



**2013 Accounting**

**Intermediate 1 – Solutions**

**Finalised Marking Instructions**

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## **Part One: General Marking Principles for Accounting Intermediate 1 - Solutions**

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

### **GENERAL MARKING ADVICE: Accounting Intermediate 1 - Solutions**

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

## 2013 Accounting and Finance

### Intermediate 1

### Solutions

#### Question 1

(a) **Oliver and James**

**Trading, Profit and Loss Account for year ending 31 December Year 3**

	£000		£000		£000			
Sales					410	1		
- Sales Returns					10	1		
					<hr/>			
					400			
<u>Less: Cost of Sales</u>								
Opening Stock			20	1				
+ Purchases	160	1						
- Purchases Returns	<hr/>	60	1					
			<hr/>	100				
					120			
-Closing Stock			<hr/>	25	1			
<b>COST OF GOODS SOLD</b>					<hr/>	95		
<b>GROSS PROFIT</b>	<b>1</b>				<hr/>	305	<b>1</b>	
+Discount Received					<hr/>	5	<b>1</b>	
					<hr/>	310		
<u>Less: Expenses</u>								
Expenses			73	1				
- Prepaid Expenses			<hr/>	3	1			
					<hr/>	70		
<b>NET PROFIT</b>	<b>1</b>				<hr/>	<hr/>	240	<b>1</b>

(13)

**(b) (i) Oliver and James**

**Profit and Loss Appropriation Account for year ending 31 December Year 3**

	£000	£000	£000	
NET PROFIT			240	1c
<u>Less Appropriations:</u>				
Salary – Oliver			15	1
Residual Profit			<u>225</u>	
<u>Share of Residual Profit:</u>				
Oliver (2 x 225/3)		150	2	
James (1 x 225/3)		<u>75</u>	2	
			<u>225</u>	(6)

**(b) (ii) CURRENT ACCOUNT – Oliver**

	DR £000		CR £000		BAL £000		
Balance b/f			30		30	Cr	1
Share of residual profit			150	1	180	Cr	
Salary			15	1	195	Cr	
Drawings	80	1			115	Cr	

**CURRENT ACCOUNT – James**

	DR £000		CR £000		BAL £000		
Balance b/f			20		20	Cr	1
Share of residual profit			75	1	95	Cr	
Drawings	60	1			35	Cr	(7)

**(c)**

Issue of ordinary shares	2						
Issue of preference shares	2						
Shareholders/shares	2						(4)
Issue of debentures	2						

Any 2, 2 marks each

(30)

**Question 2****PART A (a) & (b)****In the ledger of Matthew Stevenson**

<b>DATE</b>	<b>DETAILS</b>	<b>DR</b>	<b>CR</b>	<b>BAL</b>	
<b><u>BANK ACCOUNT</u></b>					
01-Jan	Balance b/f	1,500	1	1,500	Dr
03-Jan	H Samson	250	2	1,750	Dr
<b><u>EQUIPMENT ACCOUNT</u></b>					
01-Jan	Balance b/f	5,000	1	5,000	Dr
<b><u>H SAMSON (Debtor) ACCOUNT</u></b>					
01-Jan	Balance b/f	300	1	300	Dr
03-Jan	Bank		250	50	Dr
03-Jan	Discount Allowed		50	0	
<b><u>PURCHASES ACCOUNT</u></b>					
02-Jan	Cameron plc	500	2	500	Dr
<b><u>VAT ACCOUNT</u></b>					
02-Jan	Cameron plc	100	2	100	Dr
<b><u>CAMERON PLC</u></b>					
02-Jan	Purchases and VAT		600	600	Cr
<b><u>DISCOUNT ALLOWED ACCOUNT</u></b>					
03-Jan	H Samson (Debtor)	50	2	50	Dr

**(18)**

**PART B**

**(a) GROSS PROFIT RATIO**

$$\frac{\text{GP}}{\text{SALES}} \times 100 = \frac{120}{300} \times 100 = 40\%$$

