



National
Qualifications

Accounting Assignment

Assessment task: The Cooper and Wyatt Partnership

This is the assessment task for the assignment Component of Higher Accounting Course assessment.

It must be read in conjunction with the general assessment information for this Component of Course assessment.

Valid for session 2015/16 only

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Introduction

This is the assessment task for the Higher Accounting assignment.

This assignment is worth 50 marks out of the total of 150 marks for the Course assessment. The Course will be graded A-D.

Marks for all Course Components are added up to give a total Course assessment mark which is then used as the basis for grading decisions.

This is one of two Components of Course assessment. The other Component is a question paper.

This document gives instructions for candidates.

It must be read in conjunction with the general assessment information for this Component of Course assessment.

The assessment instructions for candidates are provided and should be detached and given to the candidate.

Equality and inclusion

This Course assessment has been designed to ensure that there are no unnecessary barriers to assessment. Assessments have been designed to promote equal opportunities while maintaining the integrity of the qualification.

For guidance on assessment arrangements for disabled candidates and/or those with additional support needs, please follow the link to the assessment arrangements web page: www.sqa.org.uk/sqa/14977.html

Guidance on inclusive approaches to delivery and assessment in this Course is provided in the *Course Support Notes*.



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The Cooper and Wyatt Partnership

Instructions for candidates

This assessment applies to the assignment for Higher Accounting.

This assignment is worth 50 marks. The Course will be graded A-D.

It assesses the following skills, knowledge and understanding:

- ◆ selecting appropriate data
- ◆ making appropriate use of spreadsheets
- ◆ completing calculations with accuracy
- ◆ comparing and analysing a range of accounting information
- ◆ making decisions based on the analysis
- ◆ preparing a report outlining reasons for the decisions taken

Your assessor will let you know how the assessment will be carried out and any required conditions for doing it.

In this assessment, you will:

- ◆ work through a series of tasks which will test the skills, knowledge and understanding listed above
- ◆ complete the tasks in the order presented
- ◆ be allowed three hours to complete the assignment
- ◆ include your name on all printouts

Assignment task

The Cooper and Wyatt Partnership is a large firm of chartered accountants based in Edinburgh, which undertakes both financial and managerial accounting work for clients throughout central Scotland.

As a new trainee Accountant, you will work alongside Kim Cooper, who is a senior partner in the firm. Ms Cooper is currently undertaking work for Andrew Mitchell plc, a successful public limited company based in Glasgow that supplies tents for both commercial and domestic use. Ms Cooper requires your assistance in completing the tasks outlined below.

Task	Description	Marks
1	<p>Using information taken from the Accounts of Andrew Mitchell plc, prepare an Income Statement (Trading, Profit and Loss Accounts – including the appropriation of profits) for the year ended 31 December 2015 and a Statement of Financial Position (Balance Sheet) as at 31 December 2015.</p> <p>Task 1 can be completed as a handwritten task or completed using spreadsheet software.</p>	25 marks
2	<p>Use appropriate software to produce a Sales Budget and a Cash Budget for Andrew Mitchell plc.</p> <p>Task 2 (a) can be completed as a handwritten task or completed using spreadsheet software.</p> <p>Task 2 (b) <u>must</u> be completed using spreadsheet software and printouts submitted as evidence.</p> <p><i>Candidates should pay particular attention to the printing instructions associated with Task 2 (b).</i></p>	15 marks
3	<p>Analyse financial accounting information and prepare a short report for the Board of Directors at Andrew Mitchell plc.</p> <p>Task 3 can be completed as a handwritten task or completed using spreadsheet/word processing software.</p>	10 marks
Total marks		50 marks

Task 1

Ms Cooper has provided you with the following information taken from the accounts of Andrew Mitchell plc. Using this information and the additional information she has provided, prepare an Income Statement (Trading, Profit and Loss Account – including appropriation of profits) for the year ended 31 December 2015 and a Statement of Financial Position (Balance Sheet) as at 31 December 2015.

