



National  
Qualifications  
2018

**X800/75/11**

**Accounting**

FRIDAY, 25 MAY

9:00 AM – 11:00 AM

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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.



\* X 8 0 0 7 5 1 1 \*

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

1. Give your answer to all parts of question 1 on *pages 02-05* of your workbook.

**PART A**

The following data has been provided by Johnny Alsop, a sole trader, for Year 2 of his business.

| Level of Output (Units) | Variable Costs | Total Costs | Sales Revenue |
|-------------------------|----------------|-------------|---------------|
| 2,000                   | £16,000        | £70,000     | £40,000       |
| 4,000                   | £32,000        | £86,000     | £80,000       |
| 6,000                   | £48,000        | £102,000    | £120,000      |
| 8,000                   | £64,000        | £118,000    | £160,000      |

- (a) Using the data above, calculate:
- (i) Selling price per unit 2
  - (ii) Variable cost per unit 2
  - (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 8,000 units. 3
- (c) Calculate the profit or loss at a level of output of 10,000 units. 3
- (d) Calculate the number of units which must be sold to earn a profit of £90,000. 3
- Johnny expects the following changes in Year 3:
- He will stay with his current supplier of materials even though he expects the price to rise by £2 per unit
  - He will increase the selling price of his product by 20%
  - Rising expenses will increase fixed costs by 5%.
- (e) Calculate the difference in break-even point (in units) based on the expected changes. 6

## 1. (continued)

**PART B**

Kasturi Noor runs a firm with 2 production departments and 1 service department. She has completed an Overhead Analysis for Year 2 and after allocation and apportionment of overheads, department totals are as follows:

| Production Dept A | Production Dept B | Service Dept |
|-------------------|-------------------|--------------|
| £200,000          | £160,000          | £80,000      |

The Service Department overheads are re-apportioned to the Production Departments based on the number of employees. The number of employees in each department is as follows:

|                   |          |
|-------------------|----------|
| Production Dept A | 10       |
| Production Dept B | 6        |
| Service Dept      | <u>4</u> |
| Total             | 20       |

- (a) Calculate how much of the Service Department overhead is to be re-apportioned to each production department in Year 2. 3

In Year 3, when the Service Department was re-apportioned, Production Department B received a £36,000 share of its overheads.

- (b) Calculate the total amount of Service Department overhead for Year 3 (assume the number of employees are the same as Year 2). 2

- (c) (i) Describe the following:

- allocation of overheads
- apportionment of overheads. 2

- (ii) Identify 3 ways of apportioning overheads to cost centres other than by number of employees. 3

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Ratio formulae — for use with question 2 PART A

| Ratio                               | Formula   |
|-------------------------------------|---|
| <b>Profitability Ratios:</b>        |   |
| Return on Equity Employed           | $\frac{\text{Profit for the Year}}{\text{Opening Equity}} \times 100 = \text{ \_\_\_\_\_\%}$  |
| Gross Profit Ratio                  | $\frac{\text{Gross Profit}}{\text{Sales Revenue}} \times 100 = \text{ \_\_\_\_\_\%}$  |
| Profit for the Year Ratio           | $\frac{\text{Profit for the Year}}{\text{Sales Revenue}} \times 100 = \text{ \_\_\_\_\_\%}$   |
| <b>Liquidity Ratios:</b>            |   |
| Current Ratio                       | Current Assets:Current Liabilities<br>Answer should be expressed as a ratio, eg 2·14:1  |
| Acid Test Ratio                     | Current Assets — Closing Inventory: Current Liabilities<br>Answer should be expressed as a ratio, eg 1·27:1   |
| <b>Efficiency Ratios:</b>           |   |
| Rate of Inventory Turnover          | $\frac{\text{Cost of Sales}}{\text{Average Inventory}} = \text{ \_\_\_\_\_\text{times}}$  |
| Expenses Ratio                      | $\frac{\text{Expenses}}{\text{Sales Revenue}} \times 100 = \text{ \_\_\_\_\_\%}$  |
| Trade Payables Payment Period       | $\frac{\text{Average Trade Payables}}{\text{Credit Purchases}} \times 365 = \text{ \_\_\_\_\_\text{days}}$<br><b>NB</b> — Where only one figure is given for trade payables, this will be taken as the average.           |
| Trade Receivables Collection Period | $\frac{\text{Average Trade Receivables}}{\text{Credit Sales Revenue}} \times 365 = \text{ \_\_\_\_\_\text{days}}$<br><b>NB</b> — Where only one figure is given for trade receivables, this will be taken as the average. |
| Non-current Asset Turnover          | $\frac{\text{Sales Revenue}}{\text{Non-current Assets at Net Book Value}}$<br>Answers should be expressed as a ratio, eg 0·75:1   |

## 2. PART A

Give your answer to Part A of question 2 on *pages 06-09* of your workbook.

