X209/201

NATIONAL QUALIFICATIONS 2009

TUESDAY, 2 JUNE
1.00 PM – 3.00 PM

ACCOUNTING
INTERMEDIATE 2

Candidates should attempt **four** questions as follows:

Question 1 and **one** other from Section A

plus

Question 4 and **one** other from Section B

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. Attention is drawn to the note at the start of each question requiring calculations—candidates using calculators should pay particular heed.

Marks

SECTION A

You should attempt Question 1 and ONE other question from this Section.

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

1. The following balances were taken from the books of Ali-Mohamod plc for the year ended 31 March Year 3 after the Trading Account had been prepared.

	£000s	**£000s**
	Dr	**Cr**
Gross Profit		706
Insurance	73	
Wages and Salaries	200	
Provision for Doubtful debts at 1 April Year 2		8
Premises (at cost)	1,120	
Fixtures and Fittings (at cost)	120	
Provision for Depreciation on Fixtures at 1 April Year 2		40
Debtors	100	
Creditors		66
Profit and Loss Account at 1 April Year 2		32
Bank	164	
Stock at 31 March Year 3	75	
10% Debentures (2020)		400
500,000 Ordinary Shares of £1 each		500
100,000 8% Preference Shares of £1 each		100
	£1,852	£1,852

NOTES AT 31 MARCH YEAR 3

1 Insurance includes a prepayment of £5,000 for next year
2 Wages and Salaries due but unpaid amount to £20,000
3 Depreciation is to be provided on Fixtures and Fittings at 10% on cost
4 The Provision for Doubtful Debts is to be increased to £10,000
5 Corporation Tax of £91,000 is to be provided on Net Profit
6 Debenture Interest to be paid in full
7 The Directors propose:
- Preference Share Dividend should be paid in full
- Ordinary Share dividend of 12% should be paid

(*a*) **You are required to prepare** the Profit and Loss Account (including the appropriation of available profits) for the year ended 31 March Year 3, and a Balance Sheet as at that date. **32**

(*b*) (i) State the **2** documents which must be lodged with the Registrar of Companies when a Public Limited Company (plc) is formed. **4**

(ii) State **one** item which would be included in **each** of the documents named in (*b*)(i). **4**

(40)

Marks

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

USE WORKSHEET PROVIDED FOR THIS QUESTION

2. Following the preparation of the Trial Balance for the partnership of Grant and Adam for the year ended 30 June Year 3, the following errors were discovered. An appropriate entry was made in the Suspense Account to balance the books.

1 Office equipment bought by cheque costing £1,200 had been completely omitted.
2 Repairs to Adam's personal vehicle costing £500 had been entered in the partnership's Vehicle Repairs Account.
3 Discount Received of £1,200 had been entered as Discount Allowed.
4 Payment to MacGregor Supplies of £2,400 by cheque had been recorded in both accounts as £4,200.
5 Sales had been overadded by £3,250.

(*a*) **Using the worksheet provided** show how these errors would be corrected in the books of Grant and Adam. The first error has been done as an example. **18**

After correcting the above errors, the Net Profit for the year ended 30 June Year 3 was £71,650.

The Partnership Agreement of Grant and Adam states that:

(1) each partner is to receive interest on capital at the rate of 6% per annum on their balance at the end of the financial year;
(2) Grant is to receive a salary of £20,000 per annum;
(3) Grant and Adam are to share profits/losses in the ratio of 3:2.

On 1 July Year 2 the Capital and Current Account balances were as follows.

Grant	Capital Account	£150,000
	Current Account	£22,500 (Cr)
Adam	Capital Account	£100,000
	Current Account	£18,000 (Cr)

During the year Adam invested a further £20,000 Capital.

Drawings for each partner **per month** were:

Grant £800
Adam £700

(*b*) **Prepare** the Profit and Loss Appropriation Account for the Partnership for the year ended 30 June Year 3. **9**

(*c*) **Prepare** the Current Account of Grant for the year to 30 June Year 3. **7**

(*d*) State the purpose of each of the following.

(i) A Bank Reconciliation Statement

(ii) An Invoice

(iii) A Credit Note **6**

(40)

[Turn over

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

3. Part A

The following information was taken from the books of D Palmer at 31 December Year 2.

	£000s
Stocks at 1 January Year 2:	
Raw Materials	50
Work-in-Progress	55
Finished Goods	90
Premises (at cost)	1,500
Plant and Machinery (at cost)	575
Provision for Depreciation on Plant and Machinery at 1 January Year 2	75
Purchase of Raw Materials	1,200
Carriage on Raw Materials	40
Bank	400
Debtors	120
Creditors	72
Production Wages	530
Repairs to Factory Machinery	26
Indirect Factory Labour	38
Heat and Light	80
Insurance	120
Bad Debts	14
Selling and Delivery Expenses	50
Rent and Rates	160
Capital	2,376

NOTES AT 31 DECEMBER YEAR 2

1 Stocks were:

	£000s
Raw Materials	52
Work-in-Progress	58
Finished Goods	85

2 Depreciation on Machinery is to be provided at 20% on cost

3 The following Expenses are accrued:

Production Wages £30,000
Heat and Light £10,000

4 Insurance has been prepaid by £15,000

5 Heat and Light and Insurance are to be apportioned between the Factory and Office in the ratio 4:1

6 The Rent and Rates figure is apportioned:

Factory 75%
Office 25%

(*a*) **Select** the items required to prepare the Manufacturing Account for the year ended 31 December Year 2.

