	15

3. **(continued)**

NOTES:

1. Inventories at 31 December Year 5 are:

Raw Materials	£52,000
Work-in-Progress	£60,000
Finished Goods	£18,000

2. Rent has been paid for 14 months ending 28 February Year 6. It is to be shared equally between the factory and the office.

3. Insurance of £5,000 is payable. Insurance is to be apportioned between the factory and the office in the ratio of 2:1.

4. Heating and Lighting is to be shared as follows:
   - Factory 3/4
   - Warehouse 1/4

5. Salaries are to be shared as follows:
   - Factory 3/5
   - Office 2/5

6. Non-Current Assets are to be depreciated at the rate of 20% using the reducing balance method.

7. In Year 5, Finished Goods have been estimated to have a Market Value of £600,000.

(a) Prepare the Manufacturing Account for the year ended 31 December Year 5. **13**

(b) Prepare the Income Statement up to Gross Profit for the year ended 31 December Year 5. **6**

(c) Describe the term Work-in-Progress. **1**

[Turn over

4. **PART A**

MARKS

Youngson plc has equity available to invest in either of the following projects. The company has provided the project consultants with the following information.

	Project X	**Project Y**
Initial Investment	£400,000	£420,000
Residual Value	£30,000	£40,000
Project Life	5 years	5 years
Estimated Net Cash Inflow (excluding Initial Investment)		
Year 1	£115,000	£110,000
Year 2	£104,000	£102,000
Year 3	£95,000	£95,000
Year 4	£90,000	£88,000
Year 5	£85,000	£80,000
Profit		
Year 1		£34,000
Year 2		£26,000
Year 3		£19,000
Year 4		£12,000
Year 5		£4,000

(a) Calculate the profit earned for each year of Project X. **3**

(b) Calculate the following for **both** projects, the:

(i) Accounting Rate of Return (calculate to 2 decimal places). **3**

(ii) Payback (to the nearest day). **6**

(c) Describe **one** advantage and **one** disadvantage of the Accounting Rate of Return method of Investment Appraisal. **2**

4. **PART B**

The following are the purchases and issues of Material L8 for Rain and King for April. The opening balance of inventory on 1 April is 250 units at £16.00 per unit.

Date	**Transaction**	**Units**	**Price**
3 April	Purchases	200	£16.45
9 April	Issues	300	
14 April	Purchases	350	£16.60
17 April	Issues	250	
21 April	Return of inventory bought on 14 April	100	

Prepare the Inventory Record Card for Material L8 for the month of April, using the Weighted Average Method (AVCO). **6**

[END OF QUESTION PAPER]