AH National Qualifications 2021 ASSESSMENT RESOURCE

X800/77/11 Accounting

Duration — 2 hours 30 minutes

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.

Formulae sheet for Variance Analysis

Total Material Cost Variance	(Standard Quantity for Production × Standard Price) − (Actual Quantity used × Actual Price)
Material Price Variance	(Standard Price − Actual Price for Unit) × Actual Quantity used
Material Usage Variance	(Standard Quantity for Production − Actual Quantity used) × Standard Price
Total Labour Cost Variance	(Standard Rate × Standard Hours for Production) − (Actual Rate × Actual Hours worked)
Labour Rate Variance	(Standard Rate − Actual Rate) × Actual Hours worked
Labour Efficiency Variance	(Standard Hours for Production − Actual Hours worked) × Standard Rate
Variable Overhead Cost Variance	(Standard Hours for Production × Variable Overhead Absorption Rate) − Actual Variable Overhead Cost
Variable Overhead Expenditure Variance	(Actual Hours worked × Variable Overhead Absorption Rate) − Actual Variable Overhead Cost
Variable Overhead Efficiency Variance	(Standard Hours for Production − Actual Hours worked) × Variable Overhead Absorption Rate
Fixed Overhead Cost Variance	1. (Standard Hours for Production × Fixed Overhead Absorption Rate) − Actual Fixed Overhead Cost 2. (Standard Units for Production × Fixed Overhead Absorption Rate) − Actual Fixed Overhead Cost
Fixed Overhead Expenditure Variance	Budgeted Fixed Overheads − Actual Fixed Overhead Cost
Fixed Overhead Volume Variance	1. Budgeted Fixed Overheads − (Standard Hours for Actual Production × Fixed Overhead Absorption Rate) 2. (Actual Activity − Normal Activity) × Fixed Overhead Absorption Rate
Total Sales Revenue Variance	(Actual Selling Price × Actual Quantity) − (Budgeted Selling Price × Budgeted Quantity)
Sales Price Variance	(Actual Selling Price − Budgeted Selling Price) × Actual Quantity
Sales Volume Variance	(Actual Quantity − Budgeted Quantity) × Budgeted Selling Price

[Turn over for first question

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MARKS

SECTION 1 — 80 marks

Attempt ALL questions

1. The following information relates to Production and Sales for Clarkston Ltd for Year 3.

Budgeted Data	**Actual Data**
Production/Sales — 110,000 units	Production/Sales — 115,000 units
Unit data	
Selling Price — £25·00	Selling Price — £25·70
Material — 0·5 kg at £3·50 per kg	Material — 58,200 kg in total at £3·45 per kg
Labour — 0·7 hours at £11·80 per hour	Labour — 79,300 total hours at £12·10 per hour
Variable Overheads — £1·30 per labour hour	Variable Overheads — £104,000 in total
Fixed Overheads — £5·80 per unit	Fixed Overheads — £646,000 in total

(a) Calculate

(i)
- Total Sales Revenue Variance
- Sales Volume Variance
- Sales Price Variance **4**

(ii)
- Total Material Cost Variance
- Material Usage Variance
- Material Price Variance **5**

(iii)
- Total Labour Cost Variance
- Labour Efficiency Variance
- Labour Rate Variance **5**

(iv)
- Variable Overhead Cost Variance
- Variable Overhead Efficiency Variance
- Variable Overhead Expenditure Variance **4**

(v)
- Fixed Overhead Cost Variance
- Fixed Overhead Volume Variance
- Fixed Overhead Expenditure Variance **4**

(b) (i) Calculate the Standard Cost of Actual Sales. **2**

(ii) Calculate the Standard Profit from Actual Sales. **2**

(iii) Using the relevant answers from (a) (ii) to (v) and b (ii), calculate the Actual Profit earned for Year 3. **2**

1. (continued)

For the following year (Year 4), Clarkston Ltd estimated the following.

Budgeted Data for Year 4

Production/Sales — 120,000 units

Selling Price — £25·00

Materials to be used — 66,000 kg in total

Material Price — £3·40 per kg

Labour to be used — 84,000 hours in total

Labour Rate — £12·90 per hour

Variable Overhead Absorption Rate — £1·40 per labour hour

Note

- Clarkston Ltd sell everything they produce
- Fixed Overheads are recovered by unit

(c) Actual sales revenue was £105,000 higher than estimated, and the actual selling price was 15% higher than the budgeted figure.

Calculate the actual number of units sold. **3**

(d) Actual material cost amounted to £203,000.

Calculate the Total Material Cost Variance. **3**

(e) Actual labour cost amounted to £880,000 resulting in a favourable Labour Rate Variance of £28,160.

Calculate the actual hours worked. **2**

(f) The Variable Overhead Expenditure Variance was £4,000 favourable.

Calculate the actual variable overhead in total. **2**

(g) The Fixed Overhead Volume Variance was £72,000 adverse.

