X209/201

NATIONAL QUALIFICATIONS 2011

TUESDAY, 31 MAY
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. The following Trial Balance was prepared from the records of Tay Valley plc as at 31 December Year 4.

	Dr £000	**Cr £000**
Sales		1,717
Provision for Doubtful Debts at 1 January Year 4		4
Buildings at Cost	300	
Discount Received		5
Profit and Loss Account Balance at 1 January Year 4		33
Administration, Selling and Distribution Expenses	335	
Purchases Returns		12
Furniture and Fittings at Cost	120	
Creditors		135
Purchases	880	
Provision for Depreciation on Furniture and Fittings		24
Debtors	260	
VAT		120
Wages and Salaries	340	
Opening Stock	190	
Bank	125	
400,000 Ordinary Shares at £1 each		400
5% Debentures		100
	£2,550	£2,550

NOTES AT 31 DECEMBER YEAR 4

1 Stock was valued at £170,000
2 Administration, Selling and Distribution Expenses of £20,000 were prepaid
3 Wages due but unpaid £53,000
4 Furniture and Fittings are to be depreciated by 10% on cost
5 Provision for Doubtful Debts is to be amended to 5% of Debtors
6 Provide for Corporation Tax of £25,000
7 The Directors propose that an Ordinary Share dividend of 10% should be paid
8 Debenture Interest for the year is due to be paid

Use the Trial Balance and notes above to **prepare**, for internal use, the:

(*a*) Trading, Profit and Loss and Appropriation Accounts for the year ended 31 December Year 4, and **23**

(*b*) Balance Sheet as at 31 December Year 4. **17**

(40)

[Turn over

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

2. Part A

The following information is provided by Ericht Enterprises at 31 December Year 2.

	£000s
Sales of Finished Goods	4,500
Purchases of Raw Materials	1,540
Stocks at 1 January Year 2:	
Raw Materials	45
Work-in-Progress	65
Finished Goods	600
Plant and Machinery at cost	750
Provision for Depreciation on Plant and Machinery at 1 January Year 2	50
Manufacturing Wages	550
Indirect Factory Labour	70
Indirect Factory Power	75
Insurance	45
Administration Expenses	36
Rent and Rates	150
Light and Heat (Office)	22
Factory Manager's Salary	35
Bad Debts	12
Creditors	28
Debtors	46
Bank and Cash	56

NOTES AT 31 DECEMBER YEAR 2

1 Stocks:
Raw Materials £38,000
Work-in-Progress £75,000
Finished Goods £650,000
2 Insurance is to be divided between Factory and Office in the ratio of 3:2 respectively
3 Rent and Rates are to be divided between Factory and Office in the ratio of 4:1 respectively
4 Provide for Depreciation on Plant and Machinery at 6% on cost
5 Indirect Factory Power has been prepaid by £3,000
6 Manufacturing Wages of £5,000 are due but unpaid

Select the items required to **prepare** the Manufacturing Account **ONLY** for the year ended 31 December Year 2, labelling clearly:

(i) Cost of Raw Materials Consumed;
(ii) Prime Cost of Production;
(iii) Factory Cost of Goods Manufactured.

NOTE A Trading Account and Profit and Loss Account are **NOT** required. **20**

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

2. (continued)

Part B

The Bank Account of G Kigali, a sole trader, at 30 June showed a debit balance of £3,700. His Bank Statement at that date, however, showed he only had £3,000.

When he compared his Bank Account with the Bank Statement he found the following differences.

1 A cheque for £500 received from L Sherlock had been returned "Insufficient Funds".
2 Cheques received amounting to £950 had been entered in the Bank Account only.
3 £250 dividends received by Credit Transfer had not been entered in the Bank Account.
4 G Kigali had issued cheques amounting to £650 but they had not yet been presented to the Bank for payment.
5 A Direct Debit of £150 for Insurance was shown in the Bank Statement only.