**(b) NET PROFIT RATIO**

$$\frac{\text{NP}}{\text{Sales}} \times 100 = \frac{90}{300} \times 100 = 30\%$$

**(c) AVERAGE STOCK**

$$\frac{\text{OPENING} + \text{CLOSING}}{2} = \frac{11+13}{2} = 12$$

**(d) RATE OF STOCK TURNOVER**

$$\frac{\text{COGS}}{\text{AV STOCK}} = \frac{180}{12} = 15 \text{ times}$$

**(8)**

**PART C**

**(a) Capital Expenditure**      the purchase of fixed assets or the extension/upgrade of the property eg premises, fixtures and fittings, motor vehicles, etc      **2**  
**2 max**

**(b) Revenue Expenditure**      spending on goods for resale eg wages, insurance, telephone, etc      **2**  
**2**  
**2 max**

**(4)**

**(30)**

**Question 3**

**PART A**

**East & West Petty Cash Statement**

(a)	Date	Details	PCV No	Cash In	Cash Out	Balance	Analysis Columns			
							Cleaning	Postage	Stationery	Travel
				£	£	£	£	£	£	
	01-Feb	Imprest		100.00		100.00				
	01-Feb	Bus Fare	1		5.00	95.00				5.00
	02-Feb	Cleaning Fluid	2		7.00	88.00	7.00			
	03-Feb	String and Pens	3		4.50	83.50			4.50	
	04-Feb	Envelopes	4		6.75	76.75			6.75	
	04-Feb	Stamps	5		25.25	51.50		25.25		
	05-Feb	Taxi Fare	6		32.00	19.50				32.00
	05-Feb	Window Cleaner	7		15.00	4.50	15.00			
							22.00	25.25	11.25	37.00
										1 line
(b)	10-Feb	Cash		95.50		100.00				

(9)

(3)

**PART B**

**(a) Calculation of updated Bank Account Balance**

Bank Account							
Date	Details	DR		CR		Balance	
	Balance	535	1			535 dr	
	Interest Received	30	2			565 dr	
	Direct Debit			90	2	475 dr	
	Bank Charges			50	2	425 dr	1

**(8)**

**(b) Martin Davidson  
Bank Reconciliation Statement as at 30 September Year 1**

	£		
Balance as per updated Bank Account	425	1c	
<u>Add:</u>			
Unpresented cheque: Corolla & Co	450	2	
	875		
<u>Less:</u>			
Deposit in night safe	200	2	
Balance as per Bank Statement	675	1	<b>(6)</b>

**Alternative Solution  
Martin Davidson  
Bank Reconciliation Statement as at 30 September Year 1**

	£		
Balance as per Bank Statement	675	1	
<u>Add:</u>			
Deposit in night safe	200	2	
	875		
<u>Less:</u>			
Unpresented cheque: Corolla & Co	450	2	
Balance as per updated Bank Account	425	1c	<b>(6)</b>

**PART C**

- (a)** Reduction for paying within the set time period, eg 5% one month **2**  
 Cash discount is recorded in the ledger accounts **2**      **2 max**
- (b)** Reduction in the basic price for:  
 buying in bulk **2**  
 being a regular customer **2**  
 to allow people in the trade to get a discount **2**  
 Trade discount is not recorded in the ledger accounts **2**      **2 max**      **(4)**

**(30)**



**Question 4**

**PART A**

**Braxton Plc**

**Cash Budget for the 3 Months May – July Year 2**

	<b>MAY</b>		<b>JUNE</b>		<b>JULY</b>	
	£		£		£	
Opening bank balance	20,000	1	15,000		6,500	
<b>Receipts:</b>						
Cash Sales	7,500	1	5,500	1	6,000	1
Credit sales	10,000	1	11,500	1	19,500	1
<b>TOTAL RECEIPTS</b>	<b>17,500</b>		<b>17,000</b>		<b>25,500</b>	
<b>Payments:</b>						
Purchases	6,600	1	4,500	1	9,000	1
Petrol	400		400		400	1 line
Insurance	500	1	600	2	600	1
Wages	15,000		15,000		15,000	1 line
Advertising			5,000	2	5,000	1
<b>TOTAL PAYMENTS</b>	<b>22,500</b>		<b>25,500</b>		<b>30,000</b>	
Closing bank balance	15,000		6,500		2,000	1

