



National
Qualifications
SPECIMEN ONLY

SQ01/AH/01

Accounting

Date — Not applicable

Duration — 2 hours 30 minutes

Total marks — 140

SECTION 1 — 120 marks

Attempt ALL questions

SECTION 2 — 20 marks

Attempt EITHER Question 4 OR 5

You may use a calculator.

All working should be shown fully, and clearly labelled.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

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

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



* S Q 0 1 A H 0 1 *

SECTION 1 — 120 marks

Attempt ALL questions

1. Rocco plc has provided the following budget information for Month 6.

Expected production (units)	160,000
Budgeted costs	
Raw materials	32,000 kg at £4.00 per kg
Direct labour	20,000 hours at £12 per hour
Direct expenses	£16,000
Factory maintenance	£50,000 (this includes a fixed element of £10,000)
Rent and rates	£9,000
Factory insurance	£4,000
Heating and lighting	£3,000
Office salaries	£20,000
Depreciation of machinery	£5,000 (this will increase to £8,000 if output is over 200,000 units)
Miscellaneous expenses	£120,000 (20% variable at this level of output)

Rocco plc has a maximum production of 240,000 units.

- (a) (i) Produce a flexible budget statement for Month 6 showing cost for activity levels at 75%, 80% and 90% of maximum production. 26
- (ii) Describe the key features of fixed budgets and flexible budgets. 4

1. (continued)

Rocco plc is also considering two investment projects.

	Year	PROJECT X	PROJECT Y
Initial cost		£40,000	£40,000
Additional cost	2	£3,000	
	1	£22,000	£17,000
	2	£16,000	£12,000
Cash inflows	3	£10,000	£11,000
	4	£6,000	£10,000
Sale of machinery/ equipment	4	£3,000	£2,000
Clean-up costs	4	£5,000	£1,000

The cost of capital is 10%.

(b) (i) Calculate the Net Present Value of each project.

13

The following negative Net Present Values have been calculated:

	PROJECT X	PROJECT Y
Cost of capital	12%	14%
Net Present Value	-£145	-£565

(ii) Calculate the Internal Rate of Return for each project.

6

(iii) Justify which project you would advise Rocco plc to accept.

1

DISCOUNT TABLE (From 8% to 15%)								
Present Value of £1.00 received after n years discounted at $i\%$								
i	8	9	10	11	12	13	14	15
n								
1	0.926	0.917	0.909	0.901	0.893	0.885	0.877	0.870
2	0.857	0.842	0.826	0.812	0.797	0.783	0.769	0.756
3	0.794	0.772	0.751	0.731	0.712	0.693	0.675	0.658
4	0.735	0.708	0.683	0.659	0.636	0.613	0.592	0.572
5	0.681	0.650	0.621	0.593	0.567	0.543	0.519	0.497

2. Craigmuir plc specialise in selling tennis rackets in their chain of shops throughout the UK. Their trial balance at 31 March Year 2 is given below:

	£'000	£'000
Purchases and Revenue	19,390	32,130
Inventory at 1 April Year 1	4,500	
Finished goods warehouse staff costs	850	
Sales staff salaries and commission	1,850	
Administration salaries	3,090	
General administration expenses	580	
Advertising costs	470	
Directors' remuneration	870	
Debenture interest paid	50	
Property cost	15,000	
Property depreciation at 1 April Year 1		4,500
Shop fittings: cost	4,000	
Shop fittings: depreciation 1 April Year 1		2,400
Trade receivables and payables	7,080	3,800
Cash and cash equivalents		2,080
10% Debentures – repayable Year 10		1,000
Ordinary shares of 50p each		4,000
Share premium account		1,300
Retained earnings at 1 April Year 1		5,720
Suspense account		1,650
Ordinary dividend paid	850	
	<u>58,580</u>	<u>58,580</u>

Additional information

- 1 Inventory at 31 March Year 2 consisted of three models of tennis rackets valued as follows:

	Cost £'000	Net Realisable Value £'000
Junior Jocko	1,320	1,760
Murray Marvel	2,080	2,480
Rafa Reliant	1,800	1,620
	<u>5,200</u>	<u>5,860</u>

2. (continued)

