



2012 Accounting

Intermediate 2 – Solutions

Finalised Marking Instructions

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**2012 Accounting
Intermediate 2
Solutions**

Question 1

(a) Accumulated Fund – 1 January Year 2

ASSETS				
Presentation Cups	£500	1		
Cash	£100	1		
Bank	£9,500	1		
Equipment (10,000 1 - 2,500 1)	£7,500			
Clubhouse	£220,000	1		
	<u>£237,600</u>			
Mortgage	£100,000	1		
Bank Loan	<u>£50,000</u>	1	<u>£150,000</u>	
			<u>£87,600</u>	1

(9)

**(b) Receipts and Payments Account of Airlie Bowling Club
for the year ended 31 December Year 2✓**

Opening Balance			£9,600	1	
RECEIPTS					
Subscriptions	£50,000	1			
Sale of Dance Tickets	£2,000	1			
Sale of Raffle Tickets	<u>£1,500</u>	1	<u>£53,500</u>		
			<u>£63,100</u>		
PAYMENTS					
Equipment Purchased	£5,000	1			
Purchase of Refreshments for Dance	£150	1			
Wages	£35,000	1			
Hire of Dance Band	£600	1			
Telephone	£1,750	1			
Interest on Bank Loan	£2,500	1			
Printing of Dance Tickets	£100	1			
Printing of Raffle Tickets	<u>£50</u>	1	<u>£45,150</u>		
Closing Balance ✓			<u>£17,950</u>	1	(13)

(c) (i) Profit/Loss on Dance

Ticket Sales			£2,000	1	
LESS					
Refreshments	1	£150			
Hire of Band	1	£600			
Tickets	1	£100	£850		
PROFIT ✓			<u>£1,150</u>	1	(5)

(c) (ii) Profit/Loss on Raffle

Sales		£1,500	1		
Less Printing		<u>£50</u>	1		
PROFIT ✓		<u>£1,450</u>			(2)

**(d) Income and Expenditure Account of Airlie Bowling Club ✓
for the year ended 31 December Year 2**

INCOME					
Subscriptions (50,000-1,500+1,000)			£49,500	3	
Profit on Dance			£1,150	1	
Profit on Raffle			<u>£1,450</u>	1	
			£52,100		
EXPENDITURE					
Ground Maintenance Wages		£35,000	1		
Telephone (1750-50)		£1,700	2		
Interest on Bank Loan		£2,500	1		
Depreciation on Equipment (25% x 15,000)		<u>£3,750</u>	1	£42,950	
SURPLUS ✓			<u>£9,150</u>	1	(11)
					(40)

Question 2

**(a) (i) Trading, Profit and Loss and Appropriation Account of Ruthven plc ✓
for the year ended 31 March Year 3**

	£000s	£000s	£000s	
Sales			980	1
LESS COST OF SALES				
Opening Stock		135		1
ADD Purchases	615			1
Less Purchases Returns	<u>15</u>	<u>600</u>		
		735		
Less Closing Stock		<u>125</u>	1	610
GROSS PROFIT ✓			<u>370</u>	
ADD Discount Received			<u>14</u>	1
			384	
LESS EXPENSES				
Increase in Provision for Bad Debts		3		2
Insurance		60		1
Wages and Salaries		105		1
Debenture Interest (10% x 80)		8		2
Depreciation on Vehicles (20% x 30)		<u>6</u>		2
NET PROFIT ✓			<u>182</u>	
Less Corporation Tax			<u>65</u>	1
			137	
ADD Unappropriated Profit b/f			<u>55</u>	1
			192	
LESS Ordinary Dividend (6% x £300)			<u>18</u>	2
Unappropriated Profit at 31 March Year 3 ✓			<u><u>174</u></u>	
				(18)

(a) (ii) Balance Sheet of Ruthven plc as at 31 March Year 3✓

FIXED ASSETS	Cost £000	Total Depn £000	Net Book Value £000	
Premises	360	-	360	1
Vehicles	30	11	19	1
	<u>390</u>	<u>11</u>	<u>379</u>	
CURRENT ASSETS				
Stock		125		1
Debtors less Provision (225-9) (1 +1)		216		2
Bank		75		1
		<u>416</u>		
LESS CURRENT LIABILITIES				
Creditors	65	1		
VAT	85	1		
Ord Div Due	18	1		
Deb Int Due	8	1		
Corp Tax Due	65	1	241	
			<u>175</u>	
			<u>554</u>	
FINANCED BY:				
300,000 Ordinary Share of £1 each			300	1
RESERVES				
Unappropriated Profit c/f			174	1
LONG TERM LIABILITIES				
10% Debentures (2010-2015)			80	1
			<u>554</u>	

