

# X209/201

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NATIONAL  
QUALIFICATIONS  
2007

FRIDAY, 18 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.

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. The following information is available for the Oldmachar Golf Club from their records for the year ended 31 December Year 2.

On 1 January Year 2 the Club owned the following assets.

Clubhouse	£150,000
Machinery (cost £102,000)	£80,000
Bar Stocks	£3,800
Bank	£6,735

The following receipts and payments arose during the year.

<b>Receipts</b>	<b>£</b>
Subscriptions	300,000
Visitor income	53,800
Bar sales	77,000
	<u>430,800</u>

<b>Payments</b>	<b>£</b>
Machinery purchased	30,000
Competition prizes	2,600
Bar purchases	38,300
Bar wages	10,000
Course staff wages	263,000
General expenses	37,500
	<u>381,400</u>

Additional information at 31 December Year 2.

- (1) Depreciation is charged on all Machinery at the rate of 25% per annum on cost. No depreciation is charged on the Clubhouse.
- (2) At 31 December Year 2:
  - (i) the Club had bar stocks valued at £4,100;
  - (ii) wages totalling £21,700 were owing to the course staff;
  - (iii) members owed the Club £5,000 in subscriptions.
- (3) One-fifth of the general expenses are incurred by the Bar.

- (a) You are required to prepare:
  - (i) a Statement to show the Gross and Net Profits earned by the Bar; 8
  - (ii) the Income and Expenditure Account for the year ended 31 December Year 2. 11
- (b) Calculate the balance on the Accumulated Fund at 1 January Year 2. 4
- (c) Prepare the Balance Sheet of the Club as at 31 December Year 2. 11
- (d) Explain the terms "trade discount" and "cash discount". 6

**(40)**

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

**THIS QUESTION SHOULD BE COMPLETED ON WORKSHEET PROVIDED**

2. M. McNaught completed the Trial Balance for her business for the month of April and discovered the following errors.
- (1) A cheque for £85 paid to C. Beech had been correctly entered in the Bank Account only.
  - (2) Discount Received of £150 had been debited to Discount Allowed Account.
  - (3) Repairs to Machinery costing £540 had been debited to Machinery Account.
  - (4) Rent of £720 had been debited to Rent Account as £270 but correctly entered in the Bank Account.
  - (5) An error in the addition of the Sales Account had resulted in the total of the account being £100 too high.
- (a) For **each** of the above errors state:
- (i) whether the Trial Balance totals will agree  
and then if the answer is **no**
  - (ii) whether the Debit total will be higher and by how much?
- or**
- whether the Credit total will be higher and by how much? **18**
- (b) If McNaught entered the total difference in a Suspense Account in order to make the Trial Balance agree:
- (i) on which side would the entry be?
  - (ii) what would the value of the entry be? **4**
- (c) For errors (2) and (3) above, state the accounts and amounts to be debited and credited in order to correct each error. **10**
- (d) Explain what is meant by the terms “revenue expenditure” and “capital expenditure” and give **2** examples of costs which belong to each category. **8**
- (40)**

**[Turn over**

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

### 3. PART A

At 31 January the Bank Account of Bell's business showed a debit balance of £177.

The Bank Statement received by Bell showed that his balance at the bank was overdrawn by £56 on that date.

On comparing his Bank Account with the Bank Statement he received from the bank he identified the following differences.

- (1) Bank charges of £62 were omitted from the Bank Account.
- (2) A cheque received from Gilbert for £302 had been entered in the Bank Account as £320.
- (3) Cheques received amounting to £384 had been entered in the Bank Account only.
- (4) Dividends of £120 received by credit transfer had not been entered in the Bank Account.
- (5) Cheques issued by Bell amounting to £159 had not been presented to the Bank for payment.
- (6) A direct debit for insurance of £48 was omitted from the Bank Account.

(a) Update the Bank Account at 31 January.

**14**

(b) Prepare a Bank Reconciliation Statement at 31 January.

**7**

### PART B

On 1 January Year 2, Lawson, a partner in a business, had a debit balance on his Current Account of £356 and a balance on his Capital Account of £20,000.

- (1) On 1 July Year 2 he paid in a further £5,000 as capital.
- (2) Over the course of the year he withdrew £1,000 at the end of each 3 months.
- (3) Partners receive interest on capital of 5% per annum.
- (4) Lawson receives a salary of £6,000 per annum.
- (5) Lawson receives a one-fifth share of profits.

The profit available for distribution among the partners after the Appropriation Account had been completed was £9,600.

(a) Prepare the Current Account of Lawson for the year.

**11**

(b) Lawson and his partners are to convert their partnership into a limited liability company.

(i) Name the 2 documents required for the formation of a limited company.

(ii) For each of the documents list 2 pieces of information which would be included.

**8**

**(40)**

[END OF SECTION A]

**[Turn over for Section B on *Page six***

## 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. Grimshaw plc purchase units which are then manufactured into finished products and sold to customers.

The following information relates to the first week of March.

