National
Qualifications
2026

X800/77/11 Accounting

MONDAY, 25 MAY

1:00 PM – 3:30 PM

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.

You must leave your answer booklet on your desk; if you do not, you could lose all the marks for this paper.

Qualifications Scotland
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B/QS

SECTION 1 — 80 marks

Attempt ALL questions

1. The following ledger balances are taken from the accounts of Baker plc at 31 December Year 5:

	£000	**£000**
£1 Ordinary Shares		5,000
12% Debentures		2,000
Sales Revenue		11,200
Purchases	4,100	
Distribution Costs	750	
Debenture Finance Cost	150	
Investment Revenues (Bank Interest)		12
Cash and Cash Equivalents	510	
Wages and Salaries	2,530	
General Expenses	1,000	
Marketing Costs	425	
Goodwill	300	
Property	8,000	
Plant and Machinery	2,300	
Provision for Depreciation: Plant and Machinery		420
Trade Receivables	900	
Trade Payables		670
Investments (Market Value £1,400,000)	1,250	
Share Premium		600
Income from Investments		78
Ordinary Dividend Paid	300	
Inventory at 1 January Year 5	480	
Directors' Remuneration	895	
Net Discounts		10
Revaluation Reserve		840
Retained Earnings at 1 January Year 5		3,060
	23,890	**23,890**

1. (continued)

The following additional information is available:

1. Inventory at 31 December Year 5 is £490,000. This has a market value of £500,000.

2. Wages and Salaries payable: £210,000.

   General Expenses include a payment for the first quarter of Year 6.

   Audit Fee payable: £68,000.

   Wages and Salaries are to be split 10% Cost of Sales, 30% Administration and 60% Selling and Distribution.

   General Expenses are to be split 40% Cost of Sales, 40% Administration and 20% Selling and Distribution.

3. Surplus machinery was sold at the year-end which had originally cost £300,000. The net book value at the date of sale was £130,000 and it was sold for £150,000.

   No ledger entries have been made in respect of this transaction.

4. Plant and Machinery depreciation for the year is to be charged at 10% of the reduced balance. It is to be split between Selling and Distribution and Administration Expenses in the ratio of 4:1 respectively.

5. A property revaluation took place and as a result the value of all property held is to rise by 8%.

6. Estimated Corporation Tax for the year is £702,000.

7. After an impairment review, goodwill is to be written down by £100,000.

In accordance with IAS 1, Presentation of Financial Statements, prepare the following for Baker plc.

(a) An Income Statement for the year ended 31 December Year 5 **19**

(b) A Statement of Retained Earnings for the year ended 31 December Year 5 **2**

(c) A Statement of Financial Position as at 31 December Year 5 **19**

[Turn over

MARKS

2. **PART A**

McLean plc manufacture electrical units. They have an annual production target of 60,000 units with estimated fixed overheads per annum of £90,000. The inventory at 31 December Year 1 was 1,000 units.

They have provided the following data:

	Per Unit
Selling Price	£56
Material Cost	£8
Labour Cost	£26
Variable Overhead	£4

Sales and Production information for the first 3 months of Year 2 are as follows:

	January	**February**	**March**
Sales in units	4,500	5,800	5,000
Production in units	4,600	5,000	5,100

(a) Calculate the Opening and Closing Inventory for January to March Year 2. **3**

Their actual fixed overheads amounted to £7,400 for January, £7,300 for February, and £7,800 for March.

(b) Prepare a month by month Profit Statement for January to March using Marginal Costing. **10**

(c) Prepare a month by month Profit Statement for January to March using Absorption Costing. **15**

(d) Describe **one** advantage and **one** disadvantage of the Internal Rate of Return method of Investment Appraisal. **2**

[Turn over for next question

Advanced Higher Accounting

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	(Standard Hours/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. (Standard Hours/Units for Production × Fixed Overhead Absorption Rate) – Budgeted Fixed Overheads 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

MARKS

2. PART B

For McLean plc the following information is available for Year 2:

	Budget
Labour per unit	4 hours
Labour Rate	£12 per hour
Variable Overhead Absorption Rate	£8 per labour hour

	Variances
Total Labour Cost Variance	£3,500 A
Labour Rate Variance	£15,500 A
Variable Overhead Expenditure Variance	£7,750 F

The Actual Sales/Production for Year 2 was 8,000 units.

