X209/101

NATIONAL QUALIFICATIONS 2008

MONDAY, 26 MAY
1.00 PM – 2.30 PM

ACCOUNTING
INTERMEDIATE 1

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 will be deducted for untidy and badly arranged work.

SECTION A

Marks

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. Jane Smart and Joe Bright are in partnership.

The following figures relate to the year ending 31 December Year 4.

	£000
Stock on 1 January Year 4	10
Stock on 31 December Year 4	12
Sales	200
Sales Returns	30
Purchases	80
Incomes	10
Expenses	40
Prepaid Expenses	2

(*a*) **Prepare** a Trading and Profit and Loss Account for the year ending 31 December Year 4. **12**

Their Partnership Agreement states that profits are to be split between Smart and Bright in the ratio 3:1.

The following information relates to the year ending 31 December Year 4.

		£000
Capital Accounts on 1 January Year 4	Smart	120
	Bright	60
Salary	Bright	20
Drawings	Smart	12
	Bright	6
Current Accounts on 1 January Year 4	Smart	20 (Cr)
	Bright	10 (Cr)

(*b*) Using the information from (*a*) and the table above, **prepare** the:

(i) Profit and Loss Appropriation Account of the partnership for the year ending 31 December Year 4; **5**

(ii) Current Accounts of **both** partners for the year ending 31 December Year 4. **7**

(*c*) Smart and Bright intend to extend their premises. **State 3** sources of finance available to them for the extension. **6**

(30)

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

2. You should answer all parts of this question on the Worksheets provided.

Part A

The following figures are available from the ledger of Stern plc on 31 December Year 3.

	£000
Purchases	80
Sales	200
Sales Returns	20
Purchases Returns	10
Premises	200
Dividends paid	40
Stock on 1 January Year 3	5
Creditors	35
Debtors	31
Salaries	45
Rent Received	20
Advertising	8
Bank Overdraft	24
6% Debentures	40
Ordinary Share Capital	**to be calculated**

Using the Worksheet provided:

(i) **complete** the Trial Balance as at 31 December Year 3; **16**

(ii) **state one** reason why a Trial Balance is prepared. **2**

Part B

(*a*) During the month of January Year 4 the following transactions take place.

1 Paid Rent £2,000 by cheque.

2 Ordinary shares were sold, a cheque was received for £10,000.

3 Bought goods on credit from C Bruce plc £2,000 plus VAT of £350.

Using the Worksheet provided, **state** which account(s) are Debited and which are Credited in each case. **8**

(*b*) **On the Worksheet provided:**

(i) **state one** reason why cash discount is offered to customers; **2**

(ii) **state one** reason why trade discount is offered to customers. **2**

(30)

[Turn over

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

3. Dominica Cybulski, a sole trader, has been in business for 3 years. The following figures have been taken from her accounts for the last 2 years.

	Year 2	**Year 3**
Sales	£200,000	£280,000
Cost of Goods Sold	£80,000	£140,000
Total Expenses	£80,000	£100,000
Current Assets	£60,000	£60,000
Current Liabilities	£60,000	£30,000
Capital	£400,000	£500,000

(*a*) **Calculate** for Year 2 and Year 3:

(i) Gross Profit;

(ii) Net Profit. **8**

(*b*) **Calculate** for Year 2 and Year 3:

(i) Gross Profit Ratio;

(ii) Net Profit Ratio;

(iii) Current Ratio;

(iv) Return on Capital Employed. **16**

(*c*) **State** the year in which the:

(i) Gross Profit Ratio is better;

(ii) Net Profit Ratio is better. **2**

(*d*) **State** how Dominica could improve her:

(i) Gross Profit Ratio for Year 4;

(ii) Net Profit Ratio for Year 4. **4**

You should have a different method for each answer.

(30)

SECTION B

Marks

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. You should answer all parts of this question on the Worksheet provided.

Part A

The factory of Omar plc has 4 cost centres – L, M, N and the Canteen.

Indirect wages are to be allocated for Year 5.

L	M	N	Canteen	Total
£25,000	£20,000	£80,000	£20,000	£145,000

The following are the estimated costs for Year 5.

