X209/12/01

NATIONAL QUALIFICATIONS 2013

THURSDAY, 9 MAY
1.00 PM – 3.30 PM

ACCOUNTING
HIGHER

Candidates should attempt **six** questions in total, as follows.

Section A

Question 1

and Question 2 **or** 3

and Question 4 **or** 5

Section B

Question 6

and Question 7 **or** 8

and Question 9 **or** 10

Answers must be in ink. Answers in pencil will **not** be accepted, though incidental working may be in pencil.

All working should be shown fully and clearly labelled. Any incorrect figure not supported by adequate working will receive no marks. Candidates using calculators should pay particular heed.

Begin your answer to each question on a fresh page.

SECTION A

You should attempt 3 questions from this section:

Question 1, AND Question 2 OR 3 AND Question 4 OR 5.

Any incorrect figure not supported by adequate working will receive no marks.

1. The following is the Trial Balance of Glencairn plc at 31 December Year 4.

	£000	*£000*
Sales		430
Purchases	246	
Stock at 1 January Year 4	30	
Administration Expenses	36	
Selling and Distribution Expenses	33	
Warehouse Expenses	16	
Discounts (net)		4
VAT	16	
Wages	40	
Provision for Doubtful Debts at 1 January Year 4		5
Debtors	60	
Creditors		35
Quoted Investments	70	
Bank		6
Goodwill	20	
Preliminary Expenses	10	
150,000 £1 Ordinary Shares		150
10% Debentures		80
Buildings (at cost)	100	
Office Equipment (at cost)	30	
Motor Vehicles (at cost)	50	
Provisions for Depreciation at 1 January Year 4:		
Office Equipment		8
Motor Vehicles		10
Share Premium		30
Interim Dividend–Ordinary Shares	6	
Rent and Rates	5	
Profit and Loss Account balance at 1 January Year 4		10
	£768	£768

1. (continued) *Marks*

NOTES at 31 December Year 4

(1) Stock valued at £20,000 (cost) and £24,000 (market value).

(2) Administration Expenses prepaid – £2,000.

(3) The Provision for Doubtful Debts is to be adjusted to 10% of Debtors.

(4) Dividends of £3,000 are due from Investments.

(5) Provide for Depreciation for the year as follows:
   (i) Office Equipment – 10% on cost.
   (ii) Motor Vehicles – 20% on the diminished balance.

(6) Provide for Corporation Tax at 25% of Net Profit.

(7) Buildings have been revalued at £110,000 – the surplus on revaluation is to be transferred directly to a Revaluation Reserve.

(8) Preliminary Expenses are to be written down by transfer from Share Premium.

(9) A cheque for payment of Rent for £1,000 for this year has been completely omitted from the books and has still to be recorded.

(10) The Directors propose to:
   (i) pay a final dividend of 10% on the Ordinary Shares;
   (ii) write down Goodwill by £12,000.

You are required to prepare (for internal use) from the Trial Balance and Notes:

Trading and Profit and Loss Accounts (including the appropriation of available profits) for the year ended 31 December Year 4 and a Balance Sheet as at that date. **(50)**

[Turn over

Any incorrect figure not supported by adequate working will receive no marks. *Marks*

2. PART A

The following information has been extracted from the accounts of Joseph McCaig, a retailer, at 31 December Year 4.

Sales (75% credit)	£160,000
Closing Stock	£10,000
Gross Profit Ratio	40%
Rate of Stock Turnover	10 times
Average Debtors	£12,000
Expenses Ratio	20%
Capital	£120,000
Fixed Assets	£80,000

(*a*) **Calculate** the following.

(i) Mark-up Ratio

(ii) Opening Stock

(iii) Purchases

(iv) Return on Capital Employed

(v) Debtors Collection Period (days)

(vi) Fixed Asset Turnover. **15**

Joseph sets the following targets for Year 5 for the business.

- Increase Rate of Stock Turnover to 12 times
- Reduce Average Stock by 25%
- Increase Sales by 15%
- Reduce Expenses Ratio to 15%

(*b*) **Calculate** the following for Year 5.

(i) Cost of Goods Sold

(ii) Gross Profit

(iii) Purchases

(iv) Expenses

(v) Net Profit. **10**

(*c*) **Calculate** the Gross Profit Ratio for Year 5 and give **3** reasons for the change in the ratio from Year 4. **5**

2. (continued) *Marks*

PART B

At 31 December Year 2 the final accounts of Weir Enterprises showed a Net Profit of £54,000.

After an audit of the accounts, the following errors and omissions were discovered.

(1) A sales invoice for £4,000 had been entered as £400

(2) Wages had been underadded by £3,200

(3) VAT of £420 had been omitted on Purchases

(4) Rent Received of £500 had been entered as Rent paid

(5) No entry had been made for the sale of a van (NBV – £3,200) for £2,500.

