

X209/11/01

NATIONAL
QUALIFICATIONS
2013

THURSDAY, 9 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 was extracted from the records of the Cartvale Bowling Club for the year ending 31 December Year 4

The following receipts and payments arose during the year

Receipts

	£
Subscriptions	5,300
Competition Entry Fees	3,100
Donations	600
Raffle Ticket Sales	800
Income from Visitors	1,300
	<u>£11,100</u>

Payments

Raffle Prizes	400
Raffle Ticket Printing	100
Competition Trophies	1,600
General Expenses	500
Electricity	600
Secretary's Honorarium	400
Rent	300
Greenkeeper's Wages	1,600
Purchase of new Bowling Equipment	900
	<u>£6,400</u>

The accounts had the following balances at the start and end of Year 4.

	January 1	December 31
Clubhouse	£30,000	£30,000
Club Minibus	£14,000	?
Subscriptions prepaid		£200
Subscriptions owing		£300
Bowling equipment (original cost – £5,000)	£4,000	?
General Expenses prepaid		£50
Electricity owing		£100
Bank	£4,600 Dr	

NOTES

- Depreciation is to be charged on **all** equipment at 10% on cost per annum
- The Club Minibus is to be depreciated by £1,000

- (a) Calculate the Accumulated Fund of the Club at 1 January Year 4. 4
- (b) Calculate the closing Bank Balance of the Club at 31 December Year 4. 3
- (c) Calculate the Profit or Loss made on the Raffle. 3
- (d) Prepare the Income and Expenditure Account of the Club for the year ending 31 December Year 4. 19
- (e) Prepare the Balance Sheet of the Club as at 31 December Year 4. 11

(40)

2. Part A

The following figures were taken from the records of Ochil Industries plc as at 31 December Year 2.

	Dr	Cr
	£000	£000
Sales of Finished Goods		1,680
Purchases of Raw Materials	280	
Stocks at 1 January Year 2:		
Raw Materials	48	
Work in Progress	22	
Finished Goods	84	
Direct Wages	300	
Salaries	90	
Insurance	100	
Factory expenses	10	
Factory power	40	
Office expenses	5	
Factory Machinery at cost	700	
Provision for Depreciation on Factory Machinery at 1 January Year 2		100
Office Equipment at cost	100	
500,000 Ordinary Shares of £1 each		500
Profit and Loss Account Balance at 1 January Year 2		8
	£000	

NOTES at 31 December Year 2

- 1 Stocks

Raw Materials	£40
Work in Progress	£32
Finished Goods	£68
 - 2 Insurance prepaid £20
 - 3 Office expenses due £1
 - 4 Provide for Corporation Tax £196
 - 5 Factory Machinery is depreciated at 10% per annum on cost.
 - 6 Office Equipment is depreciated at 5% per annum on cost.
 - 7 Salaries are to be apportioned between the factory and the office in the ratio 2:1.
 - 8 Insurance, taking into account the prepayment, is to be divided 75% to the factory and 25% to the office.
 - 9 The Directors propose to pay a final dividend of 15% on Ordinary Shares.
- (a) **Prepare**, for internal use, the **Manufacturing Account** only, for the year ended 31 December Year 2, labelling clearly the:
- (i) Cost of Raw Materials Consumed;
 - (ii) Prime Cost, and
 - (iii) Factory Cost of Production. 17
- (b) **Prepare** the **Trading and Profit and Loss Accounts**, for internal use, (including the appropriation of available profits), for the year ended 31 December Year 2. 17

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

Marks

2. (continued)

Part B

Explain the following terms used in a Manufacturing Account.

- (i) Prime Cost
- (ii) Indirect Costs
- (iii) Work in Progress

6

(40)

3. Part A

Anderson and Paterson started a partnership on 1 January Year 1.

The Partnership Agreement states:

- Capital invested: Anderson £60,000; Paterson £40,000
- Interest on Capital is to be paid at 5% per annum
- Paterson is to receive a salary of £15,000 per annum
- Profits and Losses are to be shared in the ratio of capital invested
- Each partner is to take Drawings of 40% per annum of his Capital invested

The Partnership Net Profit for the year ended 31 December Year 1 is £80,000.

- (a) **Prepare** the Appropriation Account for the year ended 31 December Year 1. **10**
- (b) **Prepare** the Current Account of Paterson. There was no opening balance. **6**
- (c) **Prepare** the Financed by section only of the Balance Sheet of Anderson and Paterson as at 31 December Year 1 given that Anderson's Current Account Balance, after the Appropriation Account has been prepared, is £15,000. **4**

[Turn over

3. (continued)

Part B

On 31 December Year 1 the Trial Balance of Lee Chan failed to agree and a Suspense Account was opened.

On investigation, the following errors were discovered.

- 1 Goods purchased by cheque for £800 had only been entered in the Bank Account.
- 2 The advertising account had been overadded by £3,000.
- 3 Repairs to machinery costing £92 had been entered in the Machinery Repairs Account as £29.
- 4 A bill for Electricity, £1,000, paid by cheque, had been treated as a receipt in both accounts.
- 5 Discount Allowed of £50 had been entered in the Discount Received Account in error.

Using the layout below, show how these errors would be corrected in the books of Lee Chan.

