

X209/11/01

NATIONAL
QUALIFICATIONS
2012

FRIDAY, 11 MAY
1.00 PM – 3.00 PM

ACCOUNTING
INTERMEDIATE 2

Candidates should attempt **four** questions as follows:

Question 1 and **one** other from Section A

plus

Question 4 and **one** other from Section B

Answers must be in ink. Answers in pencil will **not** be accepted, though incidental working may be in pencil.

All working should be shown fully and clearly labelled. Attention is drawn to the note at the start of each question requiring calculations—candidates using calculators should pay particular heed.



SECTION A

Marks

You should attempt Question 1 and ONE other question from this Section.

Any incorrect figure not supported by adequate working will receive no marks.

1. The following information is available for the Airlie Bowling Club.

Balances at 1 January Year 2

Bank Loan	£50,000
Bank	£9,500
Cash	£100
Ground Maintenance Equipment at cost	£10,000
Clubhouse at cost	£220,000
Mortgage	£100,000
Presentation Cups	£500

- Provision for Depreciation on Ground Maintenance Equipment at 1 January Year 2 was £2,500
- No depreciation is charged on premises

- (a) **Prepare a Statement** to show the balance on the Accumulated Fund at 1 January Year 2. **9**

Receipts and Payments for the year were:

Ground Maintenance Equipment Purchased	£5,000
Wages – Ground Maintenance	£35,000
Subscriptions	£50,000
Hire of Band for Dance	£600
Telephone	£1,750
Sale of Dance Tickets	£2,000
Purchase of Refreshments for Dance	£150
Interest on Bank Loan	£2,500
Sale of Raffle Tickets	£1,500
Printing of Dance Tickets	£100
Printing of Raffle Tickets	£50

- (b) **Prepare** the Receipts and Payments Account for the year ended 31 December Year 2. **13**

- (c) **Prepare** Statements to show the Profit/Loss earned on:

- (i) the Dance and, **5**
- (ii) the Raffle. **2**

At the end of Year 2 the following information is available.

- | | |
|-------------------------|--------|
| • Subscriptions prepaid | £1,500 |
| • Subscriptions due | £1,000 |
| • Telephone prepaid | £50 |
- Depreciation is charged on all Ground Maintenance Equipment at the rate of 25% per annum on cost.

- (d) **Prepare** the Income and Expenditure Account for the year ended 31 December Year 2. **11**

(40)

2. The following balances were taken from the books of Ruthven plc for the year ended 31 March Year 3.

	Dr	Cr
	£000	£000
Premises at cost	360	
Vehicles at cost	30	
Sales		980
Purchases	615	
Discount Received		14
Purchases Returns		15
Provision for Doubtful Debts at 1 April Year 2		6
Provision for Depreciation on Vehicles at 1 April Year 2		5
Stock at 1 April Year 2	135	
Debtors	225	
Creditors		65
Insurance	60	
Wages and Salaries	105	
VAT		85
Bank	75	
10% Debentures		80
Ordinary Shares of £1 each		300
Unappropriated Profit at 1 April Year 2		55
	<u>£1,605</u>	<u>£1,605</u>

- 1 Stock at 31 March Year 3 was valued at £125,000
- 2 Debenture Interest has still to be paid
- 3 Provision for Bad Debts is to be amended to 4% of Debtors
- 4 Depreciation on Vehicles is to be provided at 20% on Cost
- 5 Provide for Corporation Tax of £65,000
- 6 The Directors propose that an Ordinary Dividend of 6% should be paid

(a) Using the above information **prepare**, for internal use, the:

- (i) Trading, Profit and Loss Accounts (including appropriation of available profits) of Ruthven plc for the year ended 31 March Year 3, and the 18
- (ii) Balance Sheet as at that date. 16

(b) When carrying out ratio analysis, businesses compare their performance in 3 areas:

- 1 Profitability;
- 2 Liquidity and
- 3 Efficiency.

For 2 of the above **areas**, state **one** ratio that would be used and give the **formula** which would be used for each. 6

(40)

[Turn over

3. Part A

The following information was taken from the books of Ironside & Sons at 31 December Year 2.

