



National
Qualifications
2023

X800/77/11

Accounting

THURSDAY, 25 MAY

9:00 AM – 11:30 AM

Total marks — 140

SECTION 1 — 80 marks

Attempt ALL questions.

SECTION 2 — 60 marks

Attempt ALL questions.

You may use a calculator.

You must show your working fully and label it clearly. You will receive no marks for any incorrect figures not supported by working.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



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SECTION 1 — 80 marks

Attempt ALL questions

1. The following financial statements are for Fine Tech plc:

Statement of Retained Earnings for year ended 31 December Year 6

	£Million
Opening Retained Earnings	90
Add Profit for the Year	64
	154
Less Dividends*	(40)
Closing Retained Earnings	114

*Note – Dividends is comprised of both ordinary and preference share dividends.

Statement of Financial Position as at 31 December Year 6

	As at 31 December Year 5		As at 31 December Year 6	
	£Million	£Million	£Million	£Million
Non-Current Assets				
Property, Plant & Equipment	300		380	
Depreciation	(60)		(92)	
		240		288
Investments		115		139
		355		427
Current Assets				
Inventories	11		8	
Trade Receivables	24		31	
Cash & Cash Equivalents	34		-	
		69		39
TOTAL ASSETS		424		466
Current Liabilities				
Trade Payables	(42)		(37)	
Other Payables	(9)		(13)	
Bank Overdraft	-		(5)	
Taxation payable	(23)		(32)	
		(74)		(87)
Non-Current Liabilities				
10% Debentures		(80)		(60)
TOTAL LIABILITIES		(154)		(147)
NET ASSETS		270		319
Equity				
Ordinary Share Equity	120		150	
10% Preference Share Equity	50		40	
Share Premium Account	10		15	
Retained Earnings	90		114	
TOTAL EQUITY		270		319

1. (continued)

The following information is also available:

- (1) The redemption of Debentures took place on 1 January Year 6.
- (2) The redemption of Preference Shares took place on 31 December Year 6.
- (3) Plant with an NBV of £34 million was sold for £28 million during Year 6. The Plant had originally cost £65 million.
- (4) Investments costing £55 million were sold at a profit of £9 million during Year 6.
- (5) Corporation Tax on Year 6 profit was £19 million.
- (6) All Debenture finance cost due for Year 6 was paid within the year.
- (a) Calculate the value of the:
 - (i) Preference Share Dividend paid in Year 6 1
 - (ii) Ordinary Share Dividend paid in Year 6. 1
- (b) Using the Worksheet in your answer booklet and the information provided, prepare, in accordance with IAS 7, a Statement of Cash Flows for Fine Tech plc for the year ended 31 December Year 6. 36
- (c) Describe the purpose of the Statement of Retained Earnings. 2