Additional information continued

- 2 The suspense account contains two items that have been correctly entered in the company's bank account but the other entries have not yet been made:
- (a) The receipt of £1.5 m from a new issue of 500,000 ordinary shares, at a par value of 50p each.
- (b) The sale of some surplus property for £150,000 which had originally cost £1 m and had a net book value at the date of sale of £100,000.
- 3 The Board of Directors comprises three members: a Finance Director, a Sales Director and a Purchasing Director. The directors are all paid the same level of remuneration.
- 4 Included in property is land at a cost of £3,000,000. The Board of Directors, having sought the advice of an independent surveyor, wish to revalue the land at £3,500,000.
- 5 Company depreciation policy is as follows:
- | | |
|---------------------------|---|
| Property (excluding land) | 5% per annum on a straight line basis |
| Shop fittings | 15% per annum on a reducing balance basis |
- Depreciation on property is to be split 10% to cost of sales, 20% to administration and 70% to selling and distribution expenses.
- Depreciation on shop fittings is all charged to selling and distribution expenses.
- There is no depreciation charged in the year of sale.
- 6 Corporation tax for the year is estimated to be £1,240,000.

Required

In accordance with IAS 1, Presentation of Financial Statements, prepare the following for Craigmuir plc:

- (a) An Income Statement for the year ended 31 March Year 2. 17
- (b) A Statement of Retained Earnings for the year ended 31 March Year 2. 3
- (c) A Statement of Financial Position as at 31 March Year 2. 20

3. Chamois Chalets is a contractor specialising in building chalet-style houses using materials purchased in the UK and kits imported from Austria.

Contracts A and B were commenced during Year 1. The following information for Contract A was available on 31 December Year 1:

Contract A

	£'000
Contract price	300
Kits imported	77
Shipping costs for kits	3
Materials purchases	33
Material issued from stores	5
Materials transferred from Contract B	5
Wages paid	50
Direct expenses paid	20
Plant and machinery sent to site (at valuation)	30
Subcontract costs	10
Architect's fees	5
Overheads are charged to contracts at 10% of material costs (including subcontract costs)	
Balances at 31 December	
Work completed not certified	11
Work certified	240
Plant and machinery	25
Wages accrued	10
Direct expenses prepaid	2
Materials remaining on site	3

Any profits on incomplete contracts are recognised using the formula:

Notional Profit x Value of Work Certified/Contract Price

All contracts allow clients to retain 10% of the value of work certified for a period of 2 years after the completion date.

- (a) (i) Prepare the account for Contract A at 31 December Year 1 showing your calculation and treatment of any profit or loss. 16
- (ii) Calculate the amount paid to date to Chamois Chalets by their clients for Contract A. 2
- (iii) Justify why the client does not pay Chamois Chalets the full amount due at the completion date. 2

3. (continued)

Stewart plc produces a single product called Alpha.

The following data relates to Year 2.

	Budgeted	Actual
Outputs in units	3,000	3,250
Costs per unit:		
Direct materials	4 kg @ £4.50	12,675 kg costing £4.55 per kg
Direct labour	3 hours @ £4.00 per hour	9,450 hours @ £4.10 per hour
Variable overheads	3 hours @ £2.00 per hour	£19,250
Fixed overheads	3 hours @ £2.50 per hour	£22,450

(b) Calculate the following variances:

- | | |
|----------------------------------|---|
| (i) Material price variance. | 2 |
| (ii) Material usage variance. | 3 |
| (iii) Labour rate variance. | 2 |
| (iv) Labour efficiency variance. | 3 |

SECTION 2 — 20 marks

Attempt EITHER question 4 OR question 5

4. Mac plc is considering introducing an Activity Based Costing system for allocating overhead costs to its products. It presently uses a factory-wide rate based on labour hours, giving an overhead cost of £3.47 per labour hour.

The following are the expected overhead costs for Period 2:

Power cost	£28,000
Material handling costs	£18,000
Sales and marketing	£32,240
Service and repairs	£12,000

The cost drivers which have been identified for these activities are as follows:

Power cost	No. of machine hours
Material handling costs	No. of order requisitions
Sales and marketing	No. of customer orders
Service and repairs	No. of aftersales requests

Mac plc produces two products to which the following data relates:

	PRODUCT A	PRODUCT B
Production quantities	4,000	2,000
Labour hours per unit	5	3
Machine hours per unit	2	3
Order requisitions	25	20
Customer orders	120	140
Aftersales requests	40	60

If an Activity Based Costing system is introduced:

- (a) (i) Calculate the absorption rate for each cost driver. 8
- (ii) Calculate the overhead cost per unit for each product. 10
- (b) Explain **two** benefits to Mac plc of switching to the Activity Based Costing system. 2

5. Lyall and Rogers decided to end their partnership. The Statement of Financial Position at that time was as follows:

	£	£
Non-current Assets		
Property		320,000
Fittings and equipment		40,000
Vehicles		<u>13,300</u>
		373,300
Current Assets		
Inventory	7,000	
Trade receivables	5,000	
Cash and cash equivalents	<u>3,600</u>	
		15,600
TOTAL ASSETS		<u>388,900</u>
Current Liabilities		
Trade payables	<u>7,100</u>	
Non-current Liabilities		
Mortgage	62,000	
Loan from Lyall	<u>20,000</u>	
TOTAL LIABILITIES		<u>89,100</u>
NET ASSETS		<u>299,800</u>
Equity		
Capital account – Lyall	160,000	
Capital account – Rogers	<u>90,000</u>	
		250,000
Current account – Lyall	21,800	
Current account – Rogers	<u>28,000</u>	
		49,800
		<u>299,800</u>

The following information relates to the dissolution of the partnership:

- 1 Rogers agreed to take over the following assets. Their valuations were as follows:

Fittings and equipment	£41,000
Vehicles	£11,300
Inventory	£6,000

- 2 Proceeds from the sale of property were £306,000.

- 3 Discounts allowed were £200. Bad debts written off amounted to £800.

- 4 Payments made by cheque were as follows:

Dissolution expenses	£13,300
Mortgage payment	£62,000
Loan repayment to Lyall	£20,000
Trade payables	£6,800

5. (continued)

- 5 Profits and losses are split in the ratio of capital invested.
- 6 Cash and cash equivalents, as stated in the Statement of Financial Position, represent the balance in the partnership bank account.

You are required to:

- (a) Calculate the profit or loss on dissolution attributable to both Lyall and Rogers. **8**
- (b) Show the entries necessary to record the dissolution of the partnership in:
- (i) the capital accounts of both partners. **4**
 - (ii) the firm's bank account. **8**

[END OF SPECIMEN QUESTION PAPER]



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Accounting

Marking Instructions

These Marking Instructions have been provided to show how SQA would mark this Specimen Question Paper.

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General Marking Principles for Advanced Higher Accounting

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the Detailed 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 Detailed 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.
- c) Consequentiality subsequent to a calculative error must be followed through, with credit being given for any errors in subsequent calculations or working.
- d) Scored out or erased working which has not been replaced should be marked where still legible. However, if the scored out or erased working has been replaced, only the work which has not been scored out should be marked.
- e) For each candidate response, the following provides an overview of the marking principles. Refer to the Detailed Marking Instructions for further guidance on how these principles should be applied.

Marks will be awarded as follows for:

- i. Questions that ask candidates to “**Describe . . .**”

Candidates must make accurate relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation.

Candidates may provide straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- 1 mark should be given for each relevant factual point
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

- ii. Questions that ask candidates to “**Explain . . .**”

Candidates must make accurate relevant points that relate cause and effect and/or make relationships clear. These points may relate to a concept, process or situation.

Candidates may provide straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- 1 mark should be given for each relevant point of explanation
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

iii. Questions that ask candidates to “**Justify . . .**”

Candidates must give good reasons for a course of action or decision.

Up to the total mark allocation for this question:

- 1 mark should be given for each relevant statement or opinion
- Marks can be given for any further development of a relevant statement or opinion

iv. Questions that ask candidates to “**Analyse . . .**”

Candidates must demonstrate their ability to identify/describe/explain relevant parts and the relationships between the parts and/or the whole. Candidates should be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question:

- 1 mark should be given for each appropriate point of analysis
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

v. Questions that ask candidates to “**Discuss . . .**”

Candidates must make points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. It is not always necessary to give both sides of the debate in responses.

Up to the total mark allocation for this question:

- 1 mark should be given for each accurate point of knowledge that is clearly relevant
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

vi. Questions that ask candidates to “**Compare . . .**”

Candidates must demonstrate knowledge and understanding of the similarities and/or differences between things, methods or choices, for example. The relevant points could include theoretical concepts.