**(20)**

**PART B**

- (a) =B4\*C4 **2**  
 (b) =D4-E4 or (B4\*C4)-E4 **2**  
 (c) =F4+F5+F6 or SUM(F4:F6) **2**

**(6)**

**PART C**

- With the use of formulae fewer arithmetical errors should be made **2**  
 Can use multiple worksheets **2**  
 Spreadsheets can be turned into graphs **2**  
 Can use 'what if' scenarios to project to the future **2**  
 Use of formula means automatic update when changes are made **2**  
 Templates can be used **2**

**Any 2 x 2 (4)**

**(30)**

**Question 5**

**PART A**

**(a) Toni Thompson  
Annual Operating Cost Statement**

	£		
Cleaning costs (£200 x 52)	10,400	2	
Insurance (£700 x 12)	8,400	2	
Electricity/Gas (£500 x 12)	6,000	2	
Breakfast consumables (£4 x 4,000)	16,000	2	
Other expenses (£500 x 2)	1,000	2	
Wages – catering assistant (£150 x 8)	1,200	2	
Rent	41,000	1	
<b>TOTAL OPERATING COST</b>	<b>84,000</b>	<b>1</b>	<b>(14)</b>

**(b)**

Cost per Guest Night

<u>84,000</u>			
4,000 = £21		2	<b>(2)</b>

**PART B**

- (a)** CPU = SP - VC  
CPU = 40 - 15 = £25 **2**
- (b)** BEP = FC/CPU  
20,000 **(1)**/25 **(1)** = 800 units **2**
- (c)** 800 units **(1)** x £40 **(1)** = £32,000 **2**
- (d)** 1,000 - 800 = 200 **2**  
200 x £25 = £5,000 profit **2** **(10)**

**PART C**

- (a) Time Rate** (Employee is paid a rate per hour) and total pay is worked out hours worked x rate per hour **2**
- (b) Piece Rate** Employee is paid according to how many units they make **2** **(4)** **(30)**

**Question 6**

**PART A**

**BAMBOOZLE PLC  
Overhead Analysis Sheet**

**(a)**

Overhead	Basis	Rate	Total	Dept E	Dept F	Canteen	
Indirect Wages	Allocated		100,000	30,000	50,000	20,000	1 line
Electricity	Floor Area (sq m)	2	40,000	14,000	20,000	6,000	3
Supervision	No of Employees	400	20,000	4,000	14,000	2,000	3
Insurance of Machinery	Value of Machinery (£)	0.24	12,000	4,800	7,200		2
	<b>DEPARTMENT TOTALS</b>		172,000	52,800	91,200	28,000	2

**(11)**

**(b)**

Re-apportion Canteen	%			16,800	11,200		2
	<b>TOTAL DEPARTMENTAL OVERHEADS</b>			69,600	102,400		1 line

**(3)**

**(c) (i)**

Direct Labour hours	<b>2</b>				
Machine hours	<b>2</b>				
Units	<b>2</b>	<b>Any 1 x 2</b>			<b>2</b>

**(ii)**

	<u>Total Department Overheads</u>				
	Direct Labour hours/machine hours/units	<b>2</b>			<b>2</b>

**(4)**

**PART B**

MIXING ACCOUNT												
	Inputs				Outputs					Balance		
	Kg	£	£		Kg		£		£	Kg	£	£
Materials A	1,000	7	7,000	2						1,000	2	7,000
Materials B	350	3	1,050	2						1,350	3	8,050
Wages			2,600	2			1					10,650
Overheads			1,350	1								12,000
Waste					150		0		0	1,200	10	12,000
Transfer to Baking					1,200	2	10	2	12,000	0	0	0

(12)

**ALTERNATIVE LAYOUT**

MIXING ACCOUNT										
Inputs					Outputs					
	Kg	£	£			Kg	£	£		£
Materials A	1,000	7	7,000	2	Waste	150	1	0		0
Materials B	350	3	1,050	2	Transfer to Baking	1,200	2	10	2	1,200
Wages			2,600	2						
Overheads			1,350	1						
			12,000							12,000

(12)

(30)

[END OF MARKING INSTRUCTIONS]