



National
Qualifications
2023

X800/75/11

Accounting

THURSDAY, 25 MAY

9:00 AM – 11:00 AM

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.



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SECTION 1 — 70 marks
Attempt BOTH questions

1. PART A

Use *pages 02-05* of your workbook to answer this question.

NOTE – some ledger accounts already contain existing balances.

The following transactions relate to the accounts of Rory Meston for March:

VAT is to be applied at 20% where appropriate.

4 March	Sold goods on credit to S Jamieson – £3,250 plus VAT.
8 March	Purchased a photocopier on credit from Grampian Solutions worth £6,500 plus VAT.
11 March	Sent a Credit Note to S Jamieson for return of goods – £125 plus VAT.
12 March	Received a Bank Loan worth £8,500.
15 March	Paid for repairs to motor vehicle by bank transfer. The total amount was £300 and included VAT of £50.
20 March	Rory used the loan money that was received on 12 March to do the following: <ul style="list-style-type: none"> • Firstly, he paid off the amount outstanding to Grampian Solutions by bank transfer. • He then transferred the remainder of the loan money to the Cash Account.
28 March	Received a letter from the solicitors of S Jamieson with information that he has been declared bankrupt and can only pay 70p in the £. A cheque for this amount was received with the letter. The remainder is to be written off as a Bad Debt.

- (a) Using the information given above, make the necessary entries in Rory Meston's ledger accounts.

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Answer the following question at the bottom of *page 05* of your workbook.

- (b) At the end of each month Rory draws up a list of all his ledger balances. State the name given to this list.

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1. PART B

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

MS Fashion is a firm owned by Manpreet Singh. Her accounts have the following balances on 31 December Year 2:

Trade Receivables	£40,000
Drawings	£8,000
Profit for the Year	£32,000
Opening Equity	£120,000
Equipment at Cost	£60,000
Existing Provision for Depreciation of Equipment (on 1 January Year 2)	£3,600

- (a) Prepare the Equity section of Manpreet's Statement of Financial Position as at 31 December Year 2. 3
- (b) Manpreet decides to create a Provision for Bad Debts of 5% of Trade Receivables. Calculate the new value of her Trade Receivables. 2
- (c) Manpreet decides to depreciate her Equipment by 12% of cost for Year 2. Calculate the new value of her Equipment at the end of the year. 3
- (d) Describe what is meant by the terms 'Carriage In' and 'Carriage Out'. 2
- (e) Manpreet is a sole trader. Define the term 'sole trader'. 1

[Turn over

2. Use *pages 08-09* of your workbook to answer this question.

Frankie Balfour plans to start up in business on 1 June Year 1 with £15,000 in her business bank account. The following estimates relate to the first 3 months of her business from June to August.

1. Sales (in units)

June	July	August
3,600	4,000	4,400

- The selling price per unit for credit sales will be £40 – cash sales will receive a discount of 10% on this selling price.
- 75% of total monthly sales will be made on a cash basis and 25% will be sold on one month's credit.

2. Production (in units)

June	July	August
4,000	4,500	5,000

- Labour costs will be £10 per unit and will be paid in the same month as production.
 - Material costs will be £16 per unit – these will be purchased in the same month as production and paid for one month later.
 - Variable overheads will total £2 per unit payable the month after production.
 - Fixed costs will be £2,500 per month.
 - Equipment will be bought in June for £5,000. A 20% deposit will be paid in June with the balance paid in 5 equal monthly instalments starting in July.
 - Commission of £2 per unit will be paid on all sales in the month of sale.
 - Rent payable is £3,000 per month, but will rise by 30% in August due to the need for additional warehouse space.
 - A local council grant of £10,000 is expected to be received in July.
- (a) Prepare a Cash Budget for the months June to August showing clearly opening and closing balances for each month. 31
- (b) Describe 2 benefits to Frankie of preparing a Cash Budget. 2
- (c) Other than preparing Budgets, state 2 duties of a Management Accountant. 2

SECTION 2 — 60 marks

Attempt ALL questions

3. Use *pages 10-11* of your workbook to answer this question.

Domenico Pizza Supplies sold the following to Pizza 2 Go on 4 March:

1 x 10 kg bag Pizza Flour

4 x 3 kg cans Full Red Sauce

Domenico Pizza Supplies
 Units 40–46 Chalmers Industrial Estate
 ABERDEEN
 AB29 8GW

Tel: 01224 882337
 Email: domsup@dps.com



PRICE LIST

Base Materials		Pizza Sauce	
Pizza Flour 3 kg bag	£3.00	Sofia Rosa – 500 g jar	£3.00
Pizza Flour 10 kg bag	£10.00	Martina Maria – 3 kg tin	£6.00
Pizza Flour 20 kg bag	£18.50	Full Red Sauce – 3 kg can	£5.00
Yeast – Instant, 500 g packet	£2.50	Super Giulia Sauce – 3 kg can	£8.00
Terms		VAT	
Trade Discount	30%	Charged at the current rate of	20%
Cash Discount (one month)	5%		
Delivery Charge (on all orders of 7 items or less)	£3.00		