Up to the total mark allocation for this question:

- 1 mark should be given for each accurate point of analysis
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

vii. Questions that ask candidates to “**Evaluate . . .**”

Candidates must demonstrate the ability to make a reasoned judgement in terms of the effectiveness or usefulness of something based on criteria. Candidates should be able to determine the value of something within context.

Up to the total mark allocation for this question:

- 1 mark should be given for each accurate point of evaluation
- 1 mark should be given for any further development of a relevant point, including exemplification when appropriate

Detailed Marking Instructions for each question

Section 1

Question			Expected response							Max mark	Additional guidance			
1	a	i	FLEXIBLE BUDGET							26				
				Budget		Fixed		kg/hours				Budget		
				per unit/kg										
			Raw materials	4.00				32,000				160,000		
			Direct labour	12.00				20,000						
			Direct expenses	0.10										
			Factory maintenance	0.25		10,000								
			Miscellaneous expenses	0.15		96,000								
			FLEXIBLE BUDGET FOR MONTH 6											
			Level of production	75%		80%		90%				100%		
			Units	180,000		192,000		216,000				240,000	(1)	
				£		£		£						
			Raw materials	144,000	(1)	153,600	(1)	172,800	(1)					
			Direct labour	270,000	(1)	288,000	(1)	324,000	(1)					
			Direct expenses	18,000	(1)	19,200	(1)	21,600	(1)					
			Factory maintenance*	55,000	(4)	58,000	(1)	64,000	(1)					
			Rent and rates	9,000		9,000		9,000						
			Factory insurance	4,000		4,000		4,000				(1)		
			Heating and lighting	3,000		3,000		3,000				(1)		
Office salaries	20,000		20,000		20,000									
Depreciation of machinery	5,000		5,000	(1)	8,000	(1)								
Miscellaneous expenses*	<u>123,000</u>	(4)	<u>124,800</u>	(1)	<u>128,400</u>	(1)								
Total	£651,000		£684,600		£754,800									

* Guidance on allocation of marks to “Factory maintenance” and “Miscellaneous expenses” is shown under “Expected response” below.

Question			Expected response	Max mark	Additional guidance
			<p>*Guidance on allocation of marks:</p> <p>Factory maintenance @75%: $(50,000 - 10,000) (1) / 160,000 (1) = £0.25$ per unit $£0.25 \times 180,000 (1) = £45,000$ $£45,000 + £10,000 (1) \text{ (fixed element)} = £55,000$</p> <p>@80%: $(£0.25 \times 192,000) + 10,000 = £58,000 (1) \#$</p> <p>@90%: $(£0.25 \times 216,000) + 10,000 = £64,000 (1) \#$</p> <p>Miscellaneous expenses @75%: $(£120,000 \times 0.2) (1) / 160,000 (1) = £0.15$ per unit $£0.15 \times 180,000 (1) = £27,000$ $£27,000 + (£120,000 \times 0.8 (1)) \text{ (fixed element)} = £123,000$</p> <p>@80%: $(£0.15 \times 192,000) + £96,000 = £124,800 (1) \#$</p> <p>@90%: $(£0.15 \times 216,000) + £96,000 = £128,400 (1) \#$</p>		# All figures in this line must be correct to gain the mark. Be aware of any consequentiality arising from the calculation of maintenance cost per unit.
1	a	ii	<p>Possible answers include:</p> <p>Fixed budgets</p> <ul style="list-style-type: none"> only show income/costs for a single level of activity do not separate costs into fixed and variable <p>Flexible budgets</p> <ul style="list-style-type: none"> can show budgeted figures for various levels of activity levels will be where some aspect of cost behaviour changes will also show steps in fixed costs change will also show where variable costs change, eg labour overtime or bulk discounts for materials 	4	<p>Candidates must describe both fixed and flexible budgets.</p> <p>1 mark for each point of description.</p> <p>Maximum of 3 marks if only fixed OR flexible budgets are described.</p>

