X209/201

NATIONAL QUALIFICATIONS 2010

WEDNESDAY, 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.

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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. Murray and Federer are in partnership. The following figures relate to the year ending 31 December Year 3.

	£000s
Stock at 1 January Year 3	48
Sales	320
Purchases	160
Returns In	15
Returns Out	10
Discount Received	5
Administration Expenses	12
Delivery Expenses	8
Wages and Salaries	50
Depreciation on Vehicles	5
Stock at 31 December Year 3	36

NOTES AT 31 DECEMBER YEAR 3

1 Wages and Salaries owing on 31 December Year 3 £14,000
2 Administration Expenses prepaid on 31 December Year 3 £5,000

(*a*) **You are required to prepare** the Trading, Profit and Loss Account for the year ended 31 December Year 3. **15**

Murray and Federer's Partnership Agreement states that:

1 Federer is to receive a salary of £15,000;
2 both partners are to receive 5% Interest on Capital;
3 residual Profits are to be shared between Murray and Federer in the ratio of 2:1.

The following information relates to the year ended 31 December Year 3.

	Murray	Federer
Capital Accounts on 1 January Year 3	£120,000	£80,000
Current Accounts on 1 January Year 3	£50,000 Cr	£40,000 Cr
Drawings	£42,000	£36,000

(*b*) Using the information above, **prepare** the:

(i) Appropriation Account of the partnership for the year ended 31 December Year 3; **10**

(ii) Current Accounts of **each** partner for the year ended 31 December Year 3. **9**

(*c*) **Name** and **explain** the purpose of any **2** business documents used in the buying and selling of goods. **6**

(40)

[Turn over

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

2. Part A

The following balances were taken from the books of Glenshee plc for the year ended 31 December Year 2.

	Dr £000s	Cr £000s
Net Profit (before Tax)		173
350,000 Ordinary Shares of £1 each		350
50,000 8% Preference Shares of £1 each		50
Unappropriated Profit at 1 January Year 2		20
10% Debentures		40
Debtors	172	
Creditors		50
Premises at Cost	320	
Vehicles at Cost	70	
Stock at 31 December Year 2	120	
Provision for Depreciation on Vehicles at 31 December Year 2		28
Bank	51	
VAT		25
Preference Dividend paid	4	
Rent prepaid	3	
Debenture Interest due		4
	£740	£740

NOTES

- The Directors propose a final Ordinary Dividend of 10%
- Provide for Corporation Tax for the year, £30,000

(*a*) **You are required to prepare**, for internal use, the Appropriation Account for the year ended 31 December Year 2, and **7**

(*b*) a Balance Sheet at 31 December Year 2. **17**

Part B

On completion of her Trial Balance for May, S Williams discovered the following errors. A suspense account has been opened, in the meantime, to allow the Trial Balance to balance.

1 An invoice from J Anderson for £312 had been credited to the Account of S Anderson.
2 A payment by cheque to Jones & Jones Ltd for £576 had been omitted from the Accounts.
3 The Sales Account had been overadded by £300.
4 Van Repairs of £259 had been entered in the Van Repairs Account as £295.
5 A cheque for £750 paid to D Anton had been treated as a receipt.

Using the layout below, show how these errors would be corrected in the books of S Williams. The first one has been done for you.

Error No	**Account to be Debited**	**Amount**	**Account to be Credited**	**Amount**
1	S Anderson	£312	J Anderson	£312

10

Marks

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

2. (continued)

Part C

(*a*) **Explain** what is meant by the terms:

(i) Revenue Expenditure; **2**

(ii) Capital Expenditure. **2**

(*b*) Give **one** example of:

(i) Revenue Expenditure, and **1**

(ii) Capital Expenditure. **1**

(40)

[Turn over

Marks

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

3. Part A

The following information is available for the Strathmartin Badminton Club for the year ended 31 December Year 2.

On 1 January Year 2 the Club's Assets and Liabilities were as follows.

Clubhouse and Hall at cost	£175,000
Badminton Equipment at cost	£9,500
Bar Stocks	£4,500
Bank Overdraft	£8,250

(*a*) **Calculate** the Accumulated Fund at 1 January Year 2. **5**

The following receipts and payments arose during the year.