Mar-01	Balance 600 units costing £2.50 each
Mar-02	Issued 200 units to Job 534
Mar-03	Purchased 500 units costing £2.60 each
Mar-04	Issued 300 units to Job 535
Mar-05	Issued 200 units to Job 536

- (a) Prepare stock record cards for the above week to show the Price, Quantity and Value of units received, issued and in stock using:

- |                                |   |
|--------------------------------|---|
| (i) First-In-First-Out (FIFO); | 7 |
| (ii) Last-In-First-Out (LIFO). | 7 |

- (b) Grimshaw plc uses FIFO to value material issues.

Grimshaw plc spent 20 hours converting the units for Job 535 into finished units.

20% of this time was in Department A, 50% in Department B and the remainder in Department C.

Wage rates in the departments were as follows.

Department A	£7 per hour
Department B	£6 per hour
Department C	£9 per hour

Direct expenses of £178 were incurred on this job.

Overheads were absorbed into the cost of the job as follows.

Department A	£0.20 per unit
Department B	£4 per hour
Department C	£5 per hour

Grimshaw plc expect all their jobs to earn a profit of 25% on cost.

VAT is charged at 17.5%.

**Calculate:**

- |   |    |
|---|----|
| (i) the cost of Job 535;  | 10 |
| (ii) the price Grimshaw plc should charge the customer for Job 535; | 2  |
| (iii) the cost per unit to the customer buying Job 535;             | 4  |
| (iv) the cost of Job 535 if material issues were based on LIFO.     | 2  |
- (c) List 4 tasks to be undertaken by a Management Accountant rather than a Financial Accountant.

8  
(40)

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

5. Quickclean plc manufacture and sell an industrial cleaning fluid.

The following are their expected production and sales figures over the 6 month period July to December.

	Total Sales (litres)	Production (litres)
July	8000	8200
August	7800	7900
September	8300	8100
October	7500	7600
November	7200	7000
December	8100	8000

The following information is also available.

- (1) Every month 25% of total sales will be for cash and the remainder on 1 month's credit.
- (2) The selling price per litre will be £8 for cash sales and £9 for credit sales.
- (3) Production costs per litre are to be as follows:

Material	£1.50
Wages	£3.00
Variable overhead	£2.00

- (4) Material will be paid for 1 month after being used in production.
  - (5) Wages will be paid in the same month as production.
  - (6) Variable overhead will be paid one month after production.
  - (7) Additional fixed assets will be purchased in September for £25,000. Payment will be made in 5 equal monthly instalments starting in October.
  - (8) Fixed costs will be £3000 per month.
  - (9) The bank balance of Quickclean plc on 1 September will be £8000.
- (a) (i) Prepare a Cash Budget for the 3 months September to November showing clearly the closing balance at the end of each month. 28
- (ii) On 1 July the stock of liquid was 500 litres.  
Calculate how many litres will be in stock at the end of December. 4
- (b) The management of Quickclean plc have been told that a technique called break-even analysis might be helpful to them.  
Explain clearly the meaning of:
- (i) fixed costs;
  - (ii) variable costs;
  - (iii) contribution;
  - (iv) break-even point. 8

**(40)**

**[Turn over**

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

6. Barker Ltd produce dog food in 2 processes, Mixing and Cooking.

During February the details of production in the Mixing department were as follows:

Material	2000 kg at £0.80 per kg
Labour	400 hours at £6 per hour
Overheads	25% of labour cost
10% of input is scrap sold for £0.50 per kg.	

- (a) Prepare the Mixing Process Account for February bringing out clearly the cost per kg of good output. **12**

The output of the Mixing process is the main input of the Cooking process.

A further 200 kg of material costing £1.35 per kg were added in the Cooking process.

Labour and overhead costs were half the figures for Mixing.

There is a 5% loss of material in the Cooking process which has no scrap value.

- (b) Prepare the Cooking Process Account for March showing clearly the cost per kg of the output. **16**

- (c) Barker Ltd sell the output to kennels in 10 kg packs.

If Barker Ltd want to make a profit of 50% on cost, how much should they charge kennels for a 10 kg pack? **4**

- (d) In the example above overheads were absorbed into the processes by a percentage on labour cost.

(i) State **2** other methods of overhead absorption.

(ii) Before calculating an overhead absorption rate overheads are apportioned among cost centres.

State **2** bases for apportioning overheads. **8**

**(40)**

[END OF SECTION B]

[END OF QUESTION PAPER]

FOR OFFICIAL USE

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**X209/202**

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2007

FRIDAY, 18 MAY  
1.00 PM – 3.00 PM

ACCOUNTING  
INTERMEDIATE 2  
Worksheet for  
Question 2

Fill in these boxes and read what is printed below.

Full name of centre

Town

Forename(s)

Surname

Date of birth

Day Month Year

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Scottish candidate number

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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.



(a)

	<b>Totals agree Yes/No</b>	<b>Debit total higher Amount £</b>	<b>Credit total higher Amount £</b>
(1)			
(2)			
(3)			
(4)			
(5)			

18

(b)

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

4

(c)

<b>ERROR NUMBER</b>	<b>DEBIT</b>		<b>CREDIT</b>	
	<b>ACCOUNTS</b>	<b>AMOUNTS</b>	<b>ACCOUNTS</b>	<b>AMOUNTS</b>
(2)				
(3)				

10

**Worksheet for Question 2 (continued)**

*Marks*

(d) Write your answer below to this part of the question.

**8**

**(40)**

[END OF WORKSHEET]

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