

# N5

National 5  
Coursework  
Assessment Task



## National 5 Accounting Assignment Assessment task: Highland Fling

Specimen – valid from session 2017-18 and until further notice

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# Introduction

This document contains marking instructions and instructions for candidates for the National 5 Accounting assignment. It must be read in conjunction with the course specification.

This assignment has 50 marks out of a total of 180 marks available for the course assessment.

This is one of two course assessment components. The other component is a question paper.

# Instructions for teachers and lecturers

Prior to candidates starting the assignment, teachers and lecturers should ensure that the following e-file is downloaded and available for candidates to use. The file must be kept secure and must not be accessed by candidates prior to the assignment being undertaken.

- ◆ **Highland Fling** – this is a spreadsheet file with three worksheets (Income Statement, Statement of Financial Position and Expansion)

# Marking instructions

## General marking principles

This information is provided to help you understand the general principles that must be applied when marking candidate responses in this assignment. These principles must be read in conjunction with the specific marking instructions, which identify the key features required in candidate responses.

- a Marks for each candidate response must always be assigned in line with these general marking principles and the specific marking instructions for this assessment.
- b Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.

Candidates are awarded marks for showing workings and demonstrating that accounting processes have been followed, even when incorrect figures are presented.

### Treatment of errors

Guidance on the treatment of errors, eg extraneous items, arithmetic errors and consequential errors, is provided in the specific marking instructions.

### Printouts

Candidates are clearly directed within the instructions, to the printing requirements. Where a printout is missing, no marks are awarded.

### Formulae printouts

Each time a formula is truncated, no mark is awarded.

### Layouts

Layouts in the specific marking instructions are provided for illustrative purposes only. Candidates are not penalised for using appropriate alternative layouts, ie in Income Statement (IS), accept add Gains before less Expenses.

### Consequential errors

Consequential errors are taken account of and candidates receive credit for following the correct accounting processes and spreadsheet formulae.

### Nomenclature

Accept old/new nomenclature (including a mix/match approach).

Where candidates consistently use incorrect nomenclature throughout the tasks, marks are not awarded on the first occasion only and in subsequent tasks, incorrect nomenclature is treated as consequential.

## Task 1 and 2:

### Extraneous items

These are items that appear only once, but in the wrong statement. For example, if Trade Receivables appears in Expenses and nowhere else, this is classed as extraneous.

### +/- Rule

This relates to an entry appearing twice across the financial statements, which should only appear once. For example, if Trade Receivables appears in both the Expenses and Current Assets, this is classed as +/- . Where this happens, the +/- symbol should be annotated at both entries and no mark should be awarded.

For a mark to be awarded for correct entry of Trial Balance items, the entry must appear only once. It is therefore advisable to check both statements before awarding marks.

The balance figures for Provision for Depreciation of Machinery (£5,000) and Machinery cost (£120,000) should not be treated as +/- or extraneous in the Expenses section of the IS. The exception to this is in the case of extraneous items, if there are no Non-Current Assets in the Statement of Financial Position (SFP).

If new and existing Depreciation for Machinery appear in the Expenses section of the IS (£23,000), do not award mark. Do not treat subsequent entry in SFP as +/- .

If Depreciation figures appear outside the Expenses section of the IS or appear in a third place, normal +/- and extraneous rules apply.

### Headings/layout mark

For this mark to be awarded, candidates must have the following headings:

- ◆ Gross Profit, Profit for Year, Non-Current Assets, Current Assets, Current Liabilities, Equity (or some other relevant heading). Non-Current Liabilities heading is **not** required.

They must also have an acceptable layout. For example, they must have a Working Equity figure (label not required).

No marks are awarded for:

- ◆ Current Liabilities before Current Assets
- ◆ Working Equity label (though not required) labelled as Profit, etc
- ◆ Add Gains being called Money In
- ◆ incorrectly labelling an effect, eg the candidate types less Carriage In but correctly adds it to Purchases.

**Subtotals mark**

This mark is awarded for correct application of totals/subtotals. For example, if Cost of Sales is added to Sales Revenue, then candidates are not awarded the mark.

**Marking code**

Where a generic mark is awarded, the following codes should be used:

E = No extraneous items

L = Layout/headings correct

S = Subtotals/totals correct

These codes should be used at the points where candidates are not awarded marks.