(16)

(b)

Profitability Ratios

Gross Profit

Net Profit

Return on Capital

Liquidity Ratios

Current Ratio

Acid Test Ratio

Efficiency Ratios

Rate of Stock Turnover

Debtors' Collection Period

Creditors' Payment Period

Expense Ratio

Fixed Asset: Turnover

Ratios named must be from 2 different areas - 1 mark each

Candidates must show the formulae for each of their named ratios – 2 marks each

(6)

Question 3

Part A

**(a) Manufacturing Account of Ironside & Sons ✓
for the year ended 31 December Year 2**

				£000s	
COST OF RAW MATERIALS					
Opening Stock				60	1
Add	Purchases	240	1		
	Carriage In	<u>20</u>	<u>1</u>	260	
				<u>320</u>	
Less	Closing Stock			<u>38</u>	1
COST OF RAW MATERIALS CONSUMED ✓				282	1
ADD DIRECT COSTS (1+1)					
Manufacturing Wages (100+10)		110	2		
Royalties		<u>10</u>	<u>1</u>	120	
PRIME COST ✓				402	1
ADD FACTORY OVERHEADS					
Factory Management Salaries		60	1		
Rent (58 1 - 6 1 x 75% 1)		39	3		
Admin Expenses (25% x 32)		8	2		
Factory Power		120	1		
Depreciation on Machinery (10% x 180)		<u>18</u>	<u>2</u>	245	
				<u>647</u>	
Add	Opening Work in Progress			50	1
				<u>697</u>	
Less	Closing Work in Progress			<u>24</u>	1
FACTORY COST OF PRODUCTION ✓				673	1

(21)

Part B

(a) Bank Account of Karl Comiskey

		Dr		Cr	Balance
30-Jun	Balance	£1,050	1		£1,050
	Direct Debit – ABC Insurance			£170	£880
	Credit Transfer – Logie Investments	£75	1		£955
	Bank Charges			£60	£895
	Error – S O'Malley			£37	£858

(6)

(b) Bank Reconciliation Statement of Karl Comiskey as at 30 June ✓

Balance as per Bank Statement/Opening Bal		£1,288	1
ADD Deposits not yet credited:			
C King	1	£100	2
		<hr/> £1,388	
LESS Unpresented Cheques		£530	2
Balance as per Updated Bank Account		<hr/> <hr/> £858	1

(7)

OR

Bank Reconciliation Statement (of Karl Comiskey) as at 30 June ✓

Balance as per Updated Bank Account		£858	1
LESS Deposits not yet credited:			
C King	1	£100	2
		<hr/> £758	
ADD Unpresented Cheques		£530	2
Balance as per Bank Statement		<hr/> <hr/> £1,288	1

(7)

(c) (i) Deed of Partnership, Partnership Agreement

(2)

(ii) How Profits/Losses are to be shared

Whether salaries are to be paid

Whether interest will be paid on Capital invested

How much capital each will invest

Areas of responsibility for each partner

How much each Partner can take in drawings

When drawings can be made

What will happen in the event of one partner wishing to leave the partnership

What will happen in the event of the death of a partner

Names of partners/address – once only

Or any other reasonable answer

Any 2 for 2 marks each

(4)

Question 4 - Part A

(a) SPINNING PROCESS ACCOUNT

Dr				Cr				Balance			
	Kg	CPU	Value	Kg	CPU	Value	Kg	CPU	Value		
Materials	1,200	£5	£6,000				1,200	£5	£6,000		
Direct Labour			£3,600						£9,600		
Direct Expenses			£2,450						£12,050		
Indirect Expenses			£1,400						£13,450		
Scrap				100	1	£1.00	1,100		£13,350		
Waste				32	1	£0.00	1,068	£12.50	£13,350		
Transfer to Weaving				1,068	1	£12.50	0	£0.00	£0		
CPU	13350										
	<u>1068</u>		<u>£12.50</u>								