The following was extracted from the final accounts of G Spinelli, a sole trader.

|                           | £        |
|---------------------------|----------|
| Equity Invested           | 180,000  |
| Current Assets            | 47,000   |
| Average Trade Receivables | 7,000    |
| Average Trade Payables    | 15,000   |
| Current Liabilities       | 20,000   |
| Gross Profit              | 56,000   |
| Profit for the Year       | 31,000   |
| Sales Revenue             | 250,000* |
| Opening Inventory         | 22,500   |
| Closing Inventory         | 26,000   |

\*75% of Sales Revenue is on credit

(a) Calculate the following ratios for G Spinelli. Answers should be correct to no more than **2 decimal places**. Show all working.

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

(b) (i) Calculate G Spinelli's Purchases figure for the year.

3

(ii) Use your answer to (b) (i) to calculate the Trade Payables Payment Period (in days), if all purchases are on a credit basis.

1

[Turn over

2. (continued)

MARKS

L Bextrillo, a sole trader in the same line of business, has the following ratios:

|                                     |            |
|-------------------------------------|------------|
| Profit for the Year Ratio           | 15.72%     |
| Current Ratio                       | 1.23:1     |
| Return on Equity Employed           | 22%        |
| Trade Receivables Collection Period | 31.29 days |
| Rate of Inventory Turnover          | 10 times   |

- (c) Suggest **one** reason why each of L Bextrillo's ratios is different from G Spinelli's. Give a different reason each time.

**You must make clear in your answer whose figures you are referring to.**

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- (d) Both firms sell on a credit basis. Suggest **one** advantage and **one** disadvantage of this.

2

**PART B**

Give your answer to Part B of question 2 on *pages 10-11* of your workbook.

The following timesheet relates to work carried out on Job 76B.

| TIME SHEET                |                       |   |
|---------------------------|-----------------------|---|
| FOR GOODNESS CAKES BAKERY |                       |  |
| JOB NO: 76B               |                       |   |
| DATE                      | DETAILS               | HOURS WORKED  |
| 12/12                     | Baking department     | 7   |
|                           | Decorating department | 13  |
| 14/12                     | Baking department     | 10  |
|                           | Decorating department | 16  |
| 16/12                     | Baking department     | 6   |
|                           | Decorating department | 8   |
| <b>TOTAL HOURS WORKED</b> |                       | 60  |

Time rates applied in each department are as follows:

|            | Basic Rate   | Overtime Rate    |
|------------|--------------|------------------|
| Baking     | £6 per hour  | Time and a third |
| Decorating | £10 per hour | Time and a half  |

Work done in excess of 20 hours in **each department** is charged at the overtime rate for each additional hour.

- (a) Calculate the total labour cost to be charged to Job 76B.

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- (b) State the meaning of the term Flat Rate.

1

## SECTION 2 — 60 marks

Attempt ALL questions

3. The following balances were taken from the ledger of Jenny's Jewels, a sole trader, on 31 December Year 4.

|  | £      |
|--|--------|
| Advertising  | 2,800  |
| Bad Debts  | 600    |
| Bad Debt Provision                                 | 500    |
| Discount Received                                  | 700    |
| Drawings   | 8,000  |
| Equity at 1 January Year 4                         | 70,000 |
| Furniture & Fittings at Cost                       | 20,000 |
| General Expenses                                   | 2,000  |
| Inventory at 1 January Year 4                      | 16,000 |
| Overdraft — Cash and Cash Equivalents              | 1,000  |
| Property at Cost                                   | 40,000 |
| Provision for Depreciation of Furniture & Fittings | 7,000  |
| Purchases  | 36,600 |
| Sales Revenue                                      | 48,000 |
| Trade Payables                                     | 2,300  |
| Trade Receivables                                  | 3,500  |

## NOTES

- Inventory at 31 December Year 4 — £22,000
- Advertising owing — £100
- General Expenses paid in advance — £300
- Furniture & Fittings should be depreciated by 15% on cost for Year 4

Jenny has already prepared the Income Statement and the Profit for the Year amounted to £9,900.

Select the relevant information and prepare Year 4's Statement of Financial Position on **page 12 of your workbook**.

4. Give your answer to this question on *pages 14-15 of your workbook*.

Hamish Harrison's business produces 2 products in Year 1 — 8,000 units of X and 8,000 units of Y. His factory works at full capacity and ALL of the available labour hours are used. Product data is as follows:

|                        | X       | Y       |
|------------------------|---------|---------|
| Contribution per Unit  | £40     | £54     |
| Direct Labour per Unit | 4 hours | 6 hours |

- (a) Calculate the total labour hours used in production for Year 1. 3
- (b) Calculate the contribution per labour hour of each product. 2

In year 2, Hamish intends to employ more skilled labour which will result in total labour hours available increasing by 15%. He will use the extra labour hours to make more of either Product X or Product Y.

**For Year 2:**

- (c) Calculate the extra labour hours Hamish will have available. 1
- (d) State which product Hamish should produce more of if he wishes to maximise profit. Give a brief reason for your answer. 1
- (e) Calculate the extra number of units of the product identified in (d) to be produced using the extra labour hours. 2

Fixed Costs will total £380,000 during Year 2.

