



HN Accounting

Error Tolerance Guidance Notes

The marking guidelines for the new HN Units have changed from candidates having to reach a percentage of available marks to achieve an Outcome (usually 70%), to an error tolerance consisting of arithmetic errors and errors of principle.

The exceptions to this are the Graded Units which remain unchanged.

The types of error which constitute errors of principle and arithmetic errors have been widely discussed and input has been received from stakeholders.

The information which follows is not meant to be an exhaustive list, merely a guidance note to assist assessors in making assessment decisions under the new frameworks.

Error tolerance statements are included in each of the revised Unit specifications for each Outcome and, as with the existing Units, the professional judgement of the assessor will be at the centre of assessment decisions.

In addition to the list provided, an example of a marked script is also available to illustrate the marking of assessments under the new guidelines. This can be downloaded from SQA's secure website.

Types of Errors

Commonly in the Unit specifications, two types of errors will be mentioned — Arithmetic Errors and Errors of Principle.

Arithmetic Errors

Common types of errors which are likely to be classified as arithmetic are:

- ◆ Transposition errors
- ◆ Errors where candidates write 'add' but subtract the figure instead
- ◆ Incorrect processing of £000s where a Trial Balance, for example, is presented in £000 but the notes to the accounts provide the full figures and the candidate has included the full figure, including the £000
- ◆ Incorrect totals — the individual figures may be correct but the addition and subtraction has been incorrectly completed
- ◆ Running balances in ledger accounts not correctly identified as Debit or Credit
- ◆ Incorrect calculations of stock in stock valuation tasks
- ◆ Incorrect application of time multiplied by rate, for example in wages calculations
- ◆ Incorrect calculation of proportions in overhead analysis

Errors of Principle

Common types of errors which are likely to be classified as errors of principle are:

- ◆ Error of commission
- ◆ Error of omission
- ◆ Reversal of entries
- ◆ Incorrect classification of items in final accounts, eg Creditors included in current assets
- ◆ Incorrect use of stock valuation methods, ie FIFO instead of LIFO
- ◆ Inclusion of depreciation in a Cash Budget
- ◆ Wrong equations used in variances
- ◆ Wrong figures selected for ratios
- ◆ Gross figures entered in the general ledger
- ◆ VAT calculations not correct
- ◆ Inappropriate method of apportionment
- ◆ When preparing master budgets, incorrect figures included in final accounts, eg figure for materials consumed included rather than materials purchased
- ◆ Depreciation calculations incorrectly carried out, ie reducing balance rather than straight line
- ◆ Incorrect calculation of contribution
- ◆ Outputs and inputs reversed in VAT
- ◆ Process costs calculated not taking wastage into account
- ◆ Ledger balances posted to the Trial Balance incorrectly, ie credit balances on stock accounts; sales in the DR column
- ◆ Capital allowances incorrectly identified