## Specific marking instructions

### Task 1 – Value view

Solution	Marks/comments	
<b>INCOME STATEMENT OF HIGHLAND FLING FOR Y/E 31 DECEMBER YEAR 3</b>		
	£	£
Sales Revenue		218,000
Sales Revenue Returns		2,100
		<u>215,900</u>
Less COST OF SALES		
Opening Inventory		4,600
Purchases	80,000	
Add Carriage In	4,200	84,200
		<u>88,800</u>
Less Closing Inventory		5,900
<b>COST OF SALES</b>		<u>82,900</u>
<b>GROSS PROFIT</b>		<u>133,000</u>
<u>Less Expenses</u>		
Carriage Out		2,900
Finance Costs		1,500
General Expenses (7,400 + 2,500)		9,900
Insurance (800 – 300)		500
Rental of Workshop		6,600
Staff Wages		61,000
Provision for Bad Debts (5% × 12,000)		600
Depreciation of Machinery (15% × 120,000)	18,000	101,000
		<u>32,000</u>
<u>Add Income</u>		
Discount Received		700
<b>PROFIT FOR THE YEAR</b>		<u><u>32,700</u></u>
		<b>Value view (17)</b>
		<b>Formulae view (1)</b>



### **Task 1 – Value view notes**

To be awarded marks:

- ◆ figures must have nomenclature and must have the correct effect (this applies to both task 1 and task 2)
- ◆ adjustments must have the correct effect. Accept adjustments detached, only if they are directly below.
- ◆ Discount Received must have the correct effect

If Insurance of £500 and General Expenses of £9,900 appear in both accounts then no +/-, award full marks in IS and no marks in SOFP.  
Do not accept Bad Debts (BD) as nomenclature for Provision for Bad Debts (PBD).

### **Task 1 – Formulae view note**

To be awarded the mark, formulae must be used to calculate Depreciation, PBD, and Accrual and Prepayment adjustments (if these are added or subtracted to existing figures and not shown separately).



## Task 2 – Value view notes

To be awarded marks:

- ◆ PBD adjustment must have the correct effect. Only accept PBD if it is directly below Trade Receivables.
- ◆ equity must have the correct treatment, however, it can be in any order

If only Machinery Net Book Value (NBV) of £97,000 shown, award 3 marks. If NBV is wrong, look at the formula to assess if marks can be awarded.

## Task 2 – Formulae view

The codes indicated in the table below should be used to award marks for formulae:

Provision for Depreciation – linkage to IS	1(L)
Closing Inventory – linkage to IS	1(L)
Trade Receivables/PBD – linkage to IS	1(L)
Profit for the Year – linkage to IS	1(L)
Using formulae to construct subtotals and basic arithmetic calculations	1(A)

## Task 2 – Formulae view note

Some candidates may show the prepayment and accrual as separate cells in the IS, however, they are not required to link these in the SOFP.

Task 3 – Value view

	A	B	C	D	E	F	G	H	I	J	K	
1	<b>PRODUCTION DATA</b>											<b>Marks</b>
2							<b>USA</b>		<b>CANADA</b>			
3	Basic labour hours (for year)			1,500								<b>1</b>
4						Contribution per kilt (unit)	£183.00		£223.00			<b>1</b>
5	Expected labour hours (for year)			1,680								
6						Contribution per labour hour	£91.50		£89.20			<b>1</b>
7		<b>USA</b>		<b>CANADA</b>								
8	Selling price per kilt (unit)	£260.00		£320.00		Labour hours required to meet maximum sales demand	900		1,250			<b>1</b>
9	Variable costs per kilt (unit):											
10	Materials	£40.00		£48.00		Labour hours to be used to maximise profits	900		780			<b>1</b>
11	Labour	£24.00		£33.00								
12	Variable overheads	£13.00		£16.00		Number of kilts (units) that can be produced	450		312			<b>1</b>
13	Labour hours per kilt (unit)	2		2.5								
14	Maximum sales demand (number of kilts)	450		500		Total contribution	£82,350.00		£69,576.00		£151,926.00	<b>1</b>
15												
											<b>Value view</b>	<b>(7)</b>

### Task 3 – Formulae view

	A	B	C	D	E
1	PRODUCTION DATA				
2					
3	Basic labour hours (for year)			1,500	
4					
5	Expected labour hours (for year)			=D3*1.12	F1

	F	G	H	I	J	K
1						
2		USA		CANADA		
3						
4	Contribution per kilt (units)	=B8-SUM(B10:B112)	F2	=D8-SUM(D10:D12)	F2	
5						
6	Contribution per labour hour	=G4/B13		=I4/D13		
7						
8	Labour hours required to meet max sales demand	=B13*B14		=D13*D14		
9						
10	Labour hours to be used to maximise profits	=G8		=D5-G10		
11						
12	Number of kilts (units) that can be produced	=B14		=I10/D13		
13						
14	Total contribution*	=G12*G4		=I12*I4		=G14+I14
15						
				Formulae view	(3)	

**F3 = All other formulae**

Total contribution formula may be different, due to using hours instead of units.

# Instructions for candidates

This assessment applies to the assignment for National 5 Accounting.