Your answer must show the following figures **clearly labelled**:

(i) Cost of Raw Materials Consumed;

(ii) Prime Cost;

(iii) Factory Cost of Production. **16**

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

3. (continued)

Part B

The following information is available for a business run by Paul Schyma for the year ended 31 December Year 3.

Credit Sales	£650,000
Gross Profit	£227,500
Net Profit	£143,000
Average Stock	£21,125
Capital	£357,500
Average Debtors	£75,000

(*a*) **Calculate** for Year 3:

(i) Gross Profit Ratio;

(ii) Net Profit Ratio;

(iii) Expenses Ratio;

(iv) Rate of Stock Turnover;

(v) Return on Capital Employed;

(vi) Debtor Collection Period in days. **16**

(*b*) Paul predicts that lowering the Selling Price in Year 4 would result in a 25% increase in Sales. Calculate the Estimated Sales for Year 4. **2**

(*c*) Paul is also Treasurer of his local Tennis Club.

(i) Name **2** Accounts which Paul would present to the Club at the Annual General Meeting. **4**

(ii) Name **one** source of funds available to the Club to finance an extension to its Clubhouse. **2**

(40)

[Turn over for Section B

[*END OF SECTION A*]

Marks

SECTION B

You should attempt Question 4 and ONE other question from this Section.

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

USE WORKSHEET PROVIDED FOR THIS QUESTION

4. Blair plc produces high-class clothing for ladies. It has 3 Production Departments and 2 Service Departments. Information relating to these Cost Centres is as follows.

	Production Departments			**Service Departments**		
	Cutting	**Machining**	**Finishing**	**Maintenance**	**Canteen**	**TOTAL**
Indirect Materials	–	–	–	£16,000	£8,020	£24,020
Indirect Labour	£32,000	£28,000	£37,638	£12,000	£6,000	£115,638
Area (sq m)	3,000	1,500	3,000	900	600	9,000
No of Employees	50	40	30	20	10	150
Value of Machinery	£20,000	£60,000	£10,000	£30,000	£20,000	£140,000
Machine Hours	10,000	8,000	4,000	3,000	–	25,000

The following is the estimated overhead expenditure for the next year.

Overhead Costs	**Total Costs**
Machine Insurance	£63,000
Staff Supervision	£48,000
Heat and Light	£36,000
Rent and Rates	£99,000
Depreciation of Machinery	£70,000

(*a*) You are required to:

(i) **complete the Worksheet** provided to calculate the total overheads to be allocated and apportioned to each Cost Centre;

(ii) **re-apportion** the total overheads of the Canteen to the other 4 Cost Centres using the basis of Number of Employees;

(iii) **re-apportion** the total overheads of the Maintenance Department to the other 3 Cost Centres using the following basis:

Cutting Department	50%
Machining Department	30%
Finishing Department	20%

34

(*b*) **Calculate** the Overhead Absorption Rate for the Finishing Department on the basis of Machine Hours. **2**

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

USE WORKSHEET PROVIDED FOR THIS QUESTION

4. (continued)

Blair plc uses a spreadsheet to calculate wages.

	A	B	C	D	E	F
1	Wages – Week 2					
2		Hours	Rate per Hour	Gross Pay	Income Tax	Net Pay?
3	Zoe Graham	46	£10·50	A?	£15·20	B?
4	Jack Garden	44	£12·00			
5	Archie Chalmers	40	£14·75			
6	**TOTAL**					

(*c*) Suggest appropriate **formulae** for cells:

A D3

B F3 **4**

(40)

[Turn over

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

5. Part A

Rattray & Co is planning to introduce a new product. Projected figures for this new product are shown below.

Estimated Profit Statement for Month 1

Sales		£480,000
<u>Less Costs</u>		
Direct Materials	£ 96,000	
Direct Labour	£240,000	
Variable Overheads	£ 84,000	
Fixed Overheads	£ 36,000	£456,000
Profit		£ 24,000

The above statement is based on production and sales of 10,000 units per month.

Calculate:

(*a*) the Total Variable Cost per Unit;

(*b*) the Contribution per Unit;

(*c*) the Break-Even Point in Units and Sales Value;

(*d*) the Profit/Loss from Sales of 8,000 units;

(*e*) the number of units to be sold to make a profit of £36,000. **18**

Part B

A quotation is required for a customer based on the information below. Rattray & Co has 2 cost centres, Construction and Finishing.

