



2013 Accounting

Intermediate 2 – Solutions

Finalised Marking Instructions

© Scottish Qualifications Authority 2013

The information in this publication may be reproduced to support SQA qualifications only on a non-commercial basis. If it is to be used for any other purposes written permission must be obtained from SQA's NQ Assessment team.

Where the publication includes materials from sources other than SQA (secondary copyright), this material should only be reproduced for the purposes of examination or assessment. If it needs to be reproduced for any other purpose it is the centre's responsibility to obtain the necessary copyright clearance. SQA's NQ Assessment team may be able to direct you to the secondary sources.

These Marking Instructions have been prepared by Examination Teams for use by SQA Appointed Markers when marking External Course Assessments. This publication must not be reproduced for commercial or trade purposes.

**2013 Accounting
Intermediate 2
Solutions**

Question 1

A Calculation of Accumulated Fund

Clubhouse	30,000	1
Club Minibus	14,000	1
Bowling Equipment	4,000	1
Bank	<u>4,600</u>	1
	<u>52,600</u>	(4)

C Income Statement - Raffle

Ticket Sales	800	1
less Prizes	400	1
Printing	<u>100</u>	<u>500</u>
Profit on Raffle ✓	<u>300</u>	(3)

B Calculation of closing Bank Balance

Opening Bank Balance	4,600	1
plus Receipts	<u>11,100</u>	1
	15,700	
less Payments	<u>6,400</u>	1
	<u>9,300</u>	(3)

Income and Expenditure Account for year ending 31 December Year 4 ✓

Income

Subscriptions (5,300 – 200 + 300)	5,400	(3)	(1+1+1)
Competition Profit (3,100 – 1,600)	1,500	(2)	(1+1)
Donations	600	(1)	
Profit on Raffle	300	(1)	
Visitors Income	<u>1,300</u>	(1)	9,100

Less Expenditure

General Expenses (500 – 50)	450	(2)	(1+1)
Electricity (600 + 100)	700	(2)	(1+1)
Secretary's Honararium	400	(1)	
Greenkeepers' Wages	1,600	(1)	
Rent	300	(1)	
Depreciation - Equipment (5,000+900 x 10%)	590	(2)	
Depreciation - Minibus	<u>1,000</u>	(1)	<u>5,040</u>
SURPLUS OF INCOME ✓			<u>4,060</u> (1) (19)

E Balance Sheet as at 31 December Year 4 ✓

<u>Fixed Assets</u>	<u>Cost</u>		<u>Depn</u>	<u>NBV</u>	
Clubhouse	30,000			30,000	(1)
Equipment	5,900	(1)	1,590	(1) 4,310	
Club Minibus	<u>14,000</u>		<u>1,000</u>	<u>13,000</u>	(1)
				47,310	
<u>Current Assets</u>					
Bank	9,300				(1)
Subscriptions owing	300				(1)
General Expenses prepaid	<u>50</u>		9,650		(1)
<u>Less Current Liabilities</u>					
Subscriptions prepaid	200				(1)
Electricity owing	<u>100</u>		<u>300</u>	<u>9,350</u>	(1)
				<u>£56,660</u>	
Financed by:					
Accumulated Fund				52,600	(1)
Surplus of Income				<u>4,060</u>	(1)
				<u>£56,660</u>	
					(11)

Question 2

Part A

(a) Manufacturing Account for the year ended 31 December Year 2 ✓

		£000
Stock of Raw Materials at start		48 (1)
Add Purchases of Raw Materials		<u>280 (1)</u>
		328
Less Stock of Raw Materials at end		<u>40 (1)</u>
COST OF RAW MATERIALS CONSUMED ✓		288
ADD DIRECT COSTS		
Direct Wages		<u>300 (1)</u>
PRIME COST ✓		588 (1)
ADD FACTORY OVERHEADS		
Insurance (100 (1) – 20 (1) x 75% (1))	60 (3)	
Salaries (2/3 (1) x 90 (1))	60 (2)	
Factory Expenses	10 (1)	
Factory Power	40 (1)	
Depreciation of Factory Machinery (10% x 700)	<u>70 (2)</u>	240
		828
Add Opening Work in Progress		<u>22 (1)</u>
		850
Less Closing Work in Progress		<u>32 (1)</u>
FACTORY COST OF PRODUCTION ✓		<u>818 (1)</u>

(17)

(b) Trading, Profit and Loss and Appropriation Account for year ended 31 December Year 3 ✓

