

(b) State **two** differences between a realisation account and a revaluation account.

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[2]

(c) Prepare a statement showing the final settlement to or from **each** of the partners.

	Alan \$	Brian \$
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[8]

2 Read Source A2 in the insert.

(a) (i) State how non-current asset turnover is calculated.

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..... [1]

(ii) Explain why a company may want to know this ratio.

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(b) Calculate the total net book value of non-current assets of Y Limited at 31 December 2019.

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..... [1]

Additional information

Y Limited classifies non-current assets into three categories. The accumulated depreciation at 31 December 2019 for each category was:

	\$
Property	128 000
Plant and equipment	168 800
Furniture and fixtures	101 200

The net book values of the three categories at 31 December 2019 were in the proportion of 5:3:2.

The following information relates to the accounting year ended 31 December 2020.

- 1 On 1 January 2020, the property was revalued at \$360 000.
- 2 On 1 March 2020, office furniture was purchased at the cost of \$25 000.
- 3 On 1 July 2020, an item of old equipment was part exchanged for a new item. Y Limited paid cash, \$34 000, as a part payment for the new item. The old item had an original cost of \$35 000 and was fully depreciated. Its part exchange value was \$8 000.
- 4 A full year's depreciation is charged in the year of purchase and none in the year of sale.
- 5 Non-current assets are depreciated as follows:

Property	Straight-line method over 20 years
Plant and equipment	20% per annum reducing balance method
Furniture and fixtures	20% per annum straight-line method

Additional information

The directors plan to buy new motor vehicles in 2021.

(d) Explain to the directors why they need to depreciate motor vehicles.

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(e) Explain to the directors the impact on the profit of using **each** of the straight-line and the reducing balance method of depreciation.

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[Total: 25]

Workings:

[10]

Additional information

A director of G Limited says 'whether the financial statements show a true and fair view does not really matter to the company'.

(d) Comment on whether or not the director's statement is correct. Justify your answer.

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[Total: 25]

Section B: Cost and Management Accounting

Answer **all** questions.

5 Read Source B1 in the insert.

(a) Calculate the overhead absorption rate.

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(b) Calculate the budgeted unit cost **and** the unit selling price of **each** product.

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(c) Calculate the budgeted **total** profit of D Limited for the coming year.

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Additional information

A newly recruited management accountant advises that D Limited should use activity based costing (ABC) to allocate fixed overhead costs to the two products. The management accountant has provided the following information relating to sofas and tables.

Activity	Overhead costs \$	Cost driver	Sofas	Tables
Setups	100 000	Number of setups	600	400
Machine operations	320 000	Machine hours	5 000	3 000
Materials cutting	120 000	Cutting hours	400	200
Inspection	<u>60 000</u>	Inspection hours	500	500
	<u>600 000</u>			

(d) Calculate the budgeted unit cost **and** the unit selling price for **each** product using ABC.

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Workings:

[7]

(e) Explain the reason for the change in the budgeted selling price between (b) and (d) for each product.

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(c) (i) Comment on W Limited's existing management of trade receivables.

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(ii) Suggest **three** ways to improve management of trade receivables.

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Additional information

W Limited purchases goods one month before sale. 40% of goods purchased are paid for in the month of purchase to get a discount of 2%. The remaining are paid for in the next month following purchase. A mark-up of 25% is applied on all sales.

(d) Prepare the trade payables budget for **July**.

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Workings:

[7]

[Total: 25]

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