National
Qualifications
2024

X800/76/11 Accounting

MONDAY, 22 APRIL

9:00 AM – 11:30 AM

Total marks — 120

SECTION 1 — 80 marks

Attempt ALL questions.

SECTION 2 — 40 marks

Attempt ALL questions.

You may use a calculator.

All working should be shown fully, and clearly labelled.

Write your answers clearly in the answer booklet provided. In the answer booklet, you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.

X8007611

MARKS

SECTION 1 — 80 marks

Attempt ALL questions

1. The following is the budgeted sales figures for Drennan plc for the 6 month period July to December Year 5.

Sales (units)	July	August	September	October	November	December
Cash Sales	2,600	2,800	3,000	3,200	3,400	3,600
Credit Sales	13,000	14,800	16,600	11,200	9,600	15,000

The closing inventory for each month is maintained at 20% of the cash sales of the following month but cannot exceed 700 units due to storage limits.

Cash Sales for January Year 6 are estimated at 4,000 units.

(a) Prepare the Production Budget for the 6 months July–December Year 5. **5**

1. **(continued)**

The following information is also available:

(1) It is estimated that there will be a Cash and Cash Equivalents balance of £60,000 at the end of September.

(2) Selling Price per unit: £50 for cash sales, however credit customers who pay within one month will receive a 10% cash discount.

(3) It is estimated that 80% of credit customers will receive the cash discount by paying in the month following the sale.

(4) Of the remaining credit customers, 95% will pay 2 months after sale and the rest will be written off as a bad debt.

(5) Material costs are £10 per unit — 25% payable in the month of production and the remainder in the month after production.

(6) Labour costs are £6 per unit — payable in the month of production.

(7) A bonus of £2 per unit for each unit produced over 14,000 units will be paid in the month following production.

(8) Variable Overhead costs are £5 per unit — payable in the month of production.

(9) Fixed Costs of £64,000, including depreciation of £5,000, are paid monthly.

(10) The firm plans to purchase new machinery costing £200,000. An initial deposit of 25% is payable in October and the remainder is payable in 5 equal instalments starting in December.

(11) 50,000 £1 shares are to be issued in June at a premium of 50p per share. Full payment for this issue is to be received in October.

(12) In December a dividend of 5% will be paid to the new shareholders while existing shareholders, with equity of £500,000, will receive a dividend of 10%.

(13) A machine owned by the business will be sold during the month of December. The purchase price of the machine was £70,000, and at the time of sale it will have depreciated by £40,000. It is estimated that it will be sold at a loss of £1,000.

(b) Prepare the Cash Budget for the 3 months October–December Year 5. **32**

(c) Other than preparing budgets, describe the role of a management accountant. **3**

2. **PART A**

The Income Statement of Kinnaird plc for the year ended 31 December Year 3 has been completed to Profit for the Year after Tax. The following information is also available.

	£000	£000
Profit for the Year after Tax		75
Corporation Tax Payable		25
Unappropriated Profit at 31 December Year 2		34
Property (at cost)	300	
Office Equipment (at cost)	120	
Motor Vehicles (at cost)	250	
Provisions for Depreciation at 31 December Year 3:		
Office Equipment		24
Motor Vehicles		40
Trade Receivables	60	
Trade Payables		43
VAT		65
Provision for Doubtful Debts at 31 December Year 3		6
Share Premium		60
Goodwill	40	
Preliminary Expenses	30	
Cash and Cash Equivalents	125	
Closing Inventory	42	
Administration Expenses Payable		3
Rent Receivable	4	
Ordinary Dividend Paid	54	
400,000 Ordinary Shares at £1 each		400
200,000 6% Preference Shares at £1 each		200
10% Debentures (Year 8)		50
	1,025	**1,025**

MARKS

2. PART A (continued)

NOTES AT 31 DECEMBER YEAR 3

1. Property is to be revalued at £320,000.

2. Preliminary Expenses have to be written off against the Share Premium Account.

3. During year 3 a bonus issue of ordinary shares of one share for every 50 held was made. This was financed by a transfer from the Share Premium Account and has still to be recorded in the accounts.

4. The preference dividend has been paid by bank transfer, but no entries have been made for this transaction.

5. Goodwill is to be written down by £10,000.

Prepare the:

(a) Income Statement from Profit for the Year after Tax to determine Unappropriated Profit for the year ended 31 December Year 3. **4**

(b) Statement of Financial Position as at 31 December Year 3. **17**

[Turn over

MARKS

2. PART B

Deshpande and Heslop are in partnership, sharing profits and losses in the ratio of equity invested. In addition, Heslop has lent the partnership £30,000.