		£000
Sales		1,680 (1)
LESS COST OF SALES		
Opening Stock of Finished Goods	84 (1)	
ADD Factory Cost of Production	<u>818 (1)</u>	
	902	
LESS Closing Stock of Finished Goods	<u>68 (1)</u>	834
GROSS PROFIT ✓		846 (1)
LESS EXPENSES		
Salaries	30 (1)	
Insurance	20 (1)	
Office expenses (5 (1) + 1 (1))	6 (2)	
Depreciation on Office Equipment	<u>5 (2)</u>	61
NET PROFIT ✓		<u>785 (1)</u>
Less Corporation Tax		<u>196 (1)</u>
		589
Add Profit and Loss Balance at 1 January Year 2		<u>8 (1)</u>
		597
Less Ordinary Share Dividend (15% x £500,000)		<u>75 (2)</u>
Unappropriated Profit c/f ✓		<u>522 (1)</u>

(17)

Part B

(i) Prime Cost

Prime Cost (means first cost) and refers to the direct or variable costs **(2)** used in Manufacturing, these vary directly with output **(2)** eg Raw Materials, Direct Wages, Royalties **(1 for example once)**.

2 max

(ii) Indirect Costs

Indirect Costs also known as Factory Overheads **(2)**, are necessary to support production eg Factory Heat, Light, Insurance, Factory Manager's salary **(1 for example once)**.

2 max

(iii) Work In Progress

Work in Progress is the **value** of the partly completed units in manufacturing **(2)**. The difference between Opening and Closing WIP is added to the cost of manufacture **(2)**.

2 max

(6)

Question 3

Part A

(a) Appropriation Account of Anderson and Paterson for the year ended 31 December Year 1 ✓

	£000s	£000s
Net Profit		80 (1)
LESS		
Interest on Capital: Anderson (5% x 60,000)	3 (2)	
Paterson (5% x 40,000)	2 (2)	
	5	
Salary: Paterson	15 (1)	20
Residual Profit		60
 <u>Share of Profits</u>		
Anderson (3/5 x 60)	36 (2)	
Paterson (2/5 x 60)	24 (2)	60
		(10)

(b) CURRENT ACCOUNT OF PATERSON

	Dr	Cr		Balance
Interest on Capital		£2,000 (1)		£2,000 Cr
Share of Profit		£24,000 (1)		£26,000 Cr
Salary		£15,000 (1)		£41,000 Cr
Drawings (40% x 40,000)	£16,000 (2)			£25,000 Cr (1)
				(6)

(c) FINANCED BY:

	£000s	£000s	
Capital Accounts: Anderson		60 (1)	
Paterson		40 (1)	
		100	
Current Accounts: Anderson	15 (1)		
Paterson	25 (1)	40	
	25	140	(4)
			(20)

Part B

Error No	Account to be Debited	Amount	Account to be Credited	Amount
1	Purchases	£800	Suspense	£800
2	Suspense	£3,000 (1)	Advertising	£3,000 (1)
3	Repairs	£63 (2)	Suspense	£63 (2)
4	Electricity	£2,000 (2)	Bank	£2,000 (2)
5	Discount Received Discount Allowed	£50 (1) £50 (1)	Suspense	£100 (2)

(14)

Part C

Credit transfer received by the bank (2)

Payment of a **standing order** made by the bank (2)

Payment of a **direct debit** made by the bank (2)

Interest received from the bank (2)

Bank Charges (2)

Corrections because of previous entries made incorrectly to the bank account (2) **Any 3 x 2**

(6)

Question 4

(a)		Special		Standard		Deluxe		Premier		Total	
	Demand in Units	4,000		6,000		7,000		3,000			
	x Machine Hours	20		10		8		10			
	Machine Hours Necessary to fulfill demand	80,000	(1)	60,000	(1)	56,000	(1)	30,000	(1)	226,000	(1) (5)
(b)	(i)										
	Wages	15	(1)	10	(1)	5	(1)	10	(1)		
	Materials	10	(1)	11	(1)	10	(1)	11	(1)		
	Overheads	<u>10</u>	(1)	<u>5</u>	(1)	<u>4</u>	(1)	<u>5</u>	(1)		
	Total Variable Costs pu	35		26		19		26			(12)
	(ii)										
	Selling Price	£50		£40		£31		£46			
	Variable Cost Per Unit	<u>£35</u>		<u>£26</u>		<u>£19</u>		<u>£26</u>			
	Contribution Per Unit	£15	(2)	£14	(2)	£12	(2)	£20	(2)		(8)
	(iii)										
	Machine Hours Per Unit	20		10		8		10			
	Contribution Per Machine Hour (Limiting F)	£0.75	(1)	£1.40	(1)	£1.50	(1)	£2.00	(1)		(4)
(c)	Order of Production	4th		3rd		2 nd		1st		(1)	(1)
(d)	Hours Available			3rd		2 nd		1st		Hours Available	
	HOURS used			54,000/10		54,000		110,000		140,000	
	Units to Maximise Profits			5,400 Standard	(2)	7,000 Deluxe	(1)	3,000 Premier	(1)		(4)

