



National  
Qualifications  
2025

**X800/75/11**

**Accounting**

TUESDAY, 13 MAY  
9:00 AM – 11:00 AM

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**Total marks — 130**

**SECTION 1 — 70 marks**

Attempt BOTH questions.

**SECTION 2 — 60 marks**

Attempt ALL questions.

Write your answers clearly in the workbook provided.

**You may use a calculator.**

All working should be shown fully, and clearly labelled.

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

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



\* X 8 0 0 7 5 1 1 \*

**SECTION 1 — 70 marks**  
**Attempt BOTH questions**

**1. PART A**

Use *pages 02-05* of your workbook to answer this question.

The following transactions relate to the accounts of Molly Chambers who started her business in May:

**VAT is to be applied at 20% where appropriate.**

- 2 May Molly started her business by depositing £50,000 in the Bank.
- 3 May Purchased goods worth £35,000 plus VAT on credit from KCM Supplies.
- 4 May Took £1,500 out of the Bank to use as Cash in the business.
- 5 May Received a Bank Loan worth £20,000.
- 7 May Purchased Equipment for £10,000 plus VAT on credit from Tech 2U.
- 8 May Recorded Sales in the first week of £15,000 plus VAT:
- 30% of this amount was received by bank transfer
  - the remainder was a sale to Dodson and Sons on credit.
- 13 May Paid Cash for Office Expenses worth £90 (including VAT).
- 15 May Received a Credit Note from KCM Supplies for returned goods worth £350 plus VAT.

- (a) Using the information given above, make the necessary entries in Molly Chambers' ledger accounts. 22

**NOTE — Use the Bank (Cash Equivalents) Account and VAT Account that have been pre-named in the workbook.**

Answer the following questions at the top of *page 06* of your workbook.

- (b) State 2 benefits to Molly of buying goods on credit. 2
- (c) Name the document Molly would have received from KCM Supplies for the transaction on 3 May. 1
- (d) State in which section of the Financial Statements the Bank Loan would be shown. 1

## 1. PART B

After the completion of his final accounts, Pravin Ravikumar discovered the following errors:

1. The Purchases figure included £3,000 for the purchase of Equipment.
2. A Bank Loan of £20,000 had been entered into the Cash and Cash Equivalents Account but not entered into the Loan Account.
3. The Heat & Light Account had been under-added by £400.
4. No entry had been made for a VAT payment of £500.
5. Purchase Returns of £60 had been entered into Sales Revenue Returns by mistake.
6. Advertising of £450 had been entered into the accounts as £540.

Use *page 06 of your workbook* to complete the table, showing the effect of correcting these errors on Profit for the Year. You must highlight the effect as follows:

- Increase
- Decrease
- No Effect

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[Turn over

2. Use *pages 08-09* of your workbook to answer this question.

Sheila Blackwood is the owner of Rustic Comfort, a manufacturer of garden benches. She has provided the following information:

1.	The opening cash balance on 1 April Year 2 is expected to be £18,000.										
2.	<p>Sales (in units) are expected to be as follows:</p> <table border="1"> <thead> <tr> <th>March</th> <th>April</th> <th>May</th> <th>June</th> <th>July</th> </tr> </thead> <tbody> <tr> <td>500</td> <td>600</td> <td>650</td> <td>800</td> <td>900</td> </tr> </tbody> </table> <p>The selling price per bench for credit sales will be £150 on one month's credit. Cash sales will receive a discount of 20% on this selling price. 60% of monthly sales will be on credit and 40% will be cash sales.</p>	March	April	May	June	July	500	600	650	800	900
March	April	May	June	July							
500	600	650	800	900							
3.	<p>Monthly production of garden benches will be:</p> <table border="1"> <thead> <tr> <th>March</th> <th>April</th> <th>May</th> <th>June</th> <th>July</th> </tr> </thead> <tbody> <tr> <td>620</td> <td>700</td> <td>750</td> <td>800</td> <td>950</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Material costs of £40 per bench will be paid in the month following production.</li> <li>Labour costs of £12 <u>per hour</u> will be paid in the same month as production. Each bench takes 3 labour hours to manufacture.</li> <li>During May and June only, 2 employees will each be offered 25 hours overtime per month. They will be paid at £18 per hour.</li> <li>Variable overheads of £10 per bench will be paid for in the month before production.</li> </ul>	March	April	May	June	July	620	700	750	800	950
March	April	May	June	July							
620	700	750	800	950							
4.	Fixed costs are £4,000 per month for April and May but will increase by 10% in June.										
5.	Two old delivery vans will be sold in April for £4,500 each.										
6.	Rustic Comfort will purchase a new delivery van costing £26,000. A 10% deposit will be paid in April, with the remaining balance being paid over the next 4 months in equal instalments.										
7.	Rent payable is £2,250 per month but will rise by 20% in May.										

- (a) Prepare a Cash Budget for the 3 months, April to June, clearly showing the opening and closing balances for each month.

## 2. (continued)

Use *page 09* of your workbook to answer the following questions:

(b) Describe the following accounting terms:

- |                       |   |
|-----------------------|---|
| (i) Break Even Point  | 1 |
| (ii) Margin of Safety | 1 |
| (iii) Indirect Cost.  | 1 |

[Turn over

## SECTION 2 — 60 marks

MARKS

Attempt ALL questions

3. The following balances are taken from the ledger accounts of Grant's Fashion Boutique on 31 December Year 4.

	£
Purchases	60,200
General Expenses	30,860
Rent	6,000
Purchases Returns	1,200
VAT (Cr)	1,800
Inventory at 1 January Year 4	8,200
Sales Revenue	128,000
Trade Payables	12,800
Insurance	1,500
Trade Receivables	10,700
Other Payables	560
Equipment (at cost)	10,000
Cash and Cash Equivalents (Dr)	64,030
Provision for Depreciation of Equipment	2,000
Carriage In	280
Commission Received	610
Equity	55,000
Drawings	10,200

**NOTES AT 31 DECEMBER YEAR 4**

- (1) Inventory is £4,100.
- (2) A Provision for Doubtful Debts of 5% of Trade Receivables is to be created.
- (3) Rent still to be paid was £2,000.
- (4) Insurance paid in advance was £250.
- (5) Depreciation of Equipment for the year is 10% on cost.