Their Equity and Current Account balances on 1 January Year 4 were:

	Deshpande	Heslop
Equity Accounts	£200,000	£100,000
Current Accounts	£16,000 Cr	£13,500 Dr

The partnership agreement of Deshpande and Heslop states that:

- interest on equity will be paid at 8% per annum.
- interest on drawings will be charged at 10% per annum.
- a partnership salary of £22,000 will be paid to Heslop.
- interest on loans from partners will be paid at 5% per annum.

At the end of year 4, the business had a Residual Profit of £96,000 and the partners had withdrawn the following amounts as Drawings — Deshpande £21,000 and Heslop £26,000.

(a) Prepare the updated Current Account for Heslop **only**. The appropriation section of the Income Statement is **not** required. **7**

On 1 January Year 5, Morrison is to be admitted as a new partner under the following conditions:

- Morrison will invest £100,000 as equity.
- Goodwill has been valued at £22,500 and is to be written off against the Equity Accounts of the new partnership.
- Morrison is to receive 25% share of profits with Deshpande and Heslop continuing to share in the same proportion as before.
- Assets are to be revalued resulting in the following:

	Effect of Revaluation	Amount
Property	Increase	£35,000
Machinery	Decrease	£4,500
Inventory	Increase	£3,000
Bad Debt Provision	Decrease	£1,000

Revaluation expenses will be £1,500.

(b) Calculate the:

(i) share of profit or loss on revaluation for each partner. **5**

(ii) new profit-sharing ratio. **1**

(iii) new Equity Account balances for each partner. **4**

(c) Outline **2** advantages to Deshpande and Heslop of admitting Morrison as a new partner. **2**

SECTION 2 — 40 marks

MARKS

Attempt ALL questions

3. PART A

The following are the purchases and issues for Material Z for the month of March for Yule & Sons. The opening balance of inventory on 1 March is 200 units at £10 per unit.

Date	Transaction	Unit	Price
5 March	Purchases	120	£12.40
10 March	Issues	120	
15 March	Return of 50 units of inventory bought on 5 March		
23 March	Purchases	250	£13.60
26 March	Issues	320	
28 March	Purchases	100	£13.75

Prepare the Inventory Record Card for Material Z for March, using the Weighted Average Method (AVCO). **7**

3. PART B

Yule & Sons produce Chemical K5R. In Process 2 output from Process 1 is mixed with additional materials in the ratio of 3:1 to complete the finished chemical.

From Process 1	750 litres at £13.50 per litre
Additional materials	? litres at £14.00
Labour	500 hours at £11
Fixed Overheads	£2,875
Variable Overheads	£5.00 per labour hour
Closing Work-in-Progress	200 litres at £1,800
Normal Loss	5% of total input quantity
Finished Output	705 litres

All losses can be sold for £4.00 per litre.

(a) Prepare the:

(i) Process 2 Account for Chemical K5R. **8**

(ii) Abnormal Loss Account. **4**

(b) Outline **one** possible cause of an abnormal loss. **1**

Formulae Sheet

Equity Gearing Ratio

(Preference Shares + Long-term Liabilities): Ordinary Shares

Dividend Yield

$$\frac{\text{Ordinary Dividend per share}}{\text{Market Price per share}} \times 100$$

Dividend Cover

$$\frac{\text{(Profit for the Year after Tax – Preference Share Dividend)}}{\text{Ordinary Share Dividend}}$$

Earnings per share

$$\frac{\text{(Profit for the Year after Tax – Preference Share Dividend)}}{\text{Number of Ordinary Shares}}$$

Price/Earnings Ratio

$$\frac{\text{Market Price per share}}{\text{Earnings per share}}$$

Interest Cover

$$\frac{\text{Profit for the Year before Interest and Tax}}{\text{Interest}}$$

MARKS

4. Argyll plc and Atholl plc are financed in the following ways:

	Argyll plc	**Atholl plc**
Ordinary Shares of £1 each	£800,000	£600,000
6% Preference Shares of £1 each	£300,000	£250,000
8% Debentures	£100,000	£150,000

(a) (i) Calculate the equity gearing ratio for each company. **2**

(ii) Identify the company which would give the best return for ordinary shareholders in times of high profit and justify your answer. **2**

On 31 December Year 3, Argyll plc:

- earned a Profit for the Year (before debenture finance cost and tax) of £650,000
- estimated Corporation Tax at the rate of 25%.

(b) Calculate the:

(i) Profit for the Year after debenture finance cost and tax. **2**

(ii) total dividend available to ordinary shareholders if Argyll plc retain 60% of their profit. **2**

(c) The Market Price per Share for Argyll plc is £1.35.

Calculate for Argyll plc (to 2 decimal places):

(i) Ordinary Dividend per Share **2**

(ii) Dividend Yield **2**

(iii) Dividend Cover **2**

(iv) Earnings per Share **2**

(v) Price Earnings Ratio. **2**

(d) Describe **2** limitations of ratio analysis. **2**

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