X209/12/01

NATIONAL
QUALIFICATIONS
2015

MONDAY, 18 MAY
9.00 AM – 11.30 AM

ACCOUNTING
HIGHER

Candidates should attempt **six** questions in total, as follows.

Section A

Question 1

and Question 2 **or** 3

and Question 4 **or** 5

Section B

Question 6

and Question 7 **or** 8

and Question 9 **or** 10

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. Any incorrect figure not supported by adequate working will receive no marks. Candidates using calculators should pay particular heed.

Begin your answer to each question on a fresh page.

SECTION A

You should attempt 3 questions from this section:

Question 1, AND Question 2 OR 3 AND Question 4 OR 5.

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

1. The following is the Trial Balance of Wilson and Ferguson, a partnership, on 31 December Year 5.

TRIAL BALANCE AS AT 31 DECEMBER YEAR 5	*£000*	*£000*
Equity (Capital) Accounts		
Wilson		200
Ferguson		100
Drawings		
Wilson	30	
Ferguson	50	
Current Accounts		
Wilson	20	
Ferguson		30
Sales Revenue (Sales)		550
Purchases	180	
Purchases Returns		3
Office Expenses	12	
Salaries	94	
Provision for Doubtful Debts at 1 January Year 5		10
Provisions for Depreciation at 1 January Year 5		
Motor Vehicles		20
Office Equipment		30
Trade Receivables (Debtors)	140	
Trade Payables (Creditors)		62
VAT		40
Rent	10	
Cash and Cash Equivalents (Bank)		15
Property (Premises)	400	
Motor Vehicles (at cost)	100	
Office Equipment (at cost)	120	
Inventory (Stock) at 1 January Year 5	17	
Loan – Ferguson		100
Discount Received		13
	£1,173	£1,173

Marks

1. (continued)

NOTES at 31 December Year 5

(1) Closing Inventory (Stock) costing £25,000 had a market value of £30,000.

(2) Office Expenses prepaid and Salaries due are £2,000 and £3,000 respectively.

(3) Rent is to be apportioned between the warehouse and the office in the ratio 7:3.

(4) The Provision for Doubtful Debts at 31 December Year 5 is to be adjusted to 5% of Trade Receivables (Debtors).

(5) The property (premises) was professionally revalued at £450,000.

(6) Provide for depreciation for the year as follows:

(*a*) Motor Vehicles at 20% by the diminishing balance method.

(*b*) Office Equipment at 10% on cost.

(7) The loan from Ferguson was taken out on 1 July Year 5, the annual interest rate is 10%.

The Partnership Agreement states:

(*a*) an annual salary of £15,000 is to be paid to Wilson;

(*b*) interest will be charged on drawings at 10% per annum;

(*c*) interest will be paid on equity (capital) at 5% per annum;

(*d*) Residual Profits/Losses are to be shared in the ratio of equity (capital) invested.

You are required to prepare from the Trial Balance and Notes:

Income Statement with Appropriation Account (Trading and Profit and Loss and Appropriation Account) for the year ended 31 December Year 5 and a Statement of Financial Position (Balance Sheet) as at that date. **(50)**

[Turn over

Marks

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

2. PART A

The following is the summary of the Receipts and Payments of the Gators Swimming Club for the year ended 31 December Year 3.

Receipts	*£000*
Subscriptions	25
Sale of Raffle Tickets	3
Competition Entry Fees	4
	32
Payments	
Purchase of Equipment	2
Raffle Prizes	1
Competition Prizes	2
Raffle Expenses	1
Coach's Honorarium	4
Medals for Competition	1
Pool Hire	22
Travel Expenses	3
General Expenses	1
	37

Assets and Liabilities are as follows:

	1 January Year 3	**31 December Year 3**
	£000	*£000*
Accumulated Fund	?	?
Equipment (Net Book Value)	10	9
Subscriptions in Advance	1	2
Subscriptions in Arrears	4	3
Bank Overdraft	3	?
Pool Hire Prepaid	3	4
Travel Expenses due	1	–

(*a*) **Calculate** the Accumulated Fund at 1 January Year 3. **6**

(*b*) **Prepare**:

(i) an Income and Expenditure Account for the year ended 31 December Year 3, and **16**

(ii) a Statement of Financial Position (Balance Sheet) as at that date. **8**

(30)

2. (continued)

PART B

The financial year of Croftfoot plc runs from 1 January to 31 December.

On 1 April Year 2, the Croftfoot plc purchased Equipment costing £30,000. This Equipment was sold on 30 April Year 4 for £12,000.

Depreciation is charged on all assets of the business at 20% per annum on the reducing balance method and is charged for every month the asset is owned.

(*a*) **Calculate** the total depreciation charged on the Equipment at the date of sale. **7**

(*b*) **Calculate** the Profit/Loss on the sale of the Equipment. **3**

(10)

(40)

[Turn over

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

3. PART A

The following is the Trial Balance of Stewart plc, a manufacturing firm, as at 31 December Year 4.