Part B

(a) Contribution per unit

$$\text{Variable Cost} = \overset{(1)}{(4 \times 3)} + \overset{(1)}{(6 \times 3)} + \overset{(1)}{(2 \times 3)} = \text{£}36$$

$$\text{Contribution} = \text{Selling Price} - \text{Variable Cost} \quad \overset{(1)}{\text{£}45} - \overset{(1)}{\text{£}36} = \text{£}9 \quad (5)$$

(b) Break-even Point

$$\text{BEP} = \frac{\text{Fixed Costs}}{\text{Contribution per unit}} \quad \frac{\text{£}36,000}{\text{£}9} \overset{(1)}{(1)} = 4,000 \times \text{£}45 \overset{(1)}{(1)} \\ = \text{£}180,000 \quad (3)$$

(c) Profit or Loss if 5,000 units produced

$$5,000 - 4,000 = 1,000 \times \overset{(1)}{\text{£}9} \overset{(1)}{(1)} = \text{£}9,000 \text{ PROFIT } \checkmark \quad (3)$$

(d) New Break-even point

$$\frac{\text{£}48,000}{(46 - 36)} \overset{(1)}{(1)} = 4,800 \text{ units} \times \text{£}46 \overset{(1)}{(1)} = \text{£}220,800 \quad (3)$$

(14)

Part C

(a) (i) FIFO

The **price/value** of the stock issued is based on the assumption that issues are made on strict order of receipt **(2)**

OR

Issues to production will be charged at the first **price** paid **(2)** until all units are used up.

2 max

(ii) LIFO

The **price/value** of the stock issued is based on the last batch of stock purchased **(2)**

OR

Issues to production will be charged at the last **price** paid **(2)** until all units are used up.

**2 max
(4)**

(b) Advantages

- It is a satisfactory method when prices are relatively stable.
- The balance of stock is a true and fair valuation for financial accounting purposes.
- Is accepted by the Inland Revenue for taxation purposes.
- Easy method to operate.

(2)

Question 6

Part A

Cash Budget for the 3 months July to Sept ✓

	July		August		September	
Opening Balance	£8,000	(1)	£17,000		£33,760	
RECEIPTS						
Cash Sales	£33,600	(1)	£36,800	(1)	£32,800	(1)
Credit Sales	£43,200	(2)	£45,360	(2)	£49,680	(2)
TOTAL RECEIPTS	£76,800		£82,160		£82,480	
PAYMENTS						
Raw Materials	£26,400	(1)	£27,600	(1)	£25,200	(1)
Direct Wages	£18,400	(1)	£16,800	(1)	£17,600	(1)
Fixed Overheads	£20,000		£20,000		£20,000	(1) <i>line</i>
Van	£3,000	(1)	£1,000	(1)	£1,000	(1)
TOTAL PAYMENTS	£67,800		£65,400		£63,800	
Closing Balance	£17,000		£33,760		£52,440	(20)
Credit sales without discount	£48,000	(1)	£50,400	(1)	£55,200	(1)
Credit sales without delay period	£45,360	(1)	£49,680	(1)	£44,280	(1)

Part B

BAKING PROCESS ACCOUNT

	INPUTS				OUTPUTS				BALANCE		
	Kg	£	£		Kg	£	£		Kg	£	£
Materials	6,000	2.50	15,000	(2)					6,000		15,000
Direct Labour			22,500	(2)							37,500
Fixed Overheads			11,250	(2)							48,750
Normal Loss – Scrap					300	(1) 0.50	150	(1)	5,700		48,600
Normal Loss – Waste					300	(1) 0.00	0		5,400	9.00	48,600
Transfer to Packaging					5,400	(1) 9.00	(4) 48,600		0	0.00	0

or

CPU = £48,600/5,400 £9.00

(14)

ALTERNATIVE LAYOUT

BAKING PROCESS ACCOUNT

	INPUTS				OUTPUTS				
	Kg	£	£		Kg	£	£		
Materials	6,000	2.50	15,000	(2)	Normal Loss – Scrap	300	(1) 0.50	150	(1)
Direct Labour			22,500	(2)	Normal Loss – Waste	300	(1) 0.00	0	
Fixed Overheads			11,250	(2)	Transfer to Packaging	5,400	(1) 9.00	(4) 48,600	
			<u>48,750</u>					<u>48,750</u>	

CPU = (48,750 - 150)/(6,000 - 300 - 300) £9.00

(14)

Part C

State 3 bases of apportioning overheads among cost centres.

Number of employees **(2)**

Area **(2)**

Value of Buildings **(2)**

Kw Hours **(2)**

Value of machinery **(2)** *Any 3 x 2*

(6)

[END OF MARKING INSTRUCTIONS]