

X209/11/01

NATIONAL
QUALIFICATIONS 2015

MONDAY, 18 MAY
9.00 AM – 11.00 AM

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 Trial Balance was prepared from the records of Davah plc as at 31 December Year 2.

	£000	£000
Sales Revenue (Sales) of Finished Goods		1,800
VAT.		44
Purchases of Raw Materials	292	
Inventory (Stocks) at 1 January Year 2.		
Raw Materials	40	
Work in Progress	20	
Finished Goods	84	
Factory Machinery at cost	600	
Direct Wages	280	
Salaries	60	
Indirect Factory Expenses	120	
Insurance	110	
Trade receivables (Debtors)	121	
Cash and cash equivalents (Bank)	189	
Provision for Depreciation on Machinery		
at 1 January Year 2		100
Property (Premises) at cost.	710	
500,000 Ordinary Shares of £1 each		500
Trade Payables (Creditors)		140
Ordinary Dividend.. . . .	50	
Unappropriated Profit		
Balance at 1 January Year 2		92
	£2,676	£2,676

Notes at 31 December Year 2:

	£000
(1) Inventory (Stocks)	
Raw Materials.	32
Work in Progress	30
Finished Goods	69
(2) Factory Machinery is depreciated at 10% per annum on cost	
(3) Salaries are to be apportioned between the factory and the office in the ratio 3:1	
(4) Insurance receivable (prepaid)	30
(5) Insurance, including the prepayment, is to be divided 75% to the factory and 25% to the office	
(6) Provide for Corporation Tax	224

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

Marks

1. (continued)

- (a) **Prepare the Manufacturing Account** for the year ended 31 December Year 2, labelling clearly the:
- (i) Cost of Raw Materials Consumed; 15
 - (ii) Prime Cost; 10
 - (iii) Factory Cost of production. 15
- (b) **Prepare the Income Statement (Trading and Profit and Loss Accounts)**, for internal use, (including the appropriation of available profits), for the year ended 31 December Year 2. 10
- (c) **Prepare the Statement of Financial Position (Balance Sheet)** as at 31 December Year 2. 15
- (40)**

[Turn over

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

Marks

Attempt either Question 2 or Question 3

2. Part A

Spring and Summer are in partnership. The following figures relate to the year ending 31 December Year 4.

	£000
Inventory (Stock) on 1 January Year 4	43
Inventory (Stock) on 31 December Year 4	31
Sales Revenue (Sales)	333
Purchases	155
Carriage In5
Returns In	14
Discount Received6
Office Expenses	10
Selling Expenses	8
Wages and Salaries	60
Depreciation on Vehicles	5

Notes at 31 December Year 4:

- (1) Wages and Salaries payable (owing) £5,000.
- (2) Office Expenses receivable (prepaid) £2,000.

- (a) You are required to **prepare** the Income Statement (Trading and Profit and Loss Accounts) for the year ended 31 December Year 4.

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2. Part A (continued)

Spring and Summer's Partnership Agreement states that:

- (1) Summer is to receive a salary of £22,000.
- (2) Both partners are to receive 5% Interest on Equity (Capital).
- (3) Residual Profits are to be shared between Spring and Summer in the ratio of 2:1.

The following information relates to the year ended 31 December Year 4:

	Spring	Summer
	£000	£000
Equity (Capital) Accounts on 1 January	140	100
Current Accounts on 1 January	20 Cr	8 Cr
Drawings	40	22

- (b) Using the information above, **prepare** the Appropriation Account for the partnership for the year ended 31 December Year 4. 10
- (c) **Prepare** the Current Accounts for **each** partner for the year ended 31 December Year 4. 9

Part B

- (a) State the purpose of a Trial Balance. 2
 - (b) Name the Account created when a Trial Balance does not agree. 2
 - (c) **Explain one** of the following types of error.
 - (i) Error of Omission.
 - (ii) Error of Principle. 2
- (40)**

[Turn over

3. Part A

The following information was extracted from the records of the Bankhead Bowling Club for the year ending 31 December Year 3.

On 1 January Year 3 the club owned the following assets:

Clubhouse	£25,000
Equipment (original cost £9,000)	£6,000
Bank	£4,600

The following are the receipts and payments for the year.

RECEIPTS

Subscriptions	5,600
Raffle Ticket Sales	1,200
Donations	4,000
Annual Dance—Ticket Sales	2,300
	<u>£13,100</u>

PAYMENTS

Annual Dance Expenses	1,400
Electricity	400
Greenkeeper's Wages.. .. .	1,800
General Expenses	500
Raffle Prizes	400
Raffle Ticket Printing	90
Purchases of new Bowling Equipment	2,000
	<u>£6,590</u>

Additional information at 31 December Year 3

- (1) Subscriptions payable (owing) £400.
- (2) Subscriptions receivable (prepaid) £200.
- (3) General Expenses payable (owing) £100.
- (4) Depreciation is to be charged on **all** Equipment at 20% per annum on cost.

- (a) **Calculate** the closing Bank balance of the Club at 31 December Year 3. 3
- (b) **Calculate** the Profit or Loss made on the Raffle. 3
- (c) **Prepare** the Income and Expenditure Account for the Club for the year ending 31 December Year 3. 14

3. (continued)

Part B

The Bank Account of D Malloy, a sole trader, showed a debit balance of £3,250 at 31 March Year 2. His Bank Statement at that date showed a balance of £1,740.

On comparing the Bank Account and his Bank Statement he discovered the following.