Materials	50 sq metres of timber @ £5 per sq metre 20 sq metres of plasterboard @ £7·50 per sq metre 250 blocks @ £2 per block	
Labour	Construction	500 hours, of which 100 are overtime The basic rate is £10 per hour and overtime is paid at time and a half
	Finishing	120 hours, of which 40 hours are overtime The basic rate is £12 per hour and overtime is paid at double time
Direct Expenses		£430

Overheads are to be absorbed into the cost of the job based on the following absorption rates:

Construction	£2·50 per labour hour worked
Finishing	£5 per labour hour worked

Rattray & Co wish to make a profit of 25% on Cost.

(*a*) **Calculate**:

(i) the total cost of the job to Rattray & Co; **12**

(ii) the price which Rattray & Co will quote to the customer taking into account the required profit and VAT at 17·5%. **4**

(*b*) **Explain** clearly the meaning of the following **3** terms.

(i) Piece Rate

(ii) Clock Cards

(iii) Time Sheet

6

(40)

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

6. Part A

M J Howe is a haulage contractor with 6 lorries. The following information is available.

1 The lorries were purchased at a cost of £100,000 each, have an estimated life of 8 years and will each have a trade-in value of £20,000.

2 Each lorry operates 50 weeks per year and averages 1,500 miles per week. Fuel costs are 90p per litre and on average each lorry travels 5 miles per litre.

3 The drivers of each lorry are paid £12·50 per hour. They work a 35 hour week, 50 weeks of the year.

4 The lorries are serviced every 15,000 miles at a cost of £300 per service.

5 Each lorry has 6 tyres which are replaced every 25,000 miles at a cost of £100 per tyre.

6 Annual licences cost £250 per lorry.

7 Insurance for **all** lorries costs £6,000 annually.

(*a*) **Prepare** an Operating Cost Statement to show:

(i) the annual operating cost of **one** lorry; **21**

(ii) the **total** cost for the 6 lorries. **2**

Part B

Walkers of Erin are bakers producing freshly baked bread each day in 2 processes, Mixing and Baking.

During the month of April, Walkers of Erin purchased 2,500 kg of flour and yeast at £2 per kg.

Other costs were:

Labour 500 hours @ £8 per hour

Overheads 25% of labour costs

10% of input is scrap and sold for £0·40 per kg.

(*a*) **Prepare** the Mixing Process Account for April showing clearly the total cost per kg of good output. **11**

(*b*) Walkers of Erin are considering various methods of stock control in order to improve efficiency. **Explain** clearly each of the following stock terms.

(i) FIFO

(ii) LIFO

(iii) Stock Record Card **6**

(40)

[*END OF SECTION B*]

[*END OF QUESTION PAPER*]

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FOR OFFICIAL USE

X209/202

NATIONAL QUALIFICATIONS 2009

TUESDAY, 2 JUNE
1.00 PM – 3.00 PM

ACCOUNTING
INTERMEDIATE 2
Worksheets for
Question 2 and Question 4

Fill in these boxes and read what is printed below.

Full name of centre

Town

Forename(s)

Surname

Date of birth
Day Month Year

Scottish candidate number

Number of seat

The Worksheet for Question 2 need only be completed if the question is attempted.

The Worksheet should be inserted inside the front cover of the candidate's answer book and returned with it.

Worksheet for Question 2

Marks

(*a*)

ERROR NO	ACCOUNT DEBITED	AMOUNT	ACCOUNT CREDITED	AMOUNT
1	Office Equipment	£1,200	Bank	£1,200
2				
3				
4				
5				

18

(*b*)

Profit and Loss Appropriation Account

	£	£

9

(*c*)

Current Account				
Date	Details	Dr	Cr	Bal
		£	£	£

7

Worksheet for Question 2 (continued)

Marks

(*d*) (i) ____

____

____

(ii) ____

____

____

(iii) ____

____

____ **6**

(40)

[Turn over

Worksheet for Question 4 You should answer all of Question 4 on this worksheet *Marks*

Overhead Analysis Sheet

Overhead	**Basis**	**Total**	**Cutting**	**Machining**	**Finishing**	**Maintenance**	**Canteen**
		£	£	£	£	£	£
Indirect Materials							
Indirect Labour							
Machine Insurance							
Staff Supervision							
Heat and Light							
Rent and Rates							
Depreciation of Machinery							
(*a*) (i) **Total Department Overheads**							
Reapportionment of Overheads							
(ii) Canteen Cost Centre							
(iii) Maintenance Cost Centre							
Total Production Overheads							

Worksheet for Question 4 (continued)

Marks

(*b*)

Overhead Absorption Rate

2

(*c*)

Formulae

A D3 ....

B F3 ....

4

(40)

[*END OF WORKSHEETS*]