(12)

(b) (i) Cost per Kg

$$\frac{\text{£31,200}}{2400\text{kg}} = \underline{\underline{\text{£13 } 2}}$$

(ii) No of Lengths Produced

$$\frac{2400}{1.5\text{kg}} = 1 \underline{\underline{1,600}} \text{ lengths } 2$$

(iii)

$$\frac{1}{100} \times \text{£ } 13 = \text{£} 20.80$$

$$\frac{1}{1} \times \text{£} 20.80 + \text{£} 20.80/2 = \underline{\underline{\text{£} 31.20}} 1$$

OR

$$1.5 \times \text{£} 13 = \text{£} 19.50$$

$$\text{Add } 60\% \quad \underline{\underline{\text{£} 11.70}} 2$$

$$\underline{\underline{\text{£} 31.20}} 1$$

(9)

ALTERNATIVE SOLUTIONS TO QUESTION 4 (b) (iii)

$$\frac{31,200}{1,600} = 19.50 + 60\% \times 19.50 = 11.70$$

OR

$$\begin{aligned} 31,200 \times 60\% &= 18,720 \\ 31,200 + 18,720 &= \frac{49,920}{1,600} \\ &= \mathbf{31.20} \end{aligned}$$

$$19.50 + 11.70 = \mathbf{31.20}$$

Part B

(a) (i) Total Number of Room Nights Sold per Year

$$\begin{array}{rcl} 20 \text{ rooms} \times 50 \text{ weeks} \times 7 \text{ days} & = & 7,000 \times 90\% \\ \underline{1} \quad \underline{1} \quad \underline{1} & & \underline{1} \\ & = & \underline{\underline{6,300}} \end{array} \quad (4)$$

(ii) Number of Guests

$$\begin{array}{r} 6,300 \times 2 \\ \underline{\underline{12,600}} \end{array} \quad (1)$$

(b) Statement of Annual Running Costs

Laundry (£500 x £12)		£6,000	2
Wages: 2 Receptionists (21000*2)	£42,000		2
2 Waiting Staff (190*50*2)	£19,000		2
2 Cleaners (120*50*2)	£12,000		2
	<u>£73,000</u>		
Food for Breakfasts (£5 x 12,600)		£63,000	1
Maintenance		£32,384	1
		<u>£174,384</u>	(10)

(c) Annual Running Cost per Room per Night

$$\begin{array}{r} \text{£}174,384 / 6,300 = \underline{\underline{\text{£}27.68}} \quad 2 \end{array} \quad (2)$$

(d) Charge per room

$$\begin{array}{r} \text{£}27.68 \times 175\% = \underline{\underline{\text{£}48.44}} \quad 2 \end{array} \quad (2)$$

(19)

Question 5

(a) (i) Variable Cost per Cycle

	<u>Mountain</u>	<u>Racer</u>	<u>Fold-away</u>	
Direct Materials	£50	£60	£40	1 per line
Direct Labour	£36 1	£45 1	£36 1	
Variable Overheads	£4	£3	£2	1 per line
	<u>£90</u>	<u>£108</u>	<u>£78</u>	1 per line (6)

(ii) Contribution per Cycle

	<u>Mountain</u>	<u>Racer</u>	<u>Fold-away</u>	
Selling Price	£240	£320	£210	
Less Total VC	£90	£108	£78	
Contribution	<u>£150 1</u>	<u>£212 1</u>	<u>£132 1</u>	(3)

(iii) Contribution per Machine Hour

	<u>Mountain</u>	<u>Racer</u>	<u>Fold-away</u>	
Total Contribution	£150	£212	£132	
Machine Hrs	5	4	6	
	<u>£30 2</u>	<u>£53 2</u>	<u>£22 2</u>	(6)

(iv) Total Contribution and Profit Earned

	<u>Mountain</u>	<u>Racer</u>	<u>Fold-away</u>	Total	
Contribution	£300,000 2	£424,000 2	£264,000 2	£988,000 1	
Less Fixed Costs				£260,000 1	
TOTAL PROFIT				<u>£728,000 1</u>	(9)

(b)	<u>Mountain</u>	<u>Racer</u>	<u>Fold-away</u>	
Order of Priority	2	1	3	(1)