Overhead	Cost	Basis of Apportionment
Electricity	£20,000	Floor Area (sq m)
Rent	£120,000	Floor Area (sq m)
Supervision	£90,000	Number of Employees
Insurance of Machinery	£30,000	Value of Machinery (£)

The following information is available for the cost centres.

	L	M	N	Canteen	Total
Number of Employees	3	7	15	5	30
Floor Area (sq m)	10,000	10,000	18,000	2,000	40,000
Value of Machinery (£)	30,000	50,000	20,000		100,000

(*a*) **Using the Worksheet provided**, **complete** the Overhead Analysis Sheet for Omar plc to show the total estimated overhead for each cost centre. **19**

(*b*) **Using the Worksheet provided**, **apportion** the canteen costs between the other 3 costs centres based on the following percentages.

L 30%
M 20%
N 50% **5**

[Turn over

4. (continued) *Marks*

Part B

Omar plc uses a spreadsheet to prepare the cash budget.

	A	B	C	D
1	**CASH BUDGET FOR JUNE–AUGUST**			
2				
3		June	July	August
4				
5	**Opening Balance**	100000	104100	**(a)**
6				
7	**Receipts**			
8	Cash Sales	100000	11000	140000
9				
10	TOTAL RECEIPTS	100000	11000	140000
11				
12	**Payments**			
13	Purchases	70000	75000	90000
14	Insurance	500	600	600
15	Wages	25000	25000	25000
16	Advertising			10000
17	Other Expenses	400	400	400
18				
19	TOTAL PAYMENTS	**(b)**	101000	126000
20				
21	**Closing Balance**	104100	113100	**(c)**

On the Worksheet provided, state an appropriate formula for each of the following cells.

(*a*) D5

(*b*) B19

(*c*) D21 **6**

(30)

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

5. Part A

The Card Shop holds all its stock in a storeroom. Each of the items in the storeroom is recorded on a separate stock record card.

On 1 April Year 3 the storeroom has a supply of 15 boxes of birthday cards which cost £200 each.

The following issues and receipts of boxes of birthday cards took place in June.

Date	Issues/Receipts	Boxes of birthday cards
5 June	Receipts from supplier	20 costing £210 each
15 June	Issues to the shop	7
18 June	Issues to the shop	12

Using FIFO **prepare** a stock record card to record the opening balance and the above issues and receipts. **14**

Part B

(*a*) **State** the formula used to calculate the break even point. **2**

(*b*) **State** why it is important for a company to know the break even point. **2**

Part C

Ken Yule, a plasterer, employs Gwen Davidson who works the following hours on Job X1659.

Monday	2 hours
Friday	10 hours
Saturday	5 hours

Gwen is paid a basic rate of £10 per hour and double time on Saturday.

(*a*) **Calculate** the charge to Job X1659 for Gwen's labour. **4**

In addition to the labour charge to Job X1659 there is a charge for the following.

Plaster	£500
Plaster board	£800
Other Expenses	£100

Overheads are charged at £5 per labour hour worked.

(*b*) **Prepare** a Job Cost Statement to show the total cost of Job X1659. **8**

(30)

[Turn over for Question 6 on *Page eight*

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

6. Part A

Morgan and Morgan manufacture porridge oats in 2 processes.

	Process 1	**Process 2**
Inputs		
Materials	1000 kg @ £1·50 per kg	From Process 1
Wages	£2,250	£1,000
Overheads	£1,000	£550
Outputs		
Waste	50 kg	50 kg
To Process 2	Balance	
To Warehouse		Balance

Prepare the process accounts for Process 1 and Process 2, showing clearly the cost per kg for each process. **12**

Part B

Pat King runs a guest house, which is open all year. The guest house is estimated to have 3,000 guest nights next year. Pat expects the following costs.

(i) Annual rent of guest house £30,850
(ii) Insurance £500 per month
(iii) Heating £100 per month
(iv) Breakfast materials £2 per guest
(v) Cleaning costs £100 per week
(vi) Other expenses £250 per quarter

(*a*) **Prepare** a statement to show the total annual cost of running the guest house. **12**

(*b*) **Calculate** the cost per guest/night of running the guest house **2**

Part C

State 2 duties of a Management Accountant. **4**

(30)

[*END OF QUESTION PAPER*]