	£000	*£000*
Inventory (Stocks) at 1 January Year 4		
Work-in Progress	30	
Finished Goods	42	
Inventory (Stock) at 31 December Year 4		
Raw materials	18	
Cost of Raw Materials Consumed	320	
Manufacturing Wages	280	
Indirect Factory Wages	43	
Royalties	15	
Electricity	9	
Insurance (Factory)	12	
Office Expenses	30	
10% Debentures		100
Sales Revenue (Sales)		800
Property (Buildings) (at cost)	482	
Factory Machinery (at cost)	60	
Provision for Depreciation of Machinery at 1 January Year 4		20
Trade Receivables (Debtors)	80	
Intangible Assets (Goodwill)	20	
Cash and Cash Equivalents (Bank)		43
Trade Payables (Creditors)		70
Ordinary Shares of 60p each		360
Loan (received 1 April Year 4)		40
Income Statement (Profit and Loss Account) Balance at 1 January Year 4		8
	£1,441	£1,441

NOTES at 31 December Year 4

(1) Inventory (Stocks):

	£000
Work-in-Progress	25
Finished Goods	36

(2) Expenses owing:

Electricity	6
Finance Cost – Overdraft (Interest)	5

(3) Electricity is to be apportioned between the Factory and the Office in the ratio of 4:1.

(4) Factory Machinery is to be depreciated by 20% on the reduced balance.

(5) A Profit on Manufacture of £10,000 was made.

(6) Corporation Tax is to be provided for at 25% of Profit for the Year (Net Profit).

(7) An Interim Ordinary Dividend of 4p per share was paid to shareholders during the year but has not been recorded in the accounts.

(8) Finance Cost – Loan (Interest) is to be repaid at 10% per annum.

From the Trial Balance and the notes above, **prepare** for the year ended 31 December Year 4:

(i) Manufacturing Account; **13**

(ii) Income Statement (Trading and Profit and Loss Accounts), for internal use, (to include appropriation of the available profits). **17**

NB A Statement of Financial Position (Balance Sheet) is NOT required. **(30)**

3. (continued)

PART B

Bill and Benn invested equity (capital) of £80,000 and £40,000 respectively in setting up a Partnership on 1 January Year 3.

The following information is available at 31 December Year 3:

Sales Revenue (Sales) (Credit 80%)	£200,000
Gross Profit Ratio	40%
Closing Inventory (Stock)	£10,000
Rate of Inventory (Stock) Turnover	10 times
Return on Equity (Capital) Employed	20%
Average Trade Receivables (Debtors)	£15,000

From the above information, **calculate** (to one decimal place):

(i) Mark-up Ratio;

(ii) Opening Inventory (Stock);

(iii) Purchases;

(iv) Expenses;

(v) Trade Receivables (Debtors) Collection Period (in days). **(10)**

(40)

[Turn over

Marks

4. (*a*) **Outline** the limitations of ratio analysis. **6**

(*b*) **State 4** stakeholders with an interest in the financial performance of a public limited company. **4**

(10)

5. (*a*) **Compare** a public limited company with a private limited company. **4**

(*b*) **List 6** duties of a financial accountant. **6**

(10)

SECTION B

Marks

You should attempt 3 questions from this section:

Question 6, AND Question 7 OR 8 AND Question 9 OR 10.

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

6. PART A

Uslam Ltd manufacture 3 products, A, B and C.

The details below relate to Year 2.

	A	B	C
Selling price per unit	£74	£67	£61
Direct material cost per unit	£18	£27	£15
Direct labour cost per unit	£24	£8	£12
Variable overhead cost per unit	£8	£5	£9
Annual demand (units)	3,000	3,000	3,000

The material used in production costs £3 per kilogram. Fixed costs per annum total £200,000.

(*a*) **Calculate** for Year 2:

(i) the contribution per unit for each product;

(ii) the profit per annum if demand is met. **11**

For Year 3 Uslam Ltd has discovered that the material available to them will fall by 12,000 kilograms. Demand for the products is expected to be the same as in Year 2.

(*b*) **Calculate** for Year 3:

(i) the total number of kilograms of material which will be available;

(ii) the contribution per kilogram for each product;

(iii) number of kilograms of material to be allocated to the production of each product in order to maximise profit, if a minimum of 2,000 units of each product must be produced;

(iv) the reduction in profit which will arise from your answer to (*a*)(ii) above, assuming Fixed costs remain the same as Year 2. **29**

(40)

[Turn over

Marks

6. (continued)

PART B

Craig Ltd operates a factory with two production departments, Machining and Assembly, and a Maintenance department.

The following overheads are estimated for the month of June Year 3.