Calculate the following:

(a) Labour Efficiency Variance **2**

(b) Actual Total Labour Cost **3**

(c) Actual Labour Hours worked **2**

(d) Actual Labour Rate per hour **1**

(e) Actual Total Variable Overheads **2**

[Turn over

SECTION 2 — 60 marks

MARKS

Attempt ALL questions

3. Thomson plc commenced work on Contract 785 on 1 January Year 1 with a contract price of £2,000,000. On 31 December Year 1 the value of work certified amounted to £1,400,000.

The following cost information has been gathered for the year to 31 December Year 1:

	£000
Establishment charges	457
Materials on site at 1 January Year 1	40
Materials sent to site	125
Materials on site at 31 December Year 1	15
Materials requisitioned from stores	27
Materials returned to store	5
Subcontractor's direct material cost	8
Labour costs on site	287
Direct expenses	28
Insurance	62
Cost of work not yet certified	40
Hire of special equipment	25
Maintenance of plant	14
Plant on site 1 January Year 1	320
Value of plant at 31 December Year 1	205
Indirect wages	28

Additional Information

1. Overheads are to be charged at 5% of direct material cost.
2. Architects' fees are charged at 3% of the work certified.
3. Plant valued at £5,000 was damaged and was scrapped. The scrap value amounted to £2,000.
4. Direct expenses paid in advance amounted to £4,000.
5. Direct labour costs owing amounted to £32,000.
6. Profits on incomplete contracts are recognised using the following formula:

   Notional Profit × Value of Work Certified/Contract Price

(a) Prepare the contract account for the year ended 31 December Year 1. **28**

(b) Describe what is meant by the term 'establishment charges'. **2**

[Turn over for next question

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MARKS

4. On 31 December Year 3 Larg plc acquired 65% of Smol plc, paying £2.00 per share. The following information was available for both companies at that date.

	Larg plc	Smol plc
	£	£
Equity: Ordinary Shares of £1 each	300,000	40,000
Share Premium	30,000	2,000
Retained Earnings	15,200	1,000

(a) (i) Calculate the value of goodwill on acquisition. **3**

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

Statements of Financial Position as at 31 December Year 4				
	Larg plc		**Smol plc**	
	£	£	£	£
Non-Current Assets				
Tangible		327,000		58,000
Investment in Smol plc		52,000		
		379,000		
Current Assets				
Inventory	22,400		9,700	
Trade receivables	6,200		3,800	
Current account	3,200			
Cash and cash equivalents	7,660			
		758,000		58,000
Total Assets		**418,460**		**71,500**
Current Liabilities				
Trade payables	5,200		5,560	
Other payables	960		420	
Current account			2,400	
Cash and cash equivalents			640	
	6,160		9,020	
Non-Current Liabilities				
15% Debentures	50,000		12,000	
Total Liabilities		**56,160**		**21,020**
Net Assets		**362,300**		**50,480**
Equity				
Ordinary Shares of £1 each		300,000		40,000
Share Premium		30,000		2,000
Retained Earnings		32,300		8,480
		362,300		**50,480**

4. (continued)

The following additional information was provided.

- Goods costing £2,100, with a mark-up of 50% were sold by Larg plc to Smol plc in December Year 4. At the end of December 40% of these goods had been sold by Smol plc.
- There is cash in transit.
- An impairment review on 31 December Year 4 reduced the value of goodwill by 10%.

(b) Using the information provided, calculate the following for inclusion in the Group's Consolidated Statement of Financial Position.

(i)	Post-acquisition profits	**2**
(ii)	Unrealised profits	**2**
(iii)	Non-controlling interest	**1**
(iv)	Cash in transit	**1**
(v)	Retained earnings	**3**

(c) Prepare the Consolidated Statement of Financial Position of the Larg and Smol Group as at 31 December Year 4. **15**

(d) Describe the purpose of a Statement of Cash Flow. **2**

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