(*a*) **Update** G Kigali's Bank Account at 30 June. **7**

(*b*) **Prepare** his Bank Reconciliation Statement at 30 June. **7**

Part C

Explain clearly what is meant by **each** of the following terms.

(*a*) Accumulated Fund

(*b*) Subscriptions

(*c*) Honorarium **6**

(40)

[Turn over

Marks

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

3. Part A

The following Trading and Profit and Loss Account of Lennon and McCartney for the year ended 31 December Year 3 is incomplete due to a recent fire which destroyed most of the firm's records.

Trading and Profit and Loss Account of Lennon and McCartney for the year ended 31 December Year 3

	£000	£000
Sales		990
LESS COST OF SALES		
Opening Stock	80	
Purchases	?	
	?	
Less Closing Stock	?	?
GROSS PROFIT		?
EXPENSES		
Selling and Distribution	33	
Administration	?	?
NET PROFIT		?

The firm, however, have been able to supply you with the following information for the year.

1 The Gross Profit Ratio was $33\frac{1}{3}$ %
2 Expenses/Sales was 10%
3 Closing stock was £20,000 higher than Opening Stock

(*a*) Using the above information and layout, produce the completed Trading, Profit and Loss Account of Lennon and McCartney for the year ended 31 December Year 3. **14**

(*b*) **Calculate** the Rate of Stock Turnover for the year. **3**

Part B

Harrison & Starr are in partnership. Their Net Profit for Year 3 was £462,000.

Harrison started with a balance of £60,000 on 1 January Year 3 in his Capital Account and invested a further £20,000 on 1 January Year 3. Starr's Capital Account balance on 1 January Year 3 was £40,000 with no further investment during the year.

Partners receive Interest on Capital of 5% pa.

Partnership Salaries are:	Harrison	£24,000
	Starr	£30,000

Profits and Losses are shared by the partners in the ratio of their Capital Account balances at the **end** of the year.

(*a*) **Prepare** the Profit and Loss Appropriation Account for the partnership for the year ended 31 December Year 3. **11**

Harrison's Current Account on 1 January Year 3 showed a Debit Balance of £1,800. Harrison took monthly drawings of £500 throughout Year 3.

(*b*) **Prepare** the Current Account of Harrison at 31 December Year 3. **6**

Marks

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

3. (continued)

Part C

(*a*) What is the purpose of a Trial Balance? **2**

(*b*) Which Account is created if a Trial Balance does not agree? **2**

(*c*) Explain **ONE** of the following types of error.

(i) Error of Commission

(ii) Error of Principle **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. Bubbles Unlimited plc manufactures and sells lemonade. You are supplied with the following information for Year 3.

1 The Bank balance at 31 December Year 2 is expected to be £7,500.

2 Sales in units are expected to be:

December	January	February	March
9,000	8,500	7,200	7,800

3 Each month 20% of total sales will be on a cash basis and the remainder paid one month after purchase.

4 The Selling Price per unit will be £4 but Cash Sales will receive a discount of 5%.

5 Production units are expected to be:

December	January	February	March
9,100	8,600	7,300	7,900

6 Production Costs per unit will be:

Raw Materials	£0·50	paid for one month **after production**
Wages	£1·50	paid in the **same** month as production
Variable Overheads	£1·20	paid for one month **after production**

7 Fixed Costs are expected to be £2,000 in January and February, then rise by £500 in March and are paid in the month incurred.

8 20,000 new Ordinary Shares, at a price of £1 per share, will be issued and paid for in February.

9 New machinery will be purchased in February for £12,000. This will be paid for in 12 equal monthly instalments starting in March.

(*a*) Calculate the Cash Selling Price per unit. **2**

(*b*) **Prepare** the Cash Budget for Bubbles Unlimited plc for the 3 months from January–March Year 3. **32**

(*c*) Explain the following terms.