Receipts	
Subscriptions	£12,500
Bar Sales	£52,300
Sale of Dance Tickets	£2,500
Income from fundraising	£3,100
	£70,400
Payments	
Bar Purchases	£25,100
Bar Wages	£12,000
Dance Expenses	£2,650
Purchase of Badminton Equipment	£1,200
Electricity	£1,500
General Expenses	£1,250
	£43,700

- Depreciation is charged on Badminton Equipment at the rate of 20% on cost. No depreciation is charged in the year of purchase.
- Bar Stocks at 31 December Year 2 were valued at £3,700.
- Members owed the Club £2,500 in subscriptions.

(*b*) **Prepare**:

(i) a statement showing the Profit or Loss on the Bar; **6**

(ii) the Income and Expenditure Account for the year ended 31 December Year 2, showing clearly the Profit or Loss on dance. **10**

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

3. (continued)

Part B

J Singh's Bank Balance at 30 April Year 3 showed a credit balance of £650. The Bank Statement received by Singh for April showed that his balance at the bank was in credit by £1,350.

On comparing his Bank Account and the Bank Statement he discovered the following differences.

1 A Standing Order of £100 paid to British Gas, has not been entered in the Bank Account.
2 Cheques issued by Singh amounting to £2,865, had been entered in the Bank Account but had not been presented for payment.
3 Bank Charges of £65 had not been recorded in the Bank Account.
4 Cheques received amounting to £2,200 had been entered in the Bank Account but had not been credited by the bank.
5 Dividends of £1,500 received by credit transfer had not been entered in the Bank Account.

(*a*) **Update** Singh's Bank Account at 30 April Year 3. **7**

(*b*) **Prepare** a Bank Reconciliation Statement at 30 April Year 3. **6**

Part C

Explain the following terms used in a Manufacturing Account.

(i) Prime Cost **2**

(ii) Work in Progress **2**

(iii) Factory Overheads **2**

(40)

[*END OF SECTION A*]

[Turn over for Section B

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.

4. Part A

Scott-Holden plc produces Product A. The following figures relate to this product.

Sales	£24,000
Direct Material Cost per unit	£10
Labour Cost per unit	£16
Variable Overheads per unit	£4
Fixed Costs	£4,000
Output Units	600

Calculate the following for **Product A**.

(*a*) Selling Price per unit **1**

(*b*) Total Variable Cost per unit **2**

(*c*) Contribution per unit **2**

(*d*) The Break-Even Point in Units **and** Sales Value **3**

(*e*) How many units of Product A would need to be produced and sold to make a profit of £8,000? **4**

(*f*) The Profit/Loss for Product A at the current level of output if all units are sold. **4**

Part B

Torridon plc produces a range of 3 products, X, Y and Z using a standard machine.

The level of production of 10,000 units of each product in June, uses all of the available machine time. This is the maximum units demanded of each product.

Details for the products are:

	X	**Y**	**Z**
Selling Price per unit	£100	£80	£70
Contribution per unit	£40	£20	£18
Machine Hours per unit	8 hours	2 hours	6 hours

(*a*) Calculate the number of machine hours required in June to make each product and in total. **4**

In July some of the existing machinery is to be serviced which will result in the machine time available being reduced by 30%.

(*b*) For July:

(i) **calculate** how many machine hours will be available; **3**

(ii) **calculate** the contribution per machine hour for each product; **3**

(iii) Torridon plc wants to maximise profits. State the order of priority of production. **1**

Marks

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

4. (continued)

(*c*) For each product, **calculate**:

(i) how many hours would be required to maximise profits, taking into account machine hours available from (*b*) (i); **4**

(ii) how many units of each product would be required to maximise profits. **3**

(*d*) If Fixed Overheads are £125,000 per month, **calculate for July**:

(i) the contribution from each product and in total; **3**

(ii) the **overall profit** for Torridon plc. **3**

(40)

[Turn over

Marks

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

5. Part A

Babyline plc provides you with the following information.

The Bank Balance of Babyline plc is expected to be £10,750 at 28 February.