Calculate the budgeted Fixed Overhead Absorption Rate. **2**

[Turn over

MARKS

2. Alcan plc purchased 36,000 £1 Ordinary Shares in Nagah plc on 1 July Year 3, paying £80,000. At the time of purchase the following additional information was available for Nagah plc.

Equity: Ordinary Shares of £1 each	£60,000
Retained Earnings	£40,000
Share Premium	£20,000

(a) (i) Calculate the Goodwill arising on acquisition. **4**

(ii) Calculate the value of non-controlling interest on acquisition. **1**

The following occurred during Year 5.

1. Alcan plc sold £40,000 goods at cost plus 40% to Nagah plc. It is estimated that 70% of these goods were unsold.
2. The outcome of an impairment review was to write down the value of Goodwill by 40%.

2. (continued)

Statements of Financial Position as at 31 December Year 5				
	Alcan plc		**Nagah plc**	
Non-current Assets	£	£	£	£
Tangible		580,000		196,000
Investment in Nagah plc		80,000		---------
		660,000		196,000
Current Assets				
Inventory	48,000		32,000	
Trade receivables	60,000		10,200	
Current Account	6,000			
Cash and cash Equivalents	2,000		16,000	
		116,000		58,200
Total Assets		**776,000**		**254,200**
Current Liabilities				
Trade payables	112,000		32,000	
Non-current Liabilities				
10% Debentures	100,000		60,000	
Total Liabilities		**212,000**		**92,000**
Net Assets		**564,000**		**162,200**
Equity				
Ordinary Shares of £1 each		260,000		60,000
Share Premium		24,000		20,000
Revaluation Reserve		160,000		
Retained Earnings		120,000		82,200
		564,000		**162,200**

[Turn over

MARKS

2. (continued)

(b) From the information, you are required to calculate for inclusion in the Group Consolidated Statement of Financial Position

(i) Post-acquisition profits **3**

(ii) Unrealised profits **2**

(iii) Consolidated inventory value **2**

(iv) Non-controlling interest at 31 December Year 5 **1**

(v) Retained Earnings. **4**

(c) Prepare the Consolidated Statement of Financial Position as at 31 December Year 5. **17**

(d) (i) Define the term discounting, as used in investment appraisal. **2**

(ii) Describe advantages and disadvantages of the Internal Rate of Return method of investment appraisal. **4**

MARKS

SECTION 2 — 60 marks

Attempt ALL questions

3. Kelly plc is a manufacturing firm which is in its first year of business. The company has provided the following unit data

	Per Unit
Selling Price (public)	£95
Selling Price (trade)	£89
Material Cost	£19
Labour Cost	£24
Variable Overhead	£12

Sales and Production information for the second quarter of Year 1 are as follows

	April	May	June
Sales in units	12,000	15,000	18,700
Production in units	14,500	16,300	17,600

- Trade sales account for 75% of total sales each month.
- Closing inventory in March was 10% of the planned April trade sales.
- Fixed Overhead information is as follows

Estimated Fixed Overheads per annum (based on expected annual production of 125,000 units)		£875,000
Actual Fixed Overheads	April	£99,000
	May	£117,500
	June	£124,000

(a) Calculate the Opening and Closing Inventory for April to June. **4**

(b) Prepare a month by month Profit Statement for April to June using Marginal Costing. **12**

(c) Prepare a month by month Profit Statement for April to June using Absorption Costing. **14**

[Turn over

4. The following information has been made available from the accounts of A2Z plc for the year ended 31 December Year 2.

1. Movement in Non-Current Assets

	Property	Machinery	Vehicles
	£000	£000	£000
Acquisitions and Disposals:			
Purchases	1,000	80	75
Sales	(850)	(15)	(30)
Provision for Depreciation:			
From Income statement		20	10
On Sales		15	7
Revaluation of Assets:			
Property	100		

2. Changes in Current Assets and Liabilities

	Year 1	Year 2
Inventory	40	35
Trade Receivables	65	50
Trade Payables	30	55

The Income statement for the end of 31 December Year 2 allowed for

Debenture Interest Payable	?
Ordinary Dividends	40
Corporation Tax	15

- The accounts show that the sales of Non-current assets realised £800,000 for Property, £5,000 for Machinery, and £20,000 for Vehicles.
- During the year A2Z plc issued 100,000 £1 ordinary shares which raised £120,000.
- New debentures were issued on 1 July Year 2.

4. (continued)

The following were recorded in the Statement of Financial Position for the end of Years 1 and 2.

	31 December Year 1	31 December Year 2
	£000	£000
Corporation Tax owing	10	20
Debenture Interest owing	12	16
8% Debentures	60	80
Retained Earnings	150	270

(a) Using the worksheet provided in your answer booklet, prepare a Statement of Cash Flows for A2Z plc in accordance with IAS 7 for the year ended 31 December Year 2. **28**

(b) Explain why some businesses do not provide for IAS 7 within their published accounts. **2**

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