(i) Piece Rate

(ii) Time Rate

(iii) Commission **6**

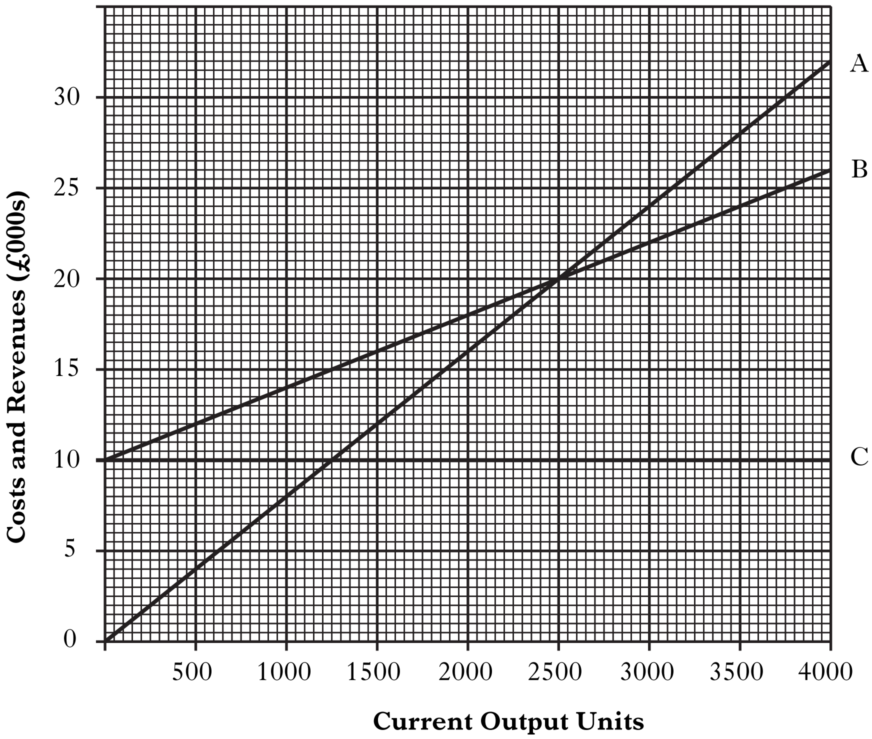
(40)

Marks

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

5. Part A

J L Singh
Break-Even Chart



(*a*) From the above break-even chart

Identify:

(i) the line marked A;
(ii) the line marked B;
(iii) the line marked C. **3**

State:

(iv) the break-even point in units; **1**
(v) the break-even point in sales value. **1**

(*b*) **Calculate:**

(i) the selling price per unit; **2**
(ii) the variable cost per unit; **3**
(iii) the contribution per unit; **2**
(iv) the profit that would be earned from 3,500 units; **4**
(v) the sales in units necessary for a profit of £14,000. **4**

[Turn over

Marks

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

5. (continued)

Part B

Carlo Assenti commenced trading on 1 January Year 1. The following information relates to the stock movements of material A125 for the month of April Year 1.

	PURCHASES		**ISSUES**	
DATE	**QUANTITY**	**UNIT PRICE**	**JOB NO**	**QUANTITY**
1 April	1,000	£3·50		
5			135	400
12	500	£3·60		
19			136	700
24			137	200

(*a*) **Prepare** Stock Record Cards for the month of April to show the Quantity, Cost and Value of units received, issued and in stock using:

(i) First-In-First-Out (FIFO) and;

(ii) Last-In-First-out (LIFO). **14**

(*b*) **State 2** commonly used methods of calculating overhead absorption rates. **4**

(*c*) For **one** of the Overhead Absorption Rates given in (*b*), **show the formulae** which would be used to calculate that Overhead Absorption Rate. **2**

(40)

USE THE WORKSHEET PROVIDED TO ANSWER ALL PARTS OF THIS QUESTION

6. Part A

Martin Bros is a manufacturing company which has 2 production and 2 service departments. Information relating to the cost centres is as follows.