List of balances

	£000
Purchases of Raw Materials	240
Sales of Finished Goods	800
Carriage on Raw Materials	20
Stocks at 1 January Year 2:	
Raw Materials	60
Work in Progress	50
Finished Goods	40
Factory Management Salaries	60
Rent	58
Administration Expenses	32
Manufacturing Wages	100
Royalties	10
Discount Received	4
Factory Power (Indirect)	120
Factory Machinery (at cost)	180
Provision for Depreciation on Factory Machinery at 1 January Year 2	80
Creditors	70
Debtors	95
Bank	15

NOTES

- 1 Stocks at 31 December Year 2:

Raw Materials	£38,000
Work in Progress	£24,000
Finished Goods	£26,000
- 2 Manufacturing Wages due £10,000
- 3 Rent prepaid £6,000
- 4 The Factory incurs 75% of Rent and 25% of Administration Expenses
- 5 Provide for Depreciation of Factory Machinery at 10% on cost

Select the items required and **prepare** the **Manufacturing Account** for the year ended 31 December Year 2.

Your answer must show the following figures **clearly labelled**:

- (i) Cost of Raw Materials Consumed;
- (ii) Prime Cost;
- (iii) Factory Cost of Production.

3. (continued)

Part B

Karl Comiskey has calculated that there should be £1,050 in his business Bank Account at 30 June. However, on checking his Bank Statement for the month of June he finds that it shows £1,288.

On comparing his Bank Account and the Bank Statement he discovers the following.

1 The following items appear only in the Bank Statement.

- Direct Debit to ABC Insurance for £170
- Credit Transfer of £75 from Logie Investments
- Bank Charges of £60

2 Cheques recently issued by Comiskey amounting to £530 do not appear in the Bank Statement.

3 A cheque received from C King for £100 has not been shown in the Bank Statement.

4 A cheque for £140 paid to S O'Malley had been entered in the Bank Account as £103.

- (a) **Correct and Update** Comiskey's Bank Account at 30 June. 6
- (b) **Prepare** Comiskey's Bank Reconciliation Statement as at 30 June. 7
- (c) Karl is considering entering into partnership with his brother Hugo.
- (i) **Name** the document which can be drawn up in order to avoid future disagreements. 2
- (ii) **Name 2** items which could be included in the document. 4
- (40)**

[END OF SECTION A]

[Turn over for Section B on Page six

SECTION B

Marks

You should attempt Question 4 and ONE other question from this Section.

Any incorrect figure not supported by adequate working will receive no marks.

4. Part A

Glengate Textiles produces fabrics. The fabric is made in 2 processes, Spinning and Weaving. The following costs relate to the month of May.

	Materials	Labour	Direct Expenses
Spinning	1,200 kg @ £5 per kg	£3,600	£2,450
Weaving	1,320 kg @ £5 per kg	£3,600	£1,440

- Indirect Expenses of £2,100 are allocated 2/3 to Spinning and 1/3 to Weaving.
- The Spinning Process results in a normal loss of 11% of input, 32 kg of this is waste. The remainder can be sold as scrap for £1 per kg.

- (a) Using the figures above **prepare** the Spinning Process Account for May, clearly showing the cost per kg of good output. **12**
- (b) At the end of the Weaving Process in June good output was 2,400 kg at a total cost of £31,200.
- (i) **Calculate** the cost per kg of the fabric. **2**
- (ii) **Calculate** the number of lengths produced if each length of fabric weighs 1.5 kg. **2**
- (iii) **Calculate** the selling price of each length of fabric if the firm adds a 60% mark up to the cost. **5**

4. Part B

Jay Jazeera has just bought the Inverewe Country Hotel. The following information is available.

- 1 The hotel has 20 double rooms and is open 50 weeks of the year, providing bed and breakfast only to guests.
- 2 The occupancy rate is 90%.
- 3 Laundry costs are £500 per month.
- 4 Wages: 2 Receptionists at £21,000 each per year.
2 Waiting Staff at £190 each week the hotel is open.
2 Cleaners at £120 each week the hotel is open.
- 5 Breakfast costs are £5 per person.
- 6 Maintenance costs during the year are estimated at £32,384.