Question			Expected response							Max mark	Additional guidance
1	b	i	Guidance on allocation of marks							13	<p>Project X: 1 mark per correct calculation of NPV. Additional marks for correct calculation of component figures, as per “Guidance on allocation of marks” column.</p> <p>Project Y: 2 marks if all three NPVs for Years 1–3 are correct. 1 mark if any calculation is wrong. 0 marks if two or more errors.</p> <p>* Give this mark only if “Initial Costs” are deducted in BOTH Project X and Project Y.</p>
Project X											
Year		Net Cash Inflows		Factor (10%)		NPV					
1		£22,000		0.909		£19,998	(1)				
2	(£16,000 – £3,000 (1))	£13,000		0.826		£10,738	(1)				
3		£10,000		0.751		£7,510	(1)				
4	(£6,000 + £3,000 (1) – £5,000 (1))	£4,000		0.683		£2,732	(1)				
						£40,978					
				Less Initial Costs		£40,000					
				Net Present Value		£978					
Project Y											
Year		Net Cash Inflows		Factor (10%)		NPV					
1		£17,000		0.909		£15,453	} (2)				
2		£12,000		0.826		£9,912					
3		£11,000		0.751		£8,261					
4	(£10,000 + £2,000 (1) – £1,000 (1))	£11,000		0.683		£7,513	(1)				
						£41,139					
				Less Initial Costs		£40,000	(1)*				
				Net Present Value		£1,139					

Question			Expected response	Max mark	Additional guidance
1	b	ii	<p>Internal Rate of Return:</p> <p>Positive Rate + [Positive NPV / (Positive NPV + Negative NPV)] × Range of Rates</p> <p>Project X</p> <p>10% (1) + [978 / (978 + 145)] (1) × 2% (1) 11.74%</p> <p>Project Y</p> <p>10% (1) + [1,139 / (1,139 + 565)] (1) × 4% (1) 12.67%</p>	6	
1	b	iii	Rocco plc should accept Project Y, as it has a higher internal rate of return.	1	No marks if candidate just states which project to accept. There has to be a justification of the choice.

Question	Expected response	Max mark	Additional guidance																																										
2 a	<p>Craigmuir plc Income Statement for the year ended 31 March Year 2</p> <table border="1" data-bbox="286 336 1648 874"> <thead> <tr> <th></th> <th style="text-align: center;">£'000</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">32,130</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">(19,215)</td> <td style="text-align: right;">(see workings below ♦)(3)</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">12,915</td> <td></td> </tr> <tr> <td>Selling and distribution (S & D) expenses</td> <td style="text-align: right;">(4,085)</td> <td style="text-align: right;">(see workings below *) (3)</td> </tr> <tr> <td>Administration expenses</td> <td style="text-align: right;">(4,070)</td> <td style="text-align: right;">(see workings below Ø) (6)</td> </tr> <tr> <td>Profit from operations</td> <td style="text-align: right;">4,760</td> <td></td> </tr> <tr> <td>Gain on sale of property</td> <td style="text-align: right;">50</td> <td style="text-align: right;">150 (1) - 100 (1)</td> </tr> <tr> <td>Profit before finance costs</td> <td style="text-align: right;">4,810</td> <td></td> </tr> <tr> <td>Finance costs</td> <td style="text-align: right;">(100)</td> <td style="text-align: right;">(10% × 1,000) (1) = 100</td> </tr> <tr> <td>Profit before tax</td> <td style="text-align: right;">4,710</td> <td></td> </tr> <tr> <td>Taxation</td> <td style="text-align: right;">(1,240)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;">3,470</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>		£'000		Revenue	32,130	(1)	Cost of sales	(19,215)	(see workings below ♦)(3)	Gross profit	12,915		Selling and distribution (S & D) expenses	(4,085)	(see workings below *) (3)	Administration expenses	(4,070)	(see workings below Ø) (6)	Profit from operations	4,760		Gain on sale of property	50	150 (1) - 100 (1)	Profit before finance costs	4,810		Finance costs	(100)	(10% × 1,000) (1) = 100	Profit before tax	4,710		Taxation	(1,240)	(1)	Profit for the year	3,470					17	Detailed workings for these figures, and the allocation of specific marks, are shown in the table below.
	£'000																																												
Revenue	32,130	(1)																																											
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Taxation	(1,240)	(1)																																											
Profit for the year	3,470																																												

Question	Expected response						Max mark	Additional guidance
	Detailed workings for question 2a							
	Cost of sales ♦		S & D *		Admin Ø			
	£'000		£'000		£'000			
Purchases	19,390	} (1)						
Opening inventory	4,500							
Staff costs: FG warehouse			850	} (1)				
Staff costs: sales			1,850					
Staff costs: administration					3,090	} (1)		
General administration					580			
Advertising			470	(1)				
Directors