- (a) Using the price list above, complete the illustrative invoice to be sent to Pizza 2 Go on 4 March, assuming the Cash Discount will be taken up. 10
- (b) Pizza 2 go has returned 1 x 3 kg can of Full Red Sauce to Domenico Pizza Supplies. Identify the document that Domenico Pizza Supplies will send to Pizza 2 go. 1
- (c) Identify the document sent to Pizza 2 Go at the end of March showing all transactions for the month. 1
- (d) Outline 2 reasons why Trade Discounts are offered to customers. 2
- (e) State in which section of the Financial Statements VAT would be shown. 1

4. Use *pages 12-13* of your workbook to answer this question.

Duncan McLeod owns a small retail business. The following information is available for Year 3:

Sales Revenue	£500,000
Opening Inventory	£29,500
Closing Inventory	£40,500
Gross Profit	£150,000
Profit for the Year	£32,800
Current Assets	£84,000
Current Liabilities	£24,000
Average Trade Receivables	£31,700
Average Trade Payables	£46,300
Opening Equity	£360,000

NOTE – Credit Sales account for 80% of the Sales Revenue.

(a) Using the formulae sheet provided on the next page, calculate the following ratios for Year 3 (correct to 2 decimal places):

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- Gross Profit Ratio
- Profit for the Year Ratio
- Acid Test Ratio
- Return on Equity Employed
- Trade Receivables Collection Period (in days)
- Expenses Ratio
- Rate of Inventory Turnover

(b) Calculate Duncan's Purchases figure for the year.

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4. (continued)

Ratio formulae — for use with Question 4

Ratio	Formula
Profitability ratios:	
Return on Equity Employed	$\frac{\text{Profit for the Year}}{\text{Opening equity}} \times 100 = \%$
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Sales revenue}} \times 100 = \%$
Profit for the Year Ratio	$\frac{\text{Profit for the Year}}{\text{Sales Revenue}} \times 100 = \%$
Liquidity ratios:	
Current Ratio	Current Assets : Current Liabilities Answer should be expressed as a ratio, eg 2.35:1
Acid Test Ratio	Current Assets – Closing Inventory : Current Liabilities Answer should be expressed as a ratio, eg 1.27:1
Efficiency ratios:	
Rate of Inventory Turnover	$\frac{\text{Cost of Sales}}{\text{Average Inventory}} = \text{times}$
Expenses Ratio	$\frac{\text{Expenses}}{\text{Sales Revenue}} \times 100 = \%$
Trade Payables Payment Period	$\frac{\text{Average Trade Payables}}{\text{Credit Purchases}} \times 365 = \text{days}$ NB – Where only one figure is given for trade payables, this will be taken as the average.
Trade Receivables Collection Period	$\frac{\text{Average Trade Receivables}}{\text{Credit Sales}} \times 365 = \text{days}$ NB – Where only one figure is given for trade receivables, this will be taken as the average.
Non-current Asset Turnover	$\frac{\text{Sales Revenue}}{\text{Non-current Assets at Net Book Value}}$ Answers should be expressed as a ratio, eg 0.75:1

5. Use *page 14 of your workbook* to answer this question.

Mairi Cameron is the owner of Black Isle Bakery, based in the Highland town of Fortrose, which specialises in the production of different artisan breads. The bakery has 2 production cost centres – Mixing and Baking, and one service cost centre – Staffing.

Estimated overhead expenditure for the next financial year is as follows:

Overhead	Total Cost
Indirect Materials	£6,200
Heat and Light	£18,000
Insurance of Machinery	£6,000
Employee Supervision	£24,000
Production Machinery Maintenance	£15,400

The following cost centre data has been provided:

	Mixing	Baking	Staffing	Total
Indirect Materials	£2,325	£875	£3,000	£6,200
No of Employees	20	12	8	40
Floor Area (sq m)	1,000	2,000	1,500	4,500
Value of Machinery	£56,000	£72,000	£32,000	£160,000
No of Production Machines	5	2	–	7

- (a) Prepare the Overhead Analysis Sheet to show the overheads to be allocated or apportioned to each cost centre. 10
- (b) Re-apportion the total overheads of the Staffing cost centre to the other cost centres based on number of employees. 4
- (c) Define the term 'Indirect Cost'. 1

6. Use *pages 15-17* of your workbook to answer this question.

The following information relates to John Dixon's business:

Level of Output (Units)	Total Costs	Variable Costs	Sales Revenue
3,000	£111,000	£48,000	£75,000
6,000	£159,000	£96,000	£150,000
9,000	£207,000	£144,000	£225,000
12,000	£255,000	£192,000	£300,000

- (a) Using the data above, calculate the:
- (i) selling price per unit 2
 - (ii) variable cost per unit 1
 - (iii) contribution per unit 2
 - (iv) fixed costs 2
 - (v) break-even point in units. 2
- (b) Calculate the margin of safety (in units and sales value) at a level of output of 12,000 units. 3
- (c) Calculate the number of units required to be sold to earn a profit of £54,000. 3

[END OF QUESTION PAPER]

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SECTION 2, Question 3 — Ardelean Andreea/Shutterstock