(a) Calculate:

- (i) the total number of room nights sold per year; 4
- (ii) the total number of guest nights per year, assuming there are always 2 guests per room. 1

(b) Prepare a Statement showing the Annual Running Cost of the business. 10

(c) Calculate the cost per room per night. 2

(d) If the Hotel add 75% to the running cost per room per night, calculate how much they will charge per night for each room. 2

(40)

[Turn over

5. Bikes UK manufactures and sells 3 models of bicycles, Mountain, Racer and Fold-Away. The current level of production of 2,000 units of each model uses all the available machine time.

FORECASTS FOR THE PERIOD ARE:

	Mountain	Racer	Fold-Away
Selling Price per unit	£240	£320	£210
Variable Costs per unit:			
Direct Materials	£50	£60	£40
Variable Overheads	£4	£3	£2
Direct Labour Hours paid at the rate of £9 per hour	4	5	4
Machine Hours	5	4	6
Fixed Overheads are expected to be £260,000			

- (a) Calculate for each of the 3 models:
- (i) variable cost per unit; 6
 - (ii) contribution per unit; 3
 - (iii) contribution per machine hour; 6
 - (iv) the total contribution and profit earned; 9
- (b) If machine hours were limited what would be the order of priority of production in order to maximise profits? 1
- (c) The following information relates to the issue and purchase of materials for “Tots”, a new model of cycle introduced by Bikes UK.
- | PURCHASES | | | ISSUES |
|-------------|-----------------|-------------------|-----------------|
| <u>Date</u> | <u>Quantity</u> | <u>Unit Price</u> | <u>Quantity</u> |
| 1 May | 1,000 | £20·50 | |
| 7 May | | | 400 |
| 10 May | 1,500 | £20·60 | |
| 15 May | | | 700 |
| 21 May | | | 500 |
| 24 May | 1,300 | £20·70 | |
| 26 May | | | 1,100 |
- Using the LIFO method, prepare a Stock Record Card for the month of May showing receipts, issues and balances. 9
- (d) Explain 2 advantages and one disadvantage of using a computerised accounting system. 6

(40)

6. Part A

Altamount Engineering manufactures and sells garden benches. The following information is available.

Per Bench

Selling Price	£120
Raw Materials	£42
Labour	£36
Variable Overhead	£12
Fixed Costs per month	£30,000

(a) Calculate:

- (i) the variable cost per unit; 3
- (ii) the contribution per unit; 2
- (iii) the break-even point in units and sales value; 4
- (iv) the profit from the current sales level of 5,000 per month; 3
- (v) the sales per month in units which would be required in order to earn a profit of £150,000. 3

(b) If the selling price per unit was changed to £110 per bench, variable costs per unit were increased by £2 and Fixed Costs increased to £36,000, **calculate:**

- (i) the new contribution per unit; 2
- (ii) the new break-even point in units. 2

[Turn over for Question 6 Part B on Page ten

6. (continued)

Part B

Heath & Thatcher plc is a textile company which has 3 production departments, Cutting, Machining and Finishing.

The estimated overheads for next year are:

Supervision	£28,800
Rent and Rates	£7,680
Heat and Light	£6,400
Power	£18,960
Depreciation of machinery	£6,000

Information relating to the Cost Centres is as follows.

	Cutting	Machining	Finishing	TOTAL
Power	£6,150	£10,216	£2,594	£18,960
Number of employees	36	108	36	180
Floor Area (sq m)	19,200	24,000	20,800	64,000
Value of Machinery	£75,000	£100,000	£25,000	£200,000
Labour Hours	8,000	17,000	7,600	32,600
Machine Hours	800	1,600	4,000	6,400

You are required to:

(a) **complete** the **Worksheet** provided to **calculate** the total estimated overheads for each Cost Centre; 9

(b) **calculate** the Overhead Absorption Rate for:

DEPARTMENT	BASIS
(i) Machining Department	Machine Hours
(ii) Finishing Department	Labour Hours

6

(c) **Explain** the following terms.

- (i) Piece rate
 - (ii) Bonus
 - (iii) Overtime rate
- 6

(40)

[END OF SECTION B]

[END OF QUESTION PAPER]

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