- 1 A Direct Debit to ACN Telephone Services for £75 had not been entered in the Bank Account.
- 2 Cheques recently received, totalling £2,750, had been entered in the Bank Account but did not appear in the Bank Statement.
- 3 A cheque received from M Stewart for £350 had been entered in the Bank Account as £305.
- 4 Cheques recently issued by D Malloy to the value of £890 did not appear in the Bank Statement.
- 5 A cheque received from D Davies for £70 and entered in the Bank Account had been returned by the Bank as the customer had insufficient funds.
- 6 Dividends of £450 received by Credit Transfer had not been entered in the Bank Account.

- (a) **Update** D Malloy's Bank Account at 31 March Year 2. 9
- (b) **Prepare** his Bank Reconciliation Statement as at 31 March Year 2. 5

Part C

- (a) **Name** one profitability ratio. 2
- (b) **Name** one liquidity ratio. 2
- (c) State the formula for one of the ratios named in (a) or (b) above. 2
- (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. Amber produces a range of 3 luxury soft toys, Tigers, Koalas and Giraffes.

Unit details for June are:

	Tigers	Koalas	Giraffes
Selling price	£30	£22	£42
Labour hours	2	1.5	2.5
Labour rate per hour	£5	£6	£8
Materials	£5	£3	£8
Variable overheads	£3	£2	£4
Machine hours	4 hours	2 hours	5 hours
Sales demand in units	1,000	1,200	1,500

- (a) For June calculate the number of machine hours required to meet sales demand for each product and in total. 4
- (b) Calculate the variable cost per unit for each toy. 6
- (c) Calculate the contribution per unit for each toy. 3
- (d) Calculate the contribution per machine hour for each toy. 6
- (e) Amber aims to maximise profits. State the order of priority of production and **give a reason for your answer.** 2
- (f) Calculate how many machine hours will be available if there is to be a 20% reduction in machine hours to allow for routine annual maintenance to take place in July. 2
- (g) Calculate the machine hours allotted to each toy in July. 4
- (h) How many units of each product would be required to maximise profits in July. 4
- (i) If Fixed Overheads are £14,000 per month calculate for July:
- (i) the contribution from each product and in total; 7
- (ii) the **total profit.** 2

(40)

5. Part A

Alan Jones plans to start up in business on 1 September Year 1 with £15,000 in his business bank account.

The following estimates relate to the first 3 months of his business from September to November.

1. Sales (in units).

September	October	November
3,000	3,500	3,900

- 60% of total monthly sales will be sold on one month's credit and 40% will be paid in cash.
 - The selling price per unit for Credit Sales will be £30 — Cash Sales will receive a discount of 10% on the selling price.
2. Production in September will be 4,000 units and this will rise by 400 units each month.
 3. Material costs will be £9 per unit — materials will be purchased in the same month as production and paid for one month later.
 4. Labour costs will be £4 per unit and will be paid for in the same month as production.
 5. Variable overheads will total £3 per unit payable the month after production.
 6. Fixed overheads will be £2,500 payable each month.
 7. A new van will be purchased in September costing £12,000 and this will be paid for in 3 equal monthly instalments starting in November.
 8. Commission of £3 per unit will be paid on all Sales in the month of sale.
 9. Alan will receive a loan of £10,000 from the bank in October.
 10. Alan will repay 20% of the Loan in November.

Prepare a Cash Budget for the 3 months September to November showing clearly opening and closing cash and cash equivalents (bank) balances for each month.

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Part B

- (a) **Outline** 2 advantages of using spreadsheets in the preparation of accounting statements.

4

- (b) **State** one disadvantage of using spreadsheets in the preparation of accounting statements.

2

(40)

[Turn over

6. Part A

“Cleaners-R-Us” provides an industrial carpet cleaning service. Machines (each with an operator) are hired out, for an hourly fee, to offices, shops and factories.

The following forecast information applies to next year:

Number of Machines Operated	10
Cost per Machine	£3,000
Expected Life of Machine	3 years
Value after 3 Years	£0
Weeks of Operation per Year	52 (Mon-Fri)
Machine Operating Hours Per Week	40
Number of Machine Operators	12
Operators' Hourly Wage Rate	£8
Operators' Basic Weekly Hours	36
Overtime Rate	Double time
Each Operator's Annual Leave	5 weeks
Operators' Annual Holiday Pay (total)	£17,280
Overheads for year (total)	£3,000
Maintenance for year (total)	£2,152
Detergents/Shampoo	£5,200

(a) Using the above information calculate:

- (i) Total annual machine operating hours; 3
 - (ii) Total annual basic hours worked by operators; 3
 - (iii) Total annual overtime hours worked by operators; 2
- (b) **Prepare** a statement to show the total annual operating costs. 12

6. (continued)

Part B

Millstone plc buys inventory (stock) to make finished products.

Details of inventory (stock) Item 985/Silver during the first week in May are:

Date	Details
1 May	Balance held 1,000 units costing £3.00 each
2 May	Purchased 500 units costing £3.20 each
4 May	Issued 1,100 units to Job 54/c
5 May	Purchased 600 units costing £4.00 each
7 May	Issued 700 units to Job 55/a

Using the layout shown below:

Prepare Inventory (Stock) Record Cards for the first week in May, using the layout given below.

(a) First In First Out (FIFO).

7

(b) Last In First Out (LIFO).

7

Inventory (Stock) Record Card Layout.

Date	Details	Receipts			Issues			Balance		
		Quantity	Price £	Value £	Quantity	Price £	Value £	Quantity	Price £	Value £

Part C

Explain the following terms used in the calculation of wages:

(a) Piece Rate;

(b) Commission;

(c) Bonus.

6

(40)

[END OF SECTION B]

[END OF QUESTION PAPER]

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