	£000	£000
Sales Revenue (Sales)		360
Selling Expenses	40	
Office Expenses	15	
Wages	51	
Warehouse Expenses	20	
VAT		40
Purchases	130	
Carriage In	5	
Trade Receivables (Debtors)	80	
Purchases Returns		12
Trade Payables (Creditors)		54
Ordinary Dividend (10p per Ordinary Share)	20	
Investments	110	
Cash and Cash Equivalents (Bank and Cash)	32	
Inventory (Stock) at 1 January 2015	20	
Goodwill	54	
Equity (Capital) (200,000 Ordinary Shares of £1 each)		200
Equity (Capital) (50,000 6% Preference Shares of £1 each)		50
10% Debentures (Year 20)		60
Property (Premises) (at cost)	120	
Showroom Fittings (at cost)	100	
Vehicles (at cost)	60	
(Provisions) for Depreciation at 1 January 2015:		
Showroom Fittings		20
Vehicles		10
Share Premium		36
Unappropriated Profits at 1 January 2015		8
Preliminary Expenses	6	
Discounts	5	10
Provision for Doubtful Debts at 1 January 2015		8
	868	868

Notes at 31 December 2015

1. Inventory (Stock) is **30 units** valued at £30,000.
2. Selling expenses payable (accrued) £2,000.
3. Office expenses include a payment of £5,000, which relates to the next financial period.
4. The £1 Ordinary shares have a market value of £1.18 each.
5. Provide for depreciation for the year as follows:
 - ◆ Showroom fittings – 10% on cost
 - ◆ Vehicles – 20% of the reduced balance
6. The provision for Doubtful Debts is to be adjusted to 5% of Trade Receivables (Debtors).
7. Dividends of £1,000 are due from investments.
8. Corporation Tax is to be provided for at 25% of profit for year (Net Profit).
9. The preference dividend has been paid in full by cheque but has been omitted from the accounts in error.
10. Property (Premises) is to be revalued at £160,000.
11. Write off the preliminary expenses by transfer from the Share Premium Account.
12. Goodwill is to be written down by £20,000.

Task 2

Andrew Mitchell plc sells tents to customers for both recreational and commercial use. Tents are sold directly from its warehouse/showroom in Glasgow on both a retail (cash) and wholesale (credit) basis.

The company also operates a tent hire service from its premises in Glasgow.

	January	February	March	April	May	June	July
Purchases in units	400	400	450	450	500	550	600

The company will retain 10% of the following month's purchases as closing inventory (stock) each month.

- (a) Using appropriate information from Task 1 and the information provided by Ms Cooper, prepare a Sales Budget for the first 6 months of 2016.

If completing this task on a spreadsheet, print one copy of your spreadsheet in value view on one page.

Other information for the period is as follows:

1. Sales are divided 20% retail (cash only) and 80% wholesale (credit terms).
 2. Selling prices:
 - ◆ Retail: £140 cash (no discount)
 - ◆ Wholesale terms: 1 month 10% discount on retail price
2 months 10% discount on retail price **BUT** a surcharge of £2 per unit will be added for late payment.
It is estimated that 25% of wholesale sales will be surcharged.
 3. The company has 4 large tents which are offered for hire only. Each tent will be rented 6 times per month during March and April and 10 times per month during May, June and July, at a hire charge of £40 per tent. Hire charges are paid in the month prior to hire.
 4. Andrew Mitchell plc purchases tents from suppliers at a cost of £80 per tent. It will pay a 20% deposit of total purchase cost in the month of purchase, with the remainder being paid the month after purchase.
 5. Selling expenses of £1 per unit are payable one month after sales.
 6. Target sales are 400 units per month. Bonuses are payable in the following month for sales which exceed this target. The bonus payable to sales staff is £4 per unit.
 7. Monthly fixed costs (including depreciation of £300) are £900.
 8. New fittings will be purchased for the showroom in March at a total cost of £100,000. These will be paid for in 3 instalments beginning in April. Payments for both May and June will be exactly twice the payment in April.
 9. The cash and cash equivalents (cash and bank) balance at the start of March is estimated to be £30,000.
- (b) Prepare a Cash Budget for the four months March-June 2016, to show monthly receipts and payments and the opening and closing bank/balance for each month.

