

X209/11/01

NATIONAL
QUALIFICATIONS
2014

TUESDAY, 29 APRIL
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.



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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 is the Trial Balance of Braiklay plc as at 31 December Year 3.

	£000	£000
500,000 Ordinary Shares of £1 each		500
300,000 10% Preference Shares of £1 each		300
Premises (at cost)	820	
Motor Vehicles (at cost)	80	
Provision for Depreciation at 1 January Year 3:		
Motor Vehicles		20
Unappropriated Profit at 1 January Year 3		16
Sales		2,030
Purchases	1,644	
Wages and Salaries	190	
Rent and Rates	80	
Stock at 1 January Year 3	153	
Provision for Bad and Doubtful Debts at 1 January Year 3		2
Discount Received		4
Debtors	60	
Creditors		40
Bank Overdraft		15
8% Debentures		100
	£3,027	£3,027

Notes at 31 December Year 3:

	£000
(1) Stock	140
(2) Rent and Rates prepaid	2
(3) Provide for Corporation Tax of	21
(4) Provide for depreciation for the year on Motor Vehicles at 20% of cost	
(5) The Provision for Bad and Doubtful Debts is to be adjusted to 5% of Debtors	
(6) Debenture interest is to be paid in full	
(7) The Directors propose to:	
(a) pay the Preference Dividend;	
(b) pay a dividend of 5% on Ordinary Shares.	

Prepare from the Trial Balance and notes (for internal use):

- | | |
|--|-------------|
| (a) the Trading and Profit and Loss Account (including the appropriation of available profits) for the year ended 31 December Year 3 and | 23 |
| (b) a Balance Sheet as at that date. | 17 |
| | (40) |

Attempt either Question 2 or Question 3

2. Part A

The following is a summary of the Receipts and Payments of the New Bridge Badminton Club for the year ended 31 December Year 2.

RECEIPTS

	£
Subscriptions	10,000
Sale of Dance Tickets	1,200
Sponsored Walk	4,700
Donations	<u>500</u>
	£16,400

PAYMENTS

	£
Disco Hire for Dance..	700
Caretaker's Wages..	500
Electricity	600
Printing of Dance Tickets	50
Purchase of Badminton Equipment	1,750
Prizes for Sponsored Walk	100
General Expenses	1,550
Printing of Entry Forms for Sponsored Walk	20
Refreshments for Dance	200
Secretary's Honorarium	<u>200</u>
	£5,670

The accounts showed the following balances at the start and the end of Year 2.

	Jan 1	Dec 31
	£	£
Clubhouse and Gym	130,000	130,000
Badminton Equipment	5,000	?
Bank (overdrawn on 1 Jan)	3,200	?
Subscriptions due	—	200
Subscriptions prepaid.	—	400
Electricity prepaid	—	250
Loan for Clubhouse	50,000	50,000
Caretaker's wages owing..		50

NOTES

- * Equipment is depreciated at 30% per annum on cost
- * Interest has to be repaid on the loan at 5% per annum

- (a) **Calculate** the Accumulated Fund of the Club on 1 January Year 2. 4
- (b) **Calculate** the Closing Bank Balance of the Club at 31 December Year 2. 3
- (c) **Prepare** statements to show the profit or loss on the:
- (i) Dance and 9
 - (ii) Sponsored Walk.
- (d) **Prepare** the Income and Expenditure Account for the year ended 31 December Year 2. 18

2. (continued)

Part B

Name and **explain** the meaning of the following abbreviations which may appear on a Bank Statement.

- | | |
|---------|-------------|
| (a) SO | 2 |
| (b) DD | 2 |
| (c) BGC | 2 |
| | (6) |
| | (40) |

[Turn over

3. Part A

Alba Turbines plc manufactures one special item of equipment for the oil industry. The following information relates to the year ended 31 December Year 4.

	£000
Stocks at 1 Jan Year 4	
Raw Materials	15
Work in Progress	25
Finished Goods.. .. .	9
Carriage on Raw Materials.6
Purchase of Raw Materials.	150
Sales of Finished Goods.	260
Factory Machinery at cost.. . . .	45
Rent and Rates5
Manufacturing Wages	48
Direct Expenses7
Selling and Distribution Expenses	23
Factory Manager's Salary	27
Light and Heat9
Factory Insurance3
Stocks at 31 December Year 4	
Raw Materials	16
Work in Progress	19
Finished Goods.. . . .	12

Notes at 31 December Year 4

- 1 Light and Heat owing £2,000
- 2 Rent and Rates should be split between the factory and the office: Factory 80%, Office 20%
- 3 Provide for Depreciation on Factory Machinery of 20% on cost
- 4 Insurance prepaid £1,000

Prepare a Manufacturing Account for the year, which will show clearly labelled:

- | | |
|---|-------------|
| (a) Cost of Raw Materials Consumed; | 5 |
| (b) Prime Cost; | 3 |
| (c) Factory Cost of Goods Manufactured. | 12 |
| | (20) |

3. (continued)

Part B

The following is taken from the records of B Fyvie at 31 December Year 5

Sales (80% on credit)	250,000
Opening Stock	17,000
Closing Stock	18,000
Gross Profit	75,000
Expenses	58,600
Current Assets	42,000
Current Liabilities	12,000
Average Debtors	15,800
Opening Capital	164,000

Calculate for Year 5 the:

- | | |
|--|------|
| (a) Gross Profit Ratio; | 2 |
| (b) Rate of Stock Turnover; | 4 |
| (c) Current Ratio; | 2 |
| (d) Return on Capital Employed; | 2 |
| (e) Debtors' Collection Period. Your answer should be expressed in days. | 4 |
| | (14) |

Part C

- | | |
|---|------|
| Give 2 advantages and one disadvantage of converting from a sole trader to a partnership. | 6 |
| | (40) |

[END OF SECTION A]

[Turn over for Section B on Page eight

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. Jack Smith, a sole trader, plans to start up in business on 1 March Year 3 with £8,400 in a business bank account.