This assignment has 50 marks out of a total of 180 marks available for the course assessment.

It assesses the following skills, knowledge and understanding:

- ◆ preparing and presenting a range of straightforward accounting statements
- ◆ selecting straightforward accounting information to determine business revenues, costs and profits
- ◆ using ICT to produce and communicate straightforward accounting information in a range of contexts
- ◆ preparing a range of accounting information
- ◆ using accounting techniques, in familiar contexts, to facilitate decision-making

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

In this assessment, you have to work through a series of tasks:

- ◆ which assess the skills, knowledge and understanding listed above
- ◆ in one 2-hour block (excluding printing time) – all printing should be completed on the same day as the assignment

This is a closed-book assessment. However, during the assessment, candidates can access the following resources:

- ◆ electronic files supplied by SQA to support the assignment
- ◆ a personal computer or laptop, with no access to the internet
- ◆ spreadsheet software

## Assessment task

You are an accountant hired by Jack Vincent to prepare accounting information for his kilt manufacturing business, Highland Fling.

Jack employs three workers in his workshop and each works full time. Kilts are sold to retailers across the UK and Europe. Jack's business is currently operating at full capacity.

Complete the tasks in the order shown, using the spreadsheet file **Highland Fling**. Ensure that your name and task number is displayed on each printout.

You should use the following table to make sure you have all the printouts required.

Task		Highland Fling printouts	Marks available	Completed (✓)
1	Income Statement	<ul style="list-style-type: none"> <li>◆ Value view</li> <li>◆ Formulae view</li> </ul>	17 1	
2	Statement of Financial Position	<ul style="list-style-type: none"> <li>◆ Value view</li> <li>◆ Formulae view</li> </ul>	17 5	
3	Management decision-making: limiting factors	<ul style="list-style-type: none"> <li>◆ Value view</li> <li>◆ Formulae view</li> </ul>	7 3	
Total marks			50	



The following list of end-of-year balances has been extracted from Highland Fling's ledger accounts on 31 December Year 3:

	£
Carriage In	4,200
Carriage Out	2,900
Cash and Cash Equivalents (Overdraft)	900
Discount Received	700
Drawings	3,700
Equity	57,000
Finance Costs	1,500
General Expenses	7,400
Insurance	800
Inventory at 1 Jan Year 3	4,600
Long-term Loan	14,000
Machinery at Cost	120,000
Provision for Depreciation of Machinery	5,000
Purchases	80,000
Rental of Workshop	6,600
Sales Revenue Returns	2,100
Sales Revenue	218,000
Staff Wages	61,000
Trade Payables	11,200
Trade Receivables	12,000

#### **NOTES**

- 1. General Expenses owing = £2,500**
- 2. Insurance paid in advance = £300**
- 3. Inventory at 31 December Year 3 = £5,900**
- 4. Create a Provision for Bad Debts = 5% of Trade Receivables**
- 5. Provide for Depreciation for the year on the Machinery = 15% on cost**

### Task 1

From the information provided, prepare the Income Statement of Highland Fling for the year ended 31 December Year 3.

Open the worksheet **Income Statement** and use spreadsheet formulae when performing any calculations.

Print the completed worksheet **Income Statement** in both Value view and Formulae view.

### Task 2

Now prepare the Statement of Financial Position of Highland Fling as at 31 December Year 3.

Open the worksheet **Statement of Financial Position** and use spreadsheet formulae to make links to figures in the worksheet **Income Statement** where appropriate. Use spreadsheet formulae when performing any calculations.

Print the completed worksheet **Statement of Financial Position** in both Value view and Formulae view.

### Task 3

Highland Fling is looking to expand to North America in Year 4. As they are currently at full capacity, they will hire a new member of staff who will be solely responsible for making kilts for this market. Highland Fling plan to produce two new kilts, one specially made for the USA, and a higher quality one specially made for Canada. The new member of staff is contracted to work 1,500 basic hours but it is expected they will work 12% more hours than this due to overtime.

Open the worksheet **Expansion** and calculate the following for Year 4:

- ◆ Expected labour hours for the new member of staff for Year 4
- ◆ Contribution per unit for each kilt
- ◆ Contribution per labour hour for each kilt
- ◆ Labour hours required to meet maximum sales demand for each kilt
- ◆ Labour hours to be used to maximise profits for each kilt
- ◆ Numbers of each kilt that can be produced from the expected labour hours
- ◆ Contribution earned from each kilt and in total

Use appropriate spreadsheet formulae to calculate the required figures. **do not** change the layout of the worksheet or add any extra data into cells.

Print the completed worksheet **Expansion** in both Value view and Formulae view.

# Administrative information

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## History of changes

Version	Description of change	Date

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