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Advanced Higher Accounting

Formulae Sheet for Variance Analysis

Total Material Cost Variance	$(\text{Standard Quantity for Production} \times \text{Standard Price}) - (\text{Actual Quantity used} \times \text{Actual Price})$
Material Price Variance	$(\text{Standard Price} - \text{Actual Price for Unit}) \times \text{Actual Quantity used}$
Material Usage Variance	$(\text{Standard Quantity for Production} - \text{Actual Quantity used}) \times \text{Standard Price}$
Total Labour Cost Variance	$(\text{Standard Rate} \times \text{Standard Hours for Production}) - (\text{Actual Rate} \times \text{Actual Hours worked})$
Labour Rate Variance	$(\text{Standard Rate} - \text{Actual Rate}) \times \text{Actual Hours worked}$
Labour Efficiency Variance	$(\text{Standard Hours for Production} - \text{Actual Hours worked}) \times \text{Standard Rate}$
Variable Overhead Cost Variance	$(\text{Standard Hours for Production} \times \text{Variable Overhead Absorption Rate}) - \text{Actual Variable Overhead Cost}$
Variable Overhead Expenditure Variance	$(\text{Actual Hours worked} \times \text{Variable Overhead Absorption Rate}) - \text{Actual Variable Overhead Cost}$
Variable Overhead Efficiency Variance	$(\text{Standard Hours for Production} - \text{Actual Hours worked}) \times \text{Variable Overhead Absorption Rate}$
Fixed Overhead Cost Variance	<ol style="list-style-type: none"> $(\text{Standard Hours for Production} \times \text{Fixed Overhead Absorption Rate}) - \text{Actual Fixed Overhead Cost}$ $(\text{Standard Units for Production} \times \text{Fixed Overhead Absorption Rate}) - \text{Actual Fixed Overhead Cost}$
Fixed Overhead Expenditure Variance	$\text{Budgeted Fixed Overheads} - \text{Actual Fixed Overhead Cost}$
Fixed Overhead Volume Variance	<ol style="list-style-type: none"> $\text{Budgeted Fixed Overheads} - (\text{Standard Hours for Actual Production} \times \text{Fixed Overhead Absorption Rate})$ $(\text{Actual Activity} - \text{Normal Activity}) \times \text{Fixed Overhead Absorption Rate}$
Total Sales Revenue Variance	$(\text{Actual Selling Price} \times \text{Actual Quantity}) - (\text{Budgeted Selling Price} \times \text{Budgeted Quantity})$
Sales Price Variance	$(\text{Actual Selling Price} - \text{Budgeted Selling Price}) \times \text{Actual Quantity}$
Sales Volume Variance	$(\text{Actual Quantity} - \text{Budgeted Quantity}) \times \text{Budgeted Selling Price}$

2. PART A

Mazzola Enterprises uses a standard costing system. Budgeted information for Quarter 1 is shown below:

Quarter 1 – Budget Data:

Estimated sales/output	20,000 units
Materials to be used	35,000 kg in total
Estimated material price	£5.00 per kg
Labour to be used	76,000 hours in total
Estimated labour rate	£9.50 per hour
Variable Overheads	£273,600
Fixed Overheads	£190,000

Note: Variable overheads are recovered by labour hours. Fixed overheads are recovered per unit produced.

At the end of Quarter 1, actual figures were as follows:

Quarter 1 – Actual Data:

Sales/output	22,000 units
Materials used	37,000 kg in total
Total material cost	£183,150
Labour used	82,000 hours in total
Total labour cost	£783,100
Variable Overheads	£299,000
Fixed Overheads	£197,500

(a) Calculate the following:

- (i) • Total Material Cost Variance
- Material Usage Variance
- Material Price Variance 6
- (ii) • Labour Cost Variance
- Labour Efficiency Variance
- Labour Rate Variance 6
- (iii) • Variable Overhead Efficiency Variance
- Variable Overhead Expenditure Variance
- Fixed Overhead Volume Variance
- Fixed Overhead Expenditure Variance 7

2. PART A (continued)

Mazzola Enterprises used the same budgeted data for Quarter 2. The actual sales/output for Quarter 2 was 24,000 units and the actual selling price was £40.00.

At the end of Quarter 2, the following variances were identified:

Material Usage Variance	£5,000 A
Material Price Variance	£8,600 F
Total Labour Cost Variance	£6,900 F
Labour Rate Variance	£4,500 A

(b) Calculate the following for Quarter 2:

- | | |
|---------------------------------------|---|
| (i) Actual Quantity of Materials used | 3 |
| (ii) Actual Price per kg | 2 |
| (iii) Labour Efficiency Variance | 1 |
| (iv) Actual Total Labour Cost | 3 |

(c) Explain **one** possible link between Quarter 2's Material Usage Variance and Material Price Variance. 1

(d) Describe **one** possible reason for Quarter 2's Labour Rate Variance. 1

2. PART B

Innes Jess Ltd manufactures golf trolleys. Their factory's production capacity is 60,000 units per month.

The company's management team has provided the following budget information for Month 6 of Year 3.