- (f) Calculate the maximum total profit Hamish could make in Year 2. 4
- (g) State the meaning of the following terms:
- (i) Fixed Costs 1
- (ii) Indirect Costs. 1



5. The following balances were extracted from the ledger of Ace Enterprises on 31 December Year 3:

|                         | £       |
|-------------------------|---------|
| Carriage In             | 700     |
| Carriage Out            | 900     |
| Cash & Cash Equivalents | 14,200  |
| Discount Allowed        | 1,100   |
| Drawings                | 4,200   |
| Equity                  | 100,000 |
| General Expenses        | 19,300  |
| Inventory               | 2,400   |
| Loan                    | 7,000   |
| Property                | 90,000  |
| Provision for Bad Debts | 300     |
| Purchases               | 55,000  |
| Purchase Returns        | 1,500   |
| Rent Received           | 3,300   |
| Sales Revenue           | 80,000  |
| Sales Revenue Returns   | 3,000   |
| Trade Payables          | 4,700   |
| Trade Receivables       | 6,000   |

Complete the Trial Balance on the worksheet provided on *page 16 of your workbook*.

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[Turn over

6. Give your answer to this question on *page 17 of your workbook*.

On 30 June Year 2 Cindy Kingston prepared her Final Accounts and calculated a Profit for the Year figure of £29,500. On further analysis the following errors were discovered.

1. Purchase of Inventory worth £500 had been omitted from the accounts.
  2. Insurance costing £160 had been entered into the ledger as £610 in error.
  3. The Cash & Cash Equivalents ledger account had been over-added by £75.
  4. A Copy Credit Note relating to a customer who returned goods valued at £100 has not been entered in the accounts.
  5. No entry has been made for the purchase of Equipment worth £860.
  6. Rent Received of £700 was entered as Rent paid.
  7. An invoice for Advertising valued at £250 had been entered into the accounts twice.
- (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) Calculate the new Profit for the Year figure. **1**
- (c) Suggest **one** reason why Cindy would prepare a Trial Balance at the end of the financial period. **1**
- (d) Name the errors that apply in the following situations:
- Two or more errors cancel each other out.
  - A transaction has been completely missed out.
  - The wrong type of account has been used, eg Purchases Account instead of the Equipment Account.
- 3**

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FOR OFFICIAL USE



National  
Qualifications  
2018

Mark

**X800/75/01**

**Accounting  
Workbook**

FRIDAY, 25 MAY

9:00 AM – 11:00 AM



\* X 8 0 0 7 5 0 1 \*

Fill in these boxes and read what is printed below.

Full name of centre

Town

Forename(s)

Surname

Number of seat

Date of birth

Day

Month

Year

Scottish candidate number

Write your answers clearly in this workbook. Additional space for answers is provided at the end of this workbook. You must clearly identify in the margin the question number you are attempting.

**You may use a calculator.**

All working should be shown fully, and clearly labelled.

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

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\* X 8 0 0 7 5 0 1 0 1 \*











Gross Profit Ratio

Profit for the Year Ratio

Current Ratio

Return on Equity Employed

Trade Receivables Collection Period (in days)



\* X 8 0 0 7 5 0 1 0 6 \*

Rate of Inventory Turnover

Expenses Ratio

Purchases

Trade Payables Payment Period (in days)



\* X 8 0 0 7 5 0 1 0 7 \*



















For use with question 5

| Ace Enterprises<br>Trial Balance as at 31 December Year 3 |         |         |
|---|---------|---------|
|   | DR<br>£ | CR<br>£ |
| Carriage In   |         |         |
| Carriage Out  |         |         |
| Cash & Cash Equivalents                                   |         |         |
| Discount Allowed  |         |         |
| Drawings  |         |         |
| Equity  |         |         |
| General Expenses  |         |         |
| Inventory   |         |         |
| Loan  |         |         |
| Property  |         |         |
| Provision for Bad Debts                                   |         |         |
| Purchases   |         |         |
| Purchase Returns  |         |         |
| Rent Received   |         |         |
| Sales Revenue   |         |         |
| Sales Revenue Returns                                     |         |         |
| Trade Payables  |         |         |
| Trade Receivables   |         |         |
|   | £       | £       |



\* X 8 0 0 7 5 0 1 1 6 \*

(a)

| Error        | Increase/Decrease/No Effect | Amount (£) |
|--------------|-----------------------------|------------|
| 1            |                             |            |
| 2            |                             |            |
| 3            |                             |            |
| 4            |                             |            |
| 5            |                             |            |
| 6            |                             |            |
| 7            |                             |            |
| Total effect |                             |            |

(b) New Profit for the Year \_\_\_\_\_

(c) Reason \_\_\_\_\_

\_\_\_\_\_

(d)

| Description   | Name of Error |
|---|---------------|
| Two or more errors cancel each other out.   |               |
| A transaction has been completely missed out.   |               |
| The wrong type of account has been used, eg Purchases Account instead of the Equipment Account. |               |

[END OF WORKBOOK]







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