		Production Departments		Service Departments	
	TOTAL	**A**	**B**	**X**	**Y**
Indirect Labour	£160,000	£64,000	£56,000	£22,000	£18,000
Indirect Materials	£32,000	–	–	£14,000	£18,000
No of Employees	400	150	90	100	60
Area (sq m)	40,000	15,000	10,000	10,000	5,000
Value of Machinery	£500,000	£100,000	£250,000	£50,000	£100,000

The following information is also available.

Overhead Costs	**Total Costs**
Factory Administration	£160,000
Heat and Light	£72,000
Depreciation of Machinery	£140,000

You are required to:

(*a*) **complete** the Worksheet provided to calculate the total overheads to be allocated; **14**

(*b*) **re-apportion** the total overheads of Department X to the other 3 cost centres on the basis of number of employees; **6**

(*c*) **re-apportion** the total overheads of Department Y (including the share from Department X) to the other 2 departments on the following basis:

Dept A 60%

Dept B 40%. **2**

[Turn over for Question 6 Part B on *Page twelve*

Marks

USE THE WORKSHEET PROVIDED TO ANSWER ALL PARTS OF THIS QUESTION

6. (continued)

Part B

Kirkpatrick Sawmill Ltd has received an order from a customer for 1,000 wooden pallets. They have 2 departments, Cutting and Construction. You are asked to prepare a quotation for the customer from the following information.

Direct Materials	70 metres wood @ £9 per metre	
Direct Labour	Cutting	Construction
	6 hours	5 hours
Wage Rate	£6·50 per hour	£7 per hour
Direct Expenses	£20	

Overheads are to be absorbed into the cost of the job as follows.

Cutting	£2 per direct labour hour
Construction	£0·20 per pallet

Kirkpatrick Sawmill Ltd wish to make a profit of 20% on Cost.

You are required to:

(*a*) **calculate**:

(i) the total cost of the job to Kirkpatrick Sawmill Ltd; **8**

(ii) the price which will be quoted to the potential customer taking into account the required profit and VAT at 17·5%. **4**

(*b*) **explain**:

(i) **two** advantages of using spreadsheets in the preparation of accounting statements;

(ii) **one** disadvantage of using spreadsheets in the preparation of accounting statements. **6**

(40)

[*END OF SECTION B*]

[*END OF QUESTION PAPER*]

FOR OFFICIAL USE

X209/202

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TUESDAY, 31 MAY
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ACCOUNTING
INTERMEDIATE 2
Worksheet for Question 6

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 6 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 6
You should answer all of Question 6 on this worksheet.

Marks

Part A Overhead Analysis Sheet

			PRODUCTION DEPARTMENTS		SERVICE DEPARTMENTS			Marks
	Overhead	**Basis of Apportionment**	**Dept A**	**Dept B**	**Dept X**	**Dept Y**	**Total**	
			£	£	£	£	£	
	Indirect Materials	Allocated						
	Indirect Labour	Allocated						
	Factory Administration							
	Heat and Light							
	Depreciation of Machinery							
(*a*)	**Total Department Overheads**							**14**
	Re-apportionment of Service Departments							
(*b*)	Dept X							**6**
(*c*)	Dept Y							**2**
	Total Production Overheads							

Worksheet for Question 6 (continued)

Part B

(*a*) **JOB COST STATEMENT**

(i)

8

(ii)

4

[Turn over for Part B (continued) on *Page four*

Marks

Worksheet for Question 6 (continued)

Part B (continued)

(*b*) Explain:

(i) **two** advantages of using spreadsheets in the preparation of accounting statements;

1 ______________________________

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2 ______________________________

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(ii) **one** disadvantage of using spreadsheets in the preparation of accounting statements.

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____

______________________________ **6**

(40)

[*END OF WORKSHEET*]