Overhead	**Total Cost**
Machine Depreciation	£2,000
Rent	£7,500
Supervision	£4,000

The following details are also available.

	Machining	**Assembly**	**Maintenance**
Number of Employees	30	15	5
Area (sq.m.)	2,500	2,000	500
Value of Machinery	£60,000	£40,000	–
Machine Hours	2,800	2,200	–
Indirect Labour	£200	£450	£850

(*a*) **Prepare** an Overhead Analysis Statement for June Year 3. **8**

(*b*) **Re-apportion** the Maintenance Overheads on the basis of machine hours. **2**

(10)

(50)

Marks

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

7. Gilbert Ltd predicts its credit sales in units for the first 6 months of Year 6 will be as follows.

January	**February**	**March**	**April**	**May**	**June**
2,800	3,000	2,900	3,200	3,100	3,300

In addition:

(i) it is anticipated that cash sales will be 50% of credit sales each month;

(ii) credit sales in July are expected to be 2,700 units;

(iii) stock at the end of each month will be 20% of the next month's total sales.

(*a*) **Prepare** the Production Budget for the 6 month period January to June Year 6. **9**

The following information is also available:

(1) The selling price for cash sales will be £50 per unit and for credit sales £60 per unit.

(2) 70% of credit sales will be paid for 1 month after sale, 25% will be paid for after 2 months and the remainder will be written off as bad debts.

(3) Material costs are £15 per unit – 60% payable in the month before production and 40% in the same month as production.

(4) Labour costs of £20 per unit will be paid in the month of production.

(5) Variable overhead of £4 per unit will be paid in the month after production.

(6) A commission of 5% of credit sales will be paid 1 month after the month of sale.

(7) Annual fixed costs will be £40,000 including depreciation of £10,000. An equal amount will be paid each month throughout the year.

(8) Gilbert Ltd will pay their ordinary shareholders a dividend of 10p per share in April. The Issued Ordinary Share Capital of the company is £200,000 in 50p shares.

(9) On 1 March Year 6 Gilbert Ltd will have an overdraft of £15,000.

(*b*) **Prepare** a Cash Budget for the months of March and April Year 6. **31**

(40)

[Turn over

Marks

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

8. PART A

Buncrana Ltd produces Product X by using 2 materials – A and B – in the ratio of 2:1 respectively.

The following details relate to Process 1 for the month of May.

Material A	4,000 kgs at £4 per kg
Material B	as required at £2 per kg
Direct Labour	400 hours (including 50 hours overtime)
Labour Rate	£8 per hour (double time for overtime)
Variable overheads	£800
Fixed overhead Absorption Rate	£3 per direct labour hour
Normal Loss	5% of total input quantity
Closing Work-in-Progress	300 kgs costing £940
Completed units transferred to Process 2	5,200 kgs

Any losses sold are £3 per kg.

(*a*) Using the information shown above, **prepare**

(i) the account for Process 1 for the month of May clearly showing quantities, costs and values; **16**

(ii) the Abnormal Loss Account for May. **4**

(20)

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

8. (continued)

PART B

On the 1 June Year 5 Anijo LLP held 200 units of Item X249 at a cost of £3·00 per unit.

During the month of June receipts and issues of Item X249 are as follows:

		Unit	Price
4 June	Receipts	400	£3·06
8 June	Issues	500	
12 June	Receipts	200	£3·10
15 June	Issues	200	
22 June	Returns of units purchased on 4 June	50	
29 June	Receipts	300	£3·17
30 June	Issues	200	

(*a*) **State** the value and number of units of closing inventory (stock) on 30 June using FIFO. **3**

(*b*) **Prepare** an Inventory (Stock) Record Card for the month of June using Average Cost (AVCO). **10**

(13)

PART C

Thistle Ltd are preparing a Job Cost Statement for a forthcoming contract. Two departments—Assembly and Finishing—work on this job. Details of the estimated costs are as follows.

Material costs – £212

Labour costs – £288

Total Labour hours – 20 – 12 in Assembly and 8 in Finishing

Total Machine hours – 15 – 5 in Assembly and 10 in Finishing

It is company policy to charge overheads as follows:

Assembly Department	£3 per Labour Hour
Finishing Department	£4 per Machine Hour

Prepare a Job Cost Statement for the above contract, clearly showing the Prime Cost and the Selling Price to be charged to the customer using a profit mark-up of 25%. **(7)**

(40)

[Turn over

Marks

9. (*a*) **State 4** assumptions of break-even analysis. **4**

(*b*) **Give** the advantages of using spreadsheets to prepare a Cash Budget. **6**

(10)

10. (*a*) **State** the factors to be taken into account when setting reorder quantities. **4**

(*b*) **Explain** the meaning of the following terms:

(i) Piece Rate;

(ii) Margin of Safety;

(iii) Limiting Factor. **6**

(10)

[*END OF QUESTION PAPER*]

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