On completion of the task, print one copy of the spreadsheet in value view and one copy in formulae view. Each printout must be on one page and show gridlines and row and column headings.

Task 3

Andrew Mitchell plc has one major market competitor, Camperlands plc. Ms Cooper has analysed its final accounts for 2015 and has provided you with the following information.

Ratios for Camperlands plc:

- ◆ Equity (Capital) Gearing Ratio = 1.5:1
- ◆ Dividend Yield = 6.24%
- ◆ Dividend Cover = 3.15 times
- ◆ Earnings per Share = £0.59
- ◆ Price/Earnings Ratio = 2.65 times

Using relevant information from Task 1, Ms Cooper wishes you to:

- (a) Analyse the performance of Andrew Mitchell plc by calculating the following ratios:

All ratios should be calculated to **two** decimal places.

Name of Ratio	Formula
Equity (Capital) Gearing Ratio	$(\text{Preference Shares} + \text{Long Term Loans}) : \text{Ordinary Shares}$
Dividend Yield	$\frac{\text{Ordinary dividend per share} \times 100\%}{\text{Market price per share}}$
Dividend Cover	$\frac{\text{Profit for the Year (Net Profit)} - \text{Preference dividends}}{\text{Dividends on ordinary shares}}$
Earnings per Share	$\frac{\text{Profit for the Year (Net Profit)} - \text{Preference dividends}}{\text{Number of ordinary shares}}$
Price/Earnings Ratio	$\frac{\text{Market Price per Share}}{\text{Earnings per Share}}$

- (b) Write a short report to the Board of Directors at Andrew Mitchell plc, comparing the ratios of both companies. Suggest one possible reason for the difference between each ratio.

Template (Task 2*)

A	B	C	D	E	F	G
Andrew Mitchell plc						
Sales Budget for January to June 2016						
	Jan	Feb	Mar	Apr	May	Jun
Opening Stock	d	f	f	f	f	f
Purchases	d	d	d	d	d	d
	f	f	f	f	f	f
Closing Stock	f	f	f	f	f	f
Sales	f	f	f	f	f	f
Andrew Mitchell plc						
Cash Budget for March to June 2016						
Retail (Cash) Selling Price (per unit)	d					
Wholesale Selling Price (per unit)	d					
Surcharge (per unit)	d					
Purchase Price (per unit)	d					
Selling Expenses (per unit)	d					
Bonus (per unit)	d					
Tent Rental Charge	d					
	March	April	May	June		
<u>Opening Balance</u>	d	f	f	f		
<u>Receipts</u>						
Retail Cash Sales	f	f	f	f		
Credit Sales – 1 month	f	f	f	f		
Credit Sales – 2 months	f	f	f	f		
Tent Hire Income	f	f	f	f		
<u>Total Receipts</u>	f	f	f	f		
<u>Payments</u>						
Purchases (Deposit – 20%)	f	f	f	f		
Purchases (Balance – 80%)	f	f	f	f		
Selling Expenses	f	f	f	f		
Bonus	f	f	f	f		
Fixed Costs	d	f	f	f		
New Fittings		d	f	f		
<u>Total Payments</u>	f	f	f	f		
<u>Closing Balance</u>	f	f	f	f		

***Task 2 (b) must be completed using spreadsheet software and printouts submitted as evidence.**

Template (Task 3)

Report

To: Board of Directors (Andrew Mitchell plc)

From: Your name

Date: Today's

Subject: Ratio Analysis (Andrew Mitchell plc and Camperlands plc)

Administrative information

Published: February 2016 (version 1.0)

History of changes

Version	Description of change	Authorised by	Date

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