



**X800/75/11**

**Accounting**

Duration — 2 hours

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**Total marks — 130**

**SECTION 1 — 70 marks**

Attempt BOTH questions.

**SECTION 2 — 60 marks**

Attempt ALL questions.

Write your answers clearly in the workbook provided.

**You may use a calculator.**

All working should be shown fully, and clearly labelled.

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

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



**SECTION 1 — 70 marks**  
**Attempt BOTH questions**

1. Kenny Scott runs a small art supplies business called Paintings and Pastels. The following Trial Balance was prepared at 30 April Year 3.

	DR (£)	CR (£)
Bank Loan		8,000
Carriage In	1,400	
Carriage Out	1,200	
Cash and Cash Equivalents		2,300
Discount Allowed	400	
Discount Received		2,000
Drawings	5,100	
Equipment	15,000	
Equity		39,500
Heat and Light	2,100	
Opening Inventory	2,800	
Property	50,000	
Provision for depreciation of equipment at 30 April Year 2		2,500
Purchases	35,000	
Purchases Returns		500
Rent and Rates	4,200	
Sales Revenue		73,200
Sales Revenue Returns	1,300	
Trade Payables		4,000
Trade Receivables	6,000	
Wages	7,500	
	132,000	132,000

**NOTES AT 30 APRIL YEAR 3**

- Wages still to be paid were — £600
- Heat and light paid in advance — £200
- The equipment should be depreciated by 10% per annum on cost
- A Provision for Doubtful Debts of 5% of Trade Receivables is to be created
- Closing Inventory is £2,600

## 1. (continued)

Using the information provided, prepare the following on *pages 02–03* of your workbook.

- |  |    |
|--|----|
| (a) Income Statement for the year ended 30 April Year 3.   | 19 |
| (b) Statement of Financial Position as at 30 April Year 3. | 16 |

[Turn over

## 2. PART A

Use *page 04 of your workbook* to answer questions (a) (i)–(iii).

Jimmy Woo is a small manufacturer of garden furniture. The business has 2 production cost centres — Cutting and Finishing, and 2 service cost centres — Canteen and Support. Information relating to the cost centres for Year 3 is as follows.

	Cutting	Finishing	Canteen	Support	Total
Indirect Material	—	—	£8,000	£12,000	£20,000
Value of Machinery	£70,000	£40,000	£10,000	£5,000	£125,000
Indirect Labour	£9,000	£7,000	£15,000	£10,000	£41,000
Floor Area (sq m)	4,800	6,000	5,200	4,000	20,000
No of Employees	9	26	10	5	50

Estimated overhead expenditure for the forthcoming year is as follows.

Overheads	Total Cost
Indirect Labour	£41,000
Indirect Materials	£20,000
Employee Supervision	£7,200
Rent and Rates	£24,000
Heat and Light	£14,000
Machinery Insurance	£40,000

- (a) (i) Prepare an Overhead Analysis Sheet for the period to show the total estimated overhead for each cost centre. 10
- (ii) Re-apportion the total overheads of the Canteen cost centre to the other cost centres on the basis of number of employees. 3
- (iii) Re-apportion the total overheads of the Support cost centre to Cutting 60% and Finishing 40%. 3

## 2. PART A (continued)

Use *page 05 of your workbook* to answer questions (b) and (c).

When the Support cost centre was re-apportioned the following year (Year 4), the Finishing cost centre received a £15,200 share of its overheads.

- |  |   |
|--|---|
| (b) Calculate the Cutting cost centre's share of the Support cost centre overhead for Year 4 (assume the same percentage split as Year 3). | 2 |
| (c) State the meaning of the following management accounting terms.  |   |
| (i) Budget   | 1 |
| (ii) Limiting Factor   | 1 |
| (iii) Variable Cost  | 1 |

[Turn over

## 2. PART B

Use *pages 06–07 of your workbook* to answer this question.

A strawberry farm employs labour to pick the fruit. The terms of employment for the workers are as follows.

Basic working week	40 hours
Basic rate	£8 per hour
Overtime	Sunday — double time Other — time and a half
Bonus	Time saved paid at 50% of basic rate
Time allowed	30 minutes per basket of strawberries

The details relating to the work carried out by 2 employees for one week are as follows.

	LAUREL	HENRY
<b>Total</b> hours worked	52 (of which 6 were on Sunday)	46 (of which 2 were on Sunday)
Number of baskets picked	130	108

(a) Calculate for **each** employee.

- |   |   |
|---|---|
| (i) The basic wage for the week                       | 1 |
| (ii) Total overtime earnings for the week             | 5 |
| (iii) Total time allowed for number of baskets picked | 1 |
| (iv) Time saved                                       | 1 |
| (v) Bonus earned                                      | 1 |
| (vi) Total wage for the week                          | 2 |

(b) State the meaning of the following terms used in the calculation of wages.