Select the necessary information and prepare the Income Statement for the year ended 31 December Year 4 on **pages 10-11 of your workbook**.

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[Turn over for next question

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Ratio formulae — for use with question 4

Ratio	Formula
<b>Profitability ratios:</b>	
Return on Equity Employed	$\frac{\text{Profit for the Year}}{\text{Opening Equity}} \times 100 = \text{ \_\_\_\_\_\_ } \%$
Gross Profit Ratio	$\frac{\text{Gross Profit}}{\text{Sales Revenue}} \times 100 = \text{ \_\_\_\_\_\_ } \%$
Profit for the Year Ratio	$\frac{\text{Profit for the Year}}{\text{Sales Revenue}} \times 100 = \text{ \_\_\_\_\_\_ } \%$
<b>Liquidity ratios:</b>	
Current Ratio	Current Assets : Current Liabilities Answer should be expressed as a ratio, eg 2.35:1
Acid Test Ratio	Current Assets – Closing Inventory : Current Liabilities Answer should be expressed as a ratio, eg 1.27:1
<b>Efficiency ratios:</b>	
Rate of Inventory Turnover	$\frac{\text{Cost of Sales}}{\text{Average Inventory}} = \text{ \_\_\_\_\_\_ } \text{ times}$
Expenses Ratio	$\frac{\text{Expenses}}{\text{Sales Revenue}} \times 100 = \text{ \_\_\_\_\_\_ } \%$
Trade Payables Payment Period	$\frac{\text{Average Trade Payables}}{\text{Credit Purchases}} \times 365 = \text{ \_\_\_\_\_\_ } \text{ days}$ <b>NB</b> — Where only one figure is given for trade payables, this will be taken as the average.
Trade Receivables Collection Period	$\frac{\text{Average Trade Receivables}}{\text{Credit Sales}} \times 365 = \text{ \_\_\_\_\_\_ } \text{ days}$ <b>NB</b> — Where only one figure is given for trade receivables, this will be taken as the average.
Non-current Asset Turnover	$\frac{\text{Sales Revenue}}{\text{Non-current Assets at Net Book Value}}$ Answers should be expressed as a ratio, eg 0.75:1

4. Use *pages 12-14 of your workbook* to answer this question.

The following Profit for the Year summary is for Jose Nadal's business for Year 2.

Sales Revenue	£200,000
Cost of Sales	£132,000
Gross Profit	£68,000
Expenses	£22,000
Profit for the Year	£46,000

(a) Using the formulae sheet provided on the previous page, calculate the following ratios for Year 2:

- Gross Profit Ratio
- Profit for the Year Ratio
- Expenses Ratio.

3

Information for Year 3 is as follows.

Sales Revenue	£240,000
Gross Profit Ratio	28%
Profit for the Year Ratio	17%
Return on Equity Employed	30%
Trade Receivables Collection Period	54.75 days

(b) Calculate the following figures for Year 3, showing all working.

- (i) Gross Profit 1
- (ii) Cost of Sales 1
- (iii) Profit for the Year 1
- (iv) Expenses 1
- (v) Opening Equity. 2

(c) Calculate the Average Trade Receivables for Year 3 if Sales are 80% on credit. 3

(d) Suggest one way in which the following ratios can be improved. You should give a different suggestion for each ratio.

- (i) Gross Profit Ratio 1
- (ii) Trade Receivables Collection Period 1
- (iii) Return on Equity Employed. 1

[Turn over

5. The Trial Balance for Gould Enterprises has been partially completed. The following ledger balances have still to be entered:

Heat and Light	£9,800
Inventory	£12,000
Provision for Depreciation of Equipment	£18,500
Trade Payables	£39,000
Rent	£28,400
Carriage In	£3,200
Discount Received	£1,900
Bad Debts	£2,400
Loan	£30,000
Purchases Returns	£4,700
Equity	?

On the **worksheet provided on page 15 of your workbook**, you are required to:

- (a) Enter the above balances into the correct column of the Trial Balance. 10
- (b) Calculate and enter the Equity Balance. 2
- (c) Enter the Trial Balance Totals. 1
- (d) State the name of 2 types of error which would not be revealed by a Trial Balance. 2

6. Use *pages 16-17 of your workbook* to answer this question.

Sandra Love is a sole trader who produces 3 styles of wedding cake — Round, Oval and Square. They are all handmade and a total of 11,200 labour hours are available. Total fixed costs amount to £168,000.

Demand for the products is expected to be:

Style	Units
Round	2,500
Oval	1,200
Square	900

The following figures are also available:

Per unit	Round	Oval	Square
Selling Price	£140	£265	£190
Variable Costs	£60	£90	£55
Labour	2 hours	5 hours	3 hours

- (a) Using the above information, calculate the:
- (i) labour hours required to meet current demand for each product, and in total 3
  - (ii) contribution per unit for each product 2
  - (iii) contribution per labour hour for each product. 3
- (b) State the order of priority to maximise profit. 1
- (c) (i) Calculate the hours that should be allocated to the production of each product to maximise profit. 2
- (ii) Calculate the maximum profit that can be made by Sandra. 4

[END OF QUESTION PAPER]

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