Expected Production: 40,000 units

Budgeted Costs

Raw Materials:

Material X: 8,000 kg @ £6.00 per kg

Material Y: £2.00 per kg, used in the ratio 1kg for every 4 kg of Material X

Direct Labour: 10,000 hours at £10.00 per hour

Maintenance: £15,000 (including a fixed element of £5,000)

Other Fixed Costs: £16,000

Produce a flexible budget statement for Month 6 of Year 3 showing costs for activity levels of 80% and 90% of maximum production. 10

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SECTION 2 — 60 marks

Attempt ALL questions

3. The following financial information relates to Duffy plc on 30 September Year 2, at which date Napier plc acquired an 80% share in the company, paying £2 per share.

Duffy plc

	£
Equity: Ordinary shares of £1 each	100,000
Share premium	10,000
Retained earnings	9,600

(a) Calculate:

(i) the value of goodwill on acquisition

3

(ii) the value of non-controlling interest on acquisition.

1

The following Statements of Financial Position were produced on 30 September, Year 3.

	Napier plc	Duffy plc
	£	£
Non-Current Assets		
Tangible	882,300	140,000
Investment in Duffy plc	160,000	-
Current Assets		
Inventory	11,800	6,400
Trade Receivables	11,200	10,480
Cash and Cash Equivalents	17,600	-
Current Account (owed by Duffy plc)	6,000	-
Total Assets	1,088,900	156,880
Current Liabilities		
Trade Payables	(6,000)	(7,000)
Other Payables	(1,000)	(300)
Cash and Cash Equivalents	-	(1,440)
Current Account (owed to Napier plc)	-	(4,500)
Non-Current Liabilities		
Debentures	(30,000)	(20,000)
Total Liabilities	(37,000)	(33,240)
Net Assets	1,051,900	123,640
Equity and Reserves		
Equity: Ordinary shares of £1 each	800,000	100,000
Share Premium	80,000	10,000
Retained Earnings	171,900	13,640
	1,051,900	123,640

3. (continued)

The following additional information was provided:

- There is cash in transit.
- An Impairment Review on 30 September Year 3 reduced the value of Goodwill by £14,304.

(b) Calculate the following for inclusion in the Group's Consolidated Statement of Financial Position:

- | | |
|---|---|
| (i) Post-acquisition profits | 2 |
| (ii) Non-controlling interest | 1 |
| (iii) Cash in transit | 1 |
| (iv) Retained earnings at 30 September Year 3 | 2 |

(c) Prepare the Consolidated Statement of Financial Position of the Napier and Duffy Group as at 30 September Year 3. 16

- | | |
|---|---|
| (d) (i) Outline the purpose of carrying out an impairment review of Goodwill. | 1 |
| (ii) Describe the term 'unrealised profits'. | 1 |
| (iii) Explain how unrealised profits are accounted for in the Consolidated Statement of Financial Position. | 2 |

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4. The following sales and production information relate to Year 4 for Collingwood Industries who make a single product:

Opening Inventory	4,400	units
Production	18,000	units
Sales	15,500	units
Direct Materials	£7	per unit
Direct Labour Hours	2 hours	per unit
Direct Labour Cost	£10	per hour
Variable Cost	£3	per direct labour hour
Selling Price	£55	per unit
Estimated Annual Fixed Costs	£100,000	(based on estimated production of 20,000 units)
Actual Annual Fixed Costs	£108,000	

- (a) Prepare a Marginal Costing Profit Statement for Year 4.

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In Year 5, Collingwood Industries decided to move to an Absorption Costing system to recognise profit.

In Year 5:

- Sales units were 20% higher than Year 4, resulting in an increase in production units of 15%
- Labour Cost per hour increased by 5%
- Actual Annual Fixed Costs reduced by £2,000
- All other cost and revenue figures remained the same

- (b) Calculate the amended value of Opening Inventory for Year 5 as a result of switching to an Absorption Costing system.

3

- (c) Prepare an Absorption Costing Profit Statement for Year 5.

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- (d) Explain why profits will differ when using Absorption Costing rather than Marginal Costing.

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