(6) Expenditure of £520 on a new laptop computer had been entered in the Profit and Loss Account

(7) Stock valued at £300 had been omitted from closing stock

Prepare a Statement to show the amended Net Profit figure after correction of the above errors. **10**

(40)

[Turn over

Any incorrect figure not supported by adequate working will receive no marks.

3. The following is a summary of the receipts and payments of the Topspin Tennis Club for the year ended 31 December Year 2.

Receipts	**£000**
Subscriptions (Year 1)	2
Subscriptions (Year 2)	60
Subscriptions (Year 3)	1
Bar Sales	21
Sale of Raffle Tickets	3
Dinner Dance Tickets	4
Vending Machine Takings	4
Life Membership Fees	20
	115

Payments	
Equipment (1 July Year 2)	8
Carriage on Bar Purchases	1
Raffle Prizes	1
Wages	21
Raffle Expenses	1
Coach's Honorarium	2
Electricity	10
Loan Repayment	4
Dinner Dance Costs	2
Stationery	2
Creditors for Bar Purchases	9
Rent of Clubhouse	24
Vending Machine Rental	2
	87

Assets and Liabilities are as follows:

	1 January Year 2 £000	**31 December Year 2** £000
Accumulated Fund	?	?
Equipment at cost	6	?
Creditors for Bar Purchases	2	1
Subscriptions in Advance	3	1
Subscriptions in Arrears	2	4
Bar Stocks	3	2
Bank	12	?
Stock of Stationery unused	–	1
Loan	10	?
Rent due on Clubhouse	4	3

3. (continued) *Marks*

NOTES as at 31 December Year 2.

(1) Equipment is to be depreciated at 10% per annum on cost.

(2) One third of Wages relates to the Bar.

(3) The Electricity is split between the Bar and the Clubhouse in the ratio of 3:2.

(4) 80% of the Life Membership Fees are to be capitalised.

(*a*) **Calculate** the Accumulated Fund as at 1 January Year 2. **4**

(*b*) **Prepare**:

(i) a Bar Trading and Profit and Loss Account for year ending 31 December Year 2; **11**

(ii) an Income and Expenditure Account for year ending 31 December Year 2. **22**

(*c*) **Calculate** the closing balance on the Bank Account at 31 December Year 2. **3**

(40)

[Turn over

Marks

4. (*a*) State **4** stakeholders with an interest in the financial performance of a partnership. **4**

(*b*) List the steps for the admission of a new partner. **4**

(*c*) Explain the term "limited partner". **2**

(10)

5. (*a*) State **6** duties of a financial accountant. **6**

(*b*) Compare Preference Shares with Ordinary Shares. **4**

(10)

[Turn over for SECTION B on *Page ten*

SECTION B

Marks

You should attempt 3 questions from this section:

Question 6, AND Question 7 OR 8 AND Question 9 OR 10.

Any incorrect figure not supported by adequate working will receive no marks.

6. PART A

Sharp Ltd manufactures 3 products, R, S and T in its Armadale factory.

The following data apply to the Armadale factory for Year 3.

Profit and Loss Account for the year ended 31 December Year 3

	Product R		**Product S**		**Product T**		**Total**	
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Sales		525		600		350		1,475
Less:								
Materials	150		170		100		420	
Labour	100		140		100		340	
Variable Overheads	50	300	100	410	50	250	200	960
		225		190		100		515
Fixed Costs		110		110		110		330
Profit/(Loss)		115		80		(10)		185

Each product takes 2 machine hours to make.

	Product R	**Product S**	**Product T**
Units Sold	5,000	2,000	1,000

(*a*) **Calculate** for each product:

(i) unit selling price; **3**

(ii) unit total variable cost; **3**

(iii) unit contribution. **3**

(*b*) **Calculate** the total machine hours worked in Year 3. **2**

YEAR 4

Estimated Data for Year 4

	Product R	**Product S**	**Product T**
Demand in units	5,000	4,000	3,000

In Year 4, Sharp Ltd intend to increase machine capacity by 25% in order to maximize profits. As a result Fixed Costs will rise by £100,000 per annum.

(*c*) **Calculate** the units to be produced of each product and the total estimated profit. **17**

YEAR 5

- Demand for Product R will increase to 8,000 units
- Improvements in efficiency will result in one unit of Product R taking only one machine hour to make
- Variable cost per unit of R will fall by £3
- All other costs, prices, demand and machine capacity will remain unchanged from Year 4.

(*d*) **Calculate** the profit or loss which would be made in Year 5 if Sharp Ltd decide to meet the demand for Product R in full. **10**

(*e*) **Advise** the management of Sharp Ltd whether or not to meet the market demand for Product R. Give a reason for your answer. **2**

PART B

Kingsgate Ltd produces Product Y in 2 processes – A and B

During the month of April Process A incurred total costs of £8,160, including 500 kg of material costing £5,000.

Process A expects to lose 4% of input material during the process.

During April 450 kg were transferred from the process to finished goods.