The first one has been done for you.

Error No	Account to be debited	Amount	Account to be credited	Amount
1	Purchases	£800	Suspense	£800

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Part C

A company updates its bank account prior to preparing a bank reconciliation statement.

State 3 entries that the company may have made in order to update the bank account.

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[END OF SECTION A]

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. Formartine Valley Producers make 4 different products using machines. At full capacity the machines work for 140,000 hours. The total fixed costs for the factory are £79,600.

Sales demand for the 4 products is expected to be:

Special	4,000 units
Standard	6,000 units
Deluxe	7,000 units
Premier	3,000 units

The following information is also available (all **per unit**):

Product	Selling Price	Machine Hours	Labour Hours	Materials (Kg)
			(£10 per hour)	(£1 per kg)
Special	£50	20	1.5	10
Standard	£40	10	1	11
Deluxe	£31	8	0.5	10
Premier	£46	10	1	11

(Variable overheads to be charged to all products at a rate of £0.50 per machine hour.)

- (a) Calculate how many **machine hours** are necessary to meet current demand for each product and in total. 5
- (b) Using the information above, you are asked to calculate **for each product**:
- (i) variable costs **per unit**; 12
- (ii) contribution **per unit**; 8
- (iii) contribution per **machine hour**. 4
- (c) State the **order of production** required to maximise profits. 1
- (d) How many **units of each product** should be produced in order to **maximise profits**? 4
- (e) Using the units from (d), calculate the:
- (i) total contribution per product;
- (ii) total overall contribution and;
- (iii) total overall profit. 6

(40)

5. Part A

Wanda Novak runs a hairdressing salon. She has made the following estimates for the year to 31 December Year 2.

Shampoo and Conditioner	75p per customer
Electricity	50p per customer
Rent	£1,500 per quarter
Annual Insurance	£1,200
Interest on Bank Loan for year	£3,500

- The salon employs 2 hairdressers who each work 5 days a week, 9 am – 6 pm, with 1 hour off each day for lunch.
- The owner deals solely with Reception and Administration.
- Each employee is paid an hourly rate of £12.50 and works 48 weeks per annum. They each receive 4 weeks holiday pay at £300 per week.
- Each hairdresser has an average of 2 customers per hour.
- Hairdressing Equipment is valued at £10,000 and is depreciated at 15% per annum using the straight line method.

(a) Calculate for the year to 31 December Year 2:

(i) total number of customers; **4**

(ii) total wage bill; **6**

(b) Prepare a statement to show the total operating cost of the salon for year 2. **10**

5. (continued)

Part B

Cartside plc is planning to produce Product X which they propose to sell for £45 per unit.

It will take **3 labour hours** to produce one unit of Product X

Estimated production costs will be:

Materials	4 kg at £3 per kg
Labour	£6 per hour
Variable overheads	£2 per labour hour

Fixed Costs to be allocated to the production of Product X are estimated to be £36,000.

From the information above **calculate**:

- | | |
|--|---|
| (a) contribution per unit; | 5 |
| (b) the break-even point in units and sales values; | 3 |
| (c) the profit or loss to be made if 5,000 units are produced and sold; | 3 |
| (d) the new break-even point in units and sales value if the selling price was increased by £1 and Fixed Costs increased to £48,000. | 3 |

Part C

(a) The pricing of materials issued from stores may involve either the FIFO or LIFO method. Explain the terms:

(i) FIFO;

(ii) LIFO.

(b) Give **one** advantage of using FIFO rather than LIFO as a method of stock valuation.

4
2
(40)

[Turn over

6. Part A

Garioch plc provides you with the following information.

The Bank Balance of Garioch plc is expected to be £8,000 on 1 July.

1 Sales in units are expected to be as follows:

June	July	August	September
2,000	2,100	2,300	2,050

2 The selling price per unit will be £40 but Credit Sales will receive a discount of 10%.

3 Credit customers account for 60% of the total sales and they pay one month after purchase.

4 Estimated production in units each month is:

June	July	August	September
2,200	2,300	2,100	2,200

5 Raw material costs are £12 per unit, paid for one month after production.

6 Direct Wages will be £8 per unit paid in the same month as production.

7 Fixed Overheads of £20,000 will be paid each month.

8 In July, Garioch plc proposes to buy a delivery van for £15,000 on hire purchase. Garioch plc will pay 20% of the purchase price in July and the balance in equal instalments over the following 12 months.

Prepare Garioch plc's Cash Budget for the months of **July, August and September**.

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Part B

Ross plc produces cakes in 2 processes, Baking and Packaging. Details for the Baking Process for the month of November were as follows.

- Materials 6000 kg @ £2.50 per kg
- Direct labour 2500 hours at £9 per hour
- Fixed overheads are absorbed on the basis of 50% of Direct Labour Costs.
- Normal Loss is expected to be 10% of material input – 50% of which is sold for £0.50 per unit. The rest is waste.

Prepare the Baking Process Account for November, clearly showing the cost per kg of good output to be transferred to the Packaging Process.

14

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

Marks

6. (continued)

Part C

State 3 bases of apportioning overheads among cost centres.

6

(40)

[END OF SECTION B]

[END OF QUESTION PAPER]

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