

2006 Accounting

Intermediate 1 – Solutions

Finalised Marking Instructions

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2006 Accounting and Finance

Intermediate 1

Solutions

Question 1

(a) Profit and Loss Account for year ended 31 December 2005

Gross Profit				40	1
Less Expenses	5	1			
Less Prepaid	<u>1</u>	<u>1</u>			
	4				
Add Due	<u>2</u>	<u>1</u>	6		
Loss Interest Paid			5	1	
Depreciation on Van			<u>5</u>	<u>1</u>	16
Net profit	1			24	1
Add Unappropriated Profit from 2003				<u>2</u>	1
				26	
Less Ordinary Share dividend paid				<u>10</u>	1
Unappropriated Profit for 2005				<u>16</u>	1
					(11)

(b) Balance Sheet as at 31 December 2005

Fixed Assets					
Premises	255			255	1
Van	<u>50</u>	1	<u>5</u>	1	45
				300	1
Add Current Assets					
Stock			22	1	
Debtors			28	1	
Prepaid Expenses			1	1	
Cash			<u>2</u>	<u>1</u>	
			53		
Less Current Liabilities					
Creditors	27	1			
Bank Overdraft	8	1			
Expenses due	<u>2</u>	<u>1</u>	<u>37</u>		
WORKING CAPITAL				<u>16</u>	1
NET ASSETS				<u>316</u>	
Less Loan				<u>100</u>	1
				<u>216</u>	
Financed by:					
200,000 Ordinary Share Capital @ £1 each				200	1
Add Unappropriated Profit				<u>16</u>	1
				<u>216</u>	
					(15)
(c) More capital					
Share workload/holidays/time-off					
More ideas	Any 2				(4)
Share losses/debts split					(30)

Question 2

Part A

Petty Cash Book

Date	Details	PCV No	Cash In	Cash Out	Balance	Stationery	Travel	Postages	Misc
01-Feb	Imprest		£50.00		£50.00				
01-Feb	Bus Fare	15		£2.30	£47.70		£2.30		
03-Feb	Pencils and Pens	16		£2.60	£45.10	£2.60			
04-Feb	Coffee, Milk	17		£4.10	£41.00				£4.10
04-Feb	Window Cleaner	18		£30.00	£11.00				£30.00
05-Feb	Stamps	19		£2.80	£8.20			£2.80	
06-Feb	A4 Paper	20		£3.50	£4.70	£3.50			
						£6.10	£2.30	£2.80	£34.10
08-Feb	Cash		£45.30		£50.00				

(16)

Part B

(a)	(i)	Rate of Stock Turnover	2004	5 times	2
			2005	4 times	2
	(ii)	Return on Capital Employed	2004	13%	2
			2005	20%	2
(b)	(i)	Net Profit/Sales x 100			2
	(ii)	Current Assets: Current Liabilities			2
	(iii)	Gross Profit/Sales x 100			2

(8)

(6)

(30)

Question 3

Bank Account

	Date	Details	Dr	Cr	Balance	
	01-May	Capital	£5,000.00		£5,000.00 Dr	2*
(b)	19-May	Inverurie Arms	£1,713.15		£6,713.15 Dr	2 (b)

(a) Capital Account

	01-May	Bank		£5,000.00	£5,000.00 Cr	2* (a) 4
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(b) Inverurie Arms (debtor) Account

	05-May	Sales and VAT	£2,291.85		£2,291.85 Dr	2
	10-May	Sales Returns and VAT		£416.70	£1,875.15 Dr	2
	19-May	Bank		£1,713.15	£162.00 Dr	2
	19-May	Discount Allowed		£162.00	£0.00 Dr	2

Sales Account

	05-May	Inverurie Arms		£1,980.00	£1,980.00 Cr	2
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VAT Account

	05-May	Inverurie Arms		£311.85	£311.85 Cr	2
	10-May	Inverurie Arms	£56.70		£255.15 Cr	2

Discount Allowed

	19-May	Inverurie Arms	£162.00		£162.00 Dr	2
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Sales Returns Account

	10-May	Inverurie Arms	£360.00		£360.00 Dr	2 (20)
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(c) To record all financial transactions in the ledger accounts

To prepare the final accounts

To analyse the accounts using ratios

To report on accounts to the owners/managing director

To prepare VAT returns etc

2 each (6)

(30)

Question 4

(a) OVERHEAD ANALYSIS SHEET

	A		B		C		Canteen	
Wages	75,000		40,000		160,000		25,000	1 for line
Rent and Rates	20,000	1	30,000	1	20,000	1	10,000	1
Supervision	15,000	1	12,000	1	48,000	1	15,000	1
Insurance of Machinery	7,500	1	12,500	1	5,000	1		
Heat and Light	5,000	1	7,500	1	5,000	1	2,500	1
DEPT TOTALS	122,500		102,000		238,000		52,500	3 for line

(19)

(b) Canteen 13,125 **1** 13,125 **1** 26,250 **1**

 135,625 115,125 264,250 **2 for line**

(5)

(c) Direct Labour Hours **Overhead (for department)/No of hours (in dept)**

(2)

(d) Paper industry
 Fish industry
 Jam making
 Chemical industry
 Distilling
 Food etc

Any 2

(4)

(30)

Question 5

PART A

Cash Budget for 3 months July – September

	July		August		September	
Opening Cash	100,000	1	97,600	1	117,200	1
Cash Sales	85,000	1	124,000	1	83,000	1
Credit Sales	20,000	1	18,000	1	15,000	1
Total Receipts	105,000		142,000		98,000	
Purchases	75,000	1	90,000	1	130,000	1
Insurance	400	1	400	1	480	1
Salaries	30,000		30,000		30,000	1 for line
Rent	2000	1	2000	1	1800	1
Advertising					25,000	1
Total Payments	107,400		122,400		187,280	
Closing Cash	97,600		117,200		27,920	(20)

PART B

- (a) (i) $B6 * C6$ 2
- (ii) SUM (D6:D8)
D6+D7+D8
B9+C9
SUM (B9+C9) 2 (4)
- (b) If wage rates change then the other changes will be made automatically
There is less chance of human error/more accurate
If hours worked change then take home pay will be automatically change
Totals will be automatically updated if there are changes made
Tax can be calculated
Any 3 (6)
(30)

Question 6

PART A

(a)	(i)	£40	2	
	(ii)	500 bikes	2	
	(iii)	£45,000	2	
(b)	(i)	600 bikes	2	
	(ii)	£54,000	2	
(c)		800 bikes	2	(12)
(d)	(i)	Table Break Even Chart/Graph	Any one	(2)
	(ii)	Rent Insurance etc	2 x 2	(4)

PART B

(a)	$(10 \times 15) 2 + (5 \times 30) 2$	£300		(4)
(b)	Labour	300	1	
	Electrical Cabling	540	1	
	Fittings	320	1	
	Expenses	50	1	
	Overheads (15×8)	<u>120</u>	3	
	TOTAL COST	<u><u>1330</u></u>	2	(8)
				(30)

[END OF MARKING INSTRUCTIONS]