(*a*) **Calculate:**

(i) the abnormal loss in kg during April;

(ii) the cost per kg of the good output if all losses are waste. **6**

(*b*) **Calculate** the change in cost per kg of good output if expected losses were scrap and could be sold for £4·80 per kg. **4**

(50)

[Turn over

Any incorrect figure not supported by adequate working will receive no marks. *Marks*

7. **PART A**

The following budgeted data relate to Scotia Enterprises plc for the period July to November Year 4.

	July	**August**	**September**	**October**	**November**
Sales (in units)	4,000	4,300	4,600	5,000	4,800

Credit Sales are expected to be 40% of total sales.

Closing Stock at the end of each month is equal to the level of credit sales of the following month.

(*a*) **Prepare** the Production Budget for the period July to October. **6**

The following information is also available.

(1) Bank Balance at 1 August is expected to be £12,000

(2) The retail selling price per unit is £40

- Credit Sales are to trade customers at a discount of 10%
- Credit Sales are paid for one month after sale
- Monthly bad debts are estimated to be 10% of credit sales

(3) Costs are as follows.

- Materials – £14 per unit, payable in the month before production
- Labour – £12 per unit, payable in the month of production
- Variable Overheads – £10 per unit – 50% payable in the month of production and the rest in the month following production

(4) Fixed Costs, excluding depreciation of £1,500, are £3,000 per month

(5) A van owned by the business will be sold during the month of August. The purchase price of the van was £12,000 and at time of sale will have an expected net book value of £6,500. It is estimated that it will be sold for a profit of £300.

(6) The company will issue 20,000 Ordinary Shares of 50p each in August at a premium of 10p per share.

(7) The company will receive a loan of £30,000 from the bank in August. The bank loan, including interest of 5% per annum, will be repaid in 12 equal instalments starting in September.

(*b*) **Prepare** the Cash Budget for the months of August and September Year 4. **24**

PART B

On 1 March Year 3 Brooks Ltd held 150 units of Item No. PAR72 used in production of one of its finished goods. These units had been bought for £2 each.

Brooks Ltd then bought 400 units on each of 4, 12 and 21 March.

Issues to production during March were as follows.

8 March	300 units
15 March	420 units
29 March	440 units

(*a*) Calculate the number of units remaining in stock after the issue on 29 March. **3**

The items bought cost as follows.

£2·10 each on 4 March
£2·20 each on 12 March
£2·25 each on 21 March

(*b*) State the cost per unit of closing stock if First-In-First-Out (FIFO) was used as the method of pricing. **1**

(*c*) Prepare a Stock Record Card for March using Last-In-First-Out (LIFO) as the method of pricing issues. **6**

(40)

[Turn over

8. Nivens Ltd operates a system of separate absorption rates for each of the production cost centres in its factory.

The factory has 3 production cost centres, A, B and C, and 2 service cost centres, X and Y.

The following estimates have been made for Year 3.

Overheads	**Total Cost**
Rent	£144,000
Canteen Costs	£90,000
Power	£160,000
Heat and Light	£36,000
Machine Insurance	£9,000
Indirect Materials	£41,032

The following details are also available.

	A	B	C	X	Y
No of employees	120	75	60	30	15
Kilowatt hours (000s)	20	48	12	–	–
Area (000s sq metres)	24	36	18	12	6
Value of machinery (£000s)	30	90	60	–	–
Indirect materials	£7,720	£7,517	£13,910	£8,730	£3,155
Machine hours	10,200	26,480	5,600	–	–
Labour hours	38,300	20,000	10,440	5,100	2,600
Direct wages	£306,400	£200,000	£93,960	–	–

(*a*) (i) Apportion the overheads for Year 3 to the 5 cost centres using the most appropriate basis in each case.

(ii) Re-apportion the service cost centre overheads to the production cost centres, on the following bases: — Department X followed by Department Y.

Department	**Basis**
X(including share to Dept Y)	— Number of Employees
Y	— Machine Hours

15

Nivens Ltd intends to recover overheads in Year 3 by using the labour hour rate method in cost centres A and C and by the machine hour rate in cost centre B.

(*b*) **Calculate** for each production cost centre the overhead absorption rate to be used in Year 3. **6**

8. (continued) *Marks*

Nivens Ltd has been asked to give a quotation for a job to which the following details relate.

Direct material required		£192	
Direct labour hours:	A	30	
	B	15	(including 10 on machines)
	C	6	

Nivens Ltd aim to earn a profit margin of 40% on selling price.

(*c*) Using the information above and the relevant information calculated in (*b*) prepare the quotation showing clearly the final selling price. **19**

(40)

[Turn over for Questions 9 and 10 on *Page sixteen*

Marks

9. (*a*) **State 4** assumptions of break-even analysis. **4**

(*b*) Explain the following terms.

(i) Profit Volume Ratio

(ii) Margin of Safety. **6**

(10)

10. (*a*) **State** the factors to be taken into account when setting re-order quantities. **4**

(*b*) Explain the following terms.

(i) Opportunity Cost

(ii) Semi-Variable Cost **6**

(10)

[*END OF QUESTION PAPER*]