1 Sales in units are expected to be as follows:

Feb	Mar	Apr	May
1,300	1,500	1,700	1,800

2 The selling price per unit will be £50 but Cash Sales will receive a discount of 10%.

3 Credit Customers pay one month after delivery.

4 Credit Sales account for 80% of total sales each month.

5 Estimated production each month will be:

Feb	Mar	Apr	May
1,200	1,400	1,800	1,700

6 Raw material costs are £15 per unit and are paid for one month after production.

7 Direct Wages are £10 per unit and employees are paid in the same month as production.

8 In March a loan of £5,000 will be taken out.

9 In May Babyline plc will issue 40,000 new Ordinary Shares of £1 each.

10 Each month a commission of £5 per unit on sales over 1,500 units will be paid in the month of sale.

Prepare Babyline plc's Cash Budget for the months of **March**, **April** and **May**. **18**

Part B

A & A Whittington produces a range of ready made meals. This requires 2 processes, Preparation and Cooking. Details for the Preparation Process for the month of June were as follows.

- Materials (4,000 kg) £6,600
- Direct Labour £2,000
- Fixed Overheads are absorbed on the basis of 50% of Direct Labour Costs
- Normal Loss of 5% of material input is sold for £0·50 per kg to a local farmer

(*a*) (i) **Prepare** the Preparation Process Account for June, clearly showing the cost per kg of good output to be transferred to the Cooking Process. **8**

At the end of the Cooking process the total cost was £12,160 and output was 3,800 kg.

(ii) **Calculate** the cost per kg.

(iii) The firm produces 2 meals per kg. What is the total number of meals produced in June?

(iv) If they wish to add a mark up of 50% per meal what is the selling price per meal?

(v) **Calculate** the total profit in June if all meals produced were sold. **8**

(*b*) (i) For **each** overhead given below suggest a suitable basis for apportionment to a Cost Centre.

1 Rates
2 Canteen Costs **4**

(ii) **Name** a method of calculating Overhead Absorption Rates. **2**

(40)

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

6. (*a*) Joan and Andrew Ovenstone are considering opening a restaurant. The following information is provided.

1 The restaurant will be open 52 weeks of the year.

2 They would employ a chef and 2 waiters/waitresses, each working a basic 35 hour week for 48 weeks of the year.

3 The chef will be paid at £10 per hour and the waiters/waitresses at £5 per hour. On average the chef works 4 hours overtime paid at time and a half.

4 Each employee is entitled to 4 weeks holiday per annum at their basic wage. Joan and Andrew take over chef/waiter duties personally during holiday periods.

5 It is estimated that Food and Beverages will cost on average £73,152.

6 Insurance is £150 per month.

7 Rent and Rates are £220 per month.

8 Administration Costs will be 10% of total wages.

9 Equipment costing £40,000 will be depreciated by 10% on cost per year.

10 The restaurant will have a capacity of 400 meals per week.

11 Over the 52 weeks it is estimated that the restaurant will work at 80% capacity.

Calculate:

(i) the annual running cost of the restaurant; **14**

(ii) total number of meals; **2**

(iii) the average cost per meal; **2**

(iv) the average price to be charged per meal based on a 60% mark up. **2**

(*b*) Kirkmichael Woodcrafts produces tree houses to customer specification. A customer has asked for an estimate.

The following information is available.

JOB 465

Direct Materials	500 metres wood @ £10 per metre
	1 door @ £150
	2 windows @ £100 each
	2 brass hinges @ £16 each
Direct Labour	50 hours @ £20 per hour
	20 hours at time and a half
Overhead Recovery Rate	80% of total labour costs
Mark up	20% on cost
VAT is charged at 17·5%	

Prepare a detailed Statement showing clearly the **total material cost** and **total price to be quoted** to the customer for Job 465. **14**

(*c*) The pricing of materials issued from stores may involve either the FIFO or LIFO system.

Explain the terms;

(i) FIFO; **2**

(ii) LIFO. **2**

(*d*) Give **one** advantage of using FIFO rather than LIFO as a method of stock valuation. **2**

(40)

[*END OF SECTION B*]

[*END OF QUESTION PAPER*]

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