The following estimates relate to the first 3 months of his business from March to May.

- 1 Sales (in units)

March	April	May
3,000	3,500	4,000

- The selling price per unit will be £30
 - Each month 40% of total sales will be on a cash basis and the remainder sold on credit
 - Credit sales will be paid for one month after the month of sale
- 2 Production will be 4,000 units in March and will increase by 200 units in April and by a further 300 units in May.
- 3 Jack will receive a Loan of £5,000 from the bank in April.
- 4 Jack will purchase a new van on credit on 1 March for £8,000 — this will be paid for in monthly instalments of 10% of the purchase price beginning in May.
- 5 Jack will rent out part of his premises on 1 April and will receive Rent of £500 each month.
- 6 Material costs will be £6 per unit — these will be purchased in the same month as production and paid for one month later.
- 7 Labour costs will be £5 per unit, paid in the same month as production.
- 8 Variable Overheads will be £3 per unit, paid one month after production.
- 9 Fixed Overheads are expected to be £9,000 in March and April and rise by 20% in May.
- 10 A commission of £2 per unit on all sales will be paid in the month of sale.
- 11 Jack will receive a Start Up Grant of £3,000 from the Prince's Trust in April.

- (a) **Prepare** a Cash Budget for the 3 months March to May showing clearly opening and closing bank balances for each month.

36

- (b) **State** 2 reasons why Cash Budgets are prepared.

4

(40)

USE THE WORKSHEET PROVIDED TO ANSWER ALL OF THIS QUESTION

5. Uryside plc is a manufacturing company which has 2 production and 2 service departments. The following information relates to its cost centres.

	TOTAL	Production Departments		Service Departments	
		L	M	P	Q
Indirect Materials	£12,500	£7,750	£250	£4,250	£250
Indirect Labour	£80,000	£32,000	£20,000	£21,000	£7,000
Area (sq m)	12,000	4,000	3,000	2,000	3,000
No of employees	500	100	150	200	50
Value of machinery	£140,000	£30,000	£60,000	£20,000	£30,000
Machine Hours	30,000	15,000	10,000	5,000	—

The following information is available.

Overheads	Total Costs
Indirect Materials	£12,500
Indirect Labour	£80,000
Machine Insurance	£14,000
Supervision	£30,000
Gas and Electricity	£24,000
Rent	£72,000
Administration costs	£40,000
Depreciation of Machinery	£70,000

You are required to:

- (a) **complete** the Worksheet provided to calculate the total overheads to be allocated and apportioned to each department; 26
- (b) **re-apportion** the total overhead costs of **Department Q** to the other 3 departments on the basis of number of employees; 3
- (c) **re-apportion** the total overhead costs of **Department P** (including the share from Department Q) to the other 2 departments on the basis of Machine Hours; 3
- (d) **calculate** the Overhead Absorption Rate for **Department L** on the basis of Machine Hours. 2
- (e) **explain** 3 benefits of using spreadsheets to a Management Accountant. 6
- (40)**

[Turn over

6. Part A

The following profit statement refers to the current monthly production and sales of Product X.

	£	£
Sales (4000 units)		120,000
Less:		
Variable Costs	80,000	
Fixed Costs	20,000	100,000
PROFIT	20,000	20,000

(a) Calculate:

- (i) the selling price per unit;
- (ii) the variable cost per unit;
- (iii) the contribution per unit;
- (iv) the break-even point in units and sales value;
- (v) the profit earned if 3,000 units are sold;
- (vi) the units required to be produced and sold to earn a profit of £7,500.

15

(b) If the selling price per unit was reduced by £4 and variable costs per unit were increased by £1, calculate:

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

5

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 — 6,000 kg @ £2.50 per kg
- Direct Labour — 2,500 hours at £9 per hour
- Fixed Overheads are absorbed on the basis of 40% of Direct Labour Costs
- Variable Overheads £2,250
- Normal Loss is expected to be 10% of material input — 50% of which is sold for £0.50 per kg — 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.

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6. (continued)

Part C

Name and **explain** the following abbreviations used in stock issue.

(a) FIFO

(b) LIFO

6
(40)

[END OF SECTION B]

[END OF QUESTION PAPER]

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FOR OFFICIAL USE

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X209/11/11

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2014

TUESDAY, 29 APRIL
1.00 PM – 3.00 PM

ACCOUNTING
INTERMEDIATE 2
Worksheet for Question 5

Fill in these boxes and read what is printed below.

Full name of centre

Town

Forename(s)

Surname

Date of birth

Day Month Year

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Scottish candidate number

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Number of seat

The Worksheet for Question 5 need only be completed if the question is attempted.

The Worksheet should be inserted inside the front cover of the candidate's answer book and returned with it.



Worksheet for Question 5

Marks

Overhead Analysis Sheet

Overhead	Basis	Rate	Total	L	M	P	Q
			£	£	£	£	£
(a) Indirect Materials	Allocated						
Indirect Labour	Allocated						
Machine Insurance							
Supervision							
Gas and Electricity							
Rent							
Administration costs							
Depreciation of Machinery							
Total Department Overheads							26
Reapportionment of Overheads							
(b) Department Q							3
(c) Department P							3
Total Production Departmental Overheads							

(d) Overhead Absorption Rate for Department L

2

(e) Explain **3** benefits of using spreadsheets to a Management Accountant.

6
(40)

[END OF WORKSHEET]

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