- |                       |   |
|-----------------------|---|
| (i) Piece rate        | 1 |
| (ii) Commission       | 1 |
| (iii) Fixed/Flat rate | 1 |

## SECTION 2 — 60 marks

Attempt ALL questions

3. Use *pages 08–09* of your workbook to answer this question.

Gourmet Food Supplies sells food products to restaurants across central Scotland. The following information relates to transactions in May with a customer — Dino's Italian Restaurant.

**Gourmet Food Supplies — Terms of Sale**

Trade Discount — 10%

Cash Discount — 5% (28 days)

VAT — 20%

- 1 May Dino's Italian Restaurant owed Gourmet Food Supplies £600.
- 4 May Goods to the value of £350 were sold to Dino's Restaurant (**before the above terms were applied**).
- 6 May Dino's Italian Restaurant paid £570, in full settlement of the balance outstanding on 1 May. A credit note was issued for a VAT refund for the amount of VAT which was included on the original invoice that now no longer needs to be paid. The VAT on the original invoice amounted to £100.
- 9 May Dino's Italian Restaurant returned damaged goods to the value of £60 previously purchased on 4 May (**after the above terms were applied**).
- (a) From the information above, complete the Statement of Account to be sent to Dino's Italian Restaurant. 11
- (b) State the document that would be sent by Gourmet Food Supplies on 4 May. 1
- (c) Dino is a sole trader who wants to expand his business and purchase a second restaurant but he has insufficient funds. Suggest 2 potential sources of finance available to him. 2
- (d) Identify a ratio that would allow Dino to check the liquidity of his business. 1

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4. Use *page 10 of your workbook* to answer this question.

The following information is available for Martha Andrew's business during Year 1.

1. The cash and cash equivalents balance at the end of August is expected to be £20,000.
2. Sales (in units)

August	September	October
8,500	9,600	7,200

- Each month 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 will be £30. Cash Sales will receive a discount of 20% on the selling price.
3. Production (in units)

August	September	October	November
8,700	9,800	7,300	8,100

4. Production costs **per unit** will be

Materials	£16 paid for one month <b>before production</b>
Labour	£9 paid in the <b>same</b> month as production
Variable Overheads	£4 paid for one month <b>after production</b>

Prepare a Cash Budget for the 2 months September and October, clearly showing the opening and closing cash and cash equivalents balances for each month.



5. Use *pages 11–12 of your workbook* to answer this question.

Denise Demarco produces products A and B and is working to full capacity. The details below relate to year 1.

	A	B
Selling Price per unit	£50	£60
Variable Cost per unit	£38	£52
Machine Hours per unit	4	2
Demand (units)	10,000	15,000

- (a) Calculate the number of machine hours required to meet demand for each product **and** in total. 2
- (b) Calculate the Contribution per Unit for each product. 2
- (c) Calculate the Contribution per Machine Hour for each product. 1
- (d) State the order of priority in order to maximise profit. Give a reason why. 1

In Year 2, there will be a 10% reduction in machine hours to allow for routine annual maintenance.

- (e) Calculate how many machine hours will now be available in total for Year 2. 1
- (f) Calculate how many machine hours should be allocated to each product in order to maximise profit if demand in Year 2 remains the same as in Year 1. 2
- (g) Calculate how many units of each product should be produced in order to maximise profit. 2
- (h) If annual Fixed Costs are £69,000, calculate
- (i) the contribution from each product **and** in total 3
- (ii) the maximum profit for Year 2. 1

[Turn over for next question

6. Use *page 13 of your workbook* to answer this question.

After preparing her Final Accounts for Year 5, Parveen Razak discovered the following errors.

1. The Purchases figure included £8,000 for the purchase of equipment.
2. Closing Inventory was over-added by £250.
3. An invoice for electricity for £400 had been omitted from the accounts.
4. A cash withdrawal of £2,000 had been entered in the Bank Ledger account but not in the Drawings account.
5. Insurance costing £85 had been entered in error as £58.
6. Carriage In of £40 had been entered in the Carriage Out account in error.
7. Interest received of £320 was treated as a Finance Cost.

(a) Complete the template showing the effect of correcting these errors on the Profit for the Year. You must highlight the effect as follows

- Increase
- Decrease
- No Effect.

10

(b) Parveen had previously calculated a Profit for the Year of £42,800. Calculate her new Profit for the Year as a result of finding these errors.

1

(c) Name the errors that apply in the following situations.

- All entries for a transaction have been put in the wrong columns
- A correct amount was entered in the wrong Trade Payable account
- Wrong amounts had been entered into the correct accounts

3

(d) Define the term Sole Trader.

1

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