(c)	LIFO RECEIPTS			ISSUES			BALANCE			Value	1
	Date	Quantity	CPU	Value	Quantity	CPU	Value	Quantity	CPU		
	01-May	1,000	£20.50	£20,500				1,000	£20.50	£20,500	
	7				400	2	£20.50	£8,200	600	£20.50	£12,300
	10	1,500	£20.60	£30,900				600	£20.50		
								1,500	£20.60	£43,200	
	15				700	2	£20.60	£14,420	600	£20.50	
								800	£20.60	£28,780	
	21				500	2	£20.60	£10,300	600	£20.50	
								300	£20.60	£18,480	
	24	1,300	£20.70	£26,910				600	£20.50		
								300	£20.60		
								1,300	£20.70	£45,390	
	26				1,100	2	£20.70	£22,770	600	£20.50	
								300	£20.60		
								200	£20.70	£22,620	
										Final Total Balance	
										Must be present	

(9)

(d) 2 Advantages and One Disadvantage of Using a Computerised Accounting System

ADVANTAGES

Speed – transactions can be processed much faster than in a manual system

Accuracy – if data is entered correctly the double entry will be automatically entered

Reduction in costs – large number of transactions can be dealt with by less staff than with a manual system

The information can be accessed from different locations not just the office

Any 2 for 2 marks for each

DISADVANTAGES

Cost initially – hardware, software, training

Technical problems – crashing

Security – hacking, viruses

Any one for 2 marks

(6)
(40)

Question 6

Part A

(a) (i)

<u>Variable Costs</u>			
Raw Materials	£42	1	
Labour	£36	1	
Variable Overheads	<u>£12</u>	1	£90 (3)

(ii) **Contribution (120-90)** **£30 2 (2)**

(iii) **BEP**

<u>Fixed Costs</u>	<u>£30,000</u>	}		
Contribution	£30		<u><u>1,000</u></u>	Units 2
Value	<u>£120,000</u>	2	(1,000 x £120)	(4)

(iv) Profit from sales level of 5,000 units

5,000 units – 1,000 units = 4,000 units **2**

4,000 x £30 = £120,000 **1 (3)**

(v) Sales required to earn a profit of £150,000

	<u>1</u>	<u>1</u>	
<u>FC + Profit</u>	<u>30,000 + 150,000</u>		
Contribution	£30		<u>6,000 units (3)</u>
	1		

(b) (i) New Contribution per Unit

SP	110	1	
Less VC	<u>92</u>	1	
Contribution	<u>£18</u>		(2)

(ii) New BEP

<u>FC</u>	<u>36,000</u>	1	
New Con	£18	1	<u>2,000 units (2)</u>

Question 6

Part B

(a) OVERHEADS	BASIS	TOTAL	CUTTING	MACHINING	FINISHING	
Supervision	Employees	£28,800	£5,760	£17,280	£5,760	2
Rent and Rates	Area	£7,680	£2,304	£2,880	£2,496	2
Heat and Light	Area	£6,400	£1,920	£2,400	£2,080	2
Power	Allocated	£18,960	£6,150	£10,216	£2,594	1
Depreciation of machinery	Value	£6,000	£2,250	£3,000	£750	2
		<u>£67,840</u>	<u>£18,384</u>	<u>£35,776</u>	<u>£13,680</u>	

(9)

(b) Overhead Absorption Rate

	MACHINING		FINISHING	
Total Overheads	£35,776		£13,680	
	<u>1,600</u>		<u>7,600</u>	
	<u>£22.36</u>	2	<u>£1.80</u>	2
	per machine	1	per labour	1
	hour		hour	

(6)

(c) (i) PIECE RATE

The employee is paid a set amount for each unit they produce. 2
 What the employee earns depends on how much they produce. 2

Advantages/disadvantages – award maximum 1 mark

(ii) BONUS

Given to those workers who exceed a predetermined production target. 2
 Given in addition to the normal wage paid. 1
 Is an incentive to encourage employees to produce more. 2
 Given to those who work well, exceptional work 2

(iii) OVERTIME RATE

Is an extra amount paid for each hour worked over the basic working week. 2
 The amount of overtime pay will depend on when the extra hours are worked – eg time and a half or double time if working on a Saturday or Sunday. 2

Max 2 marks each **(6)**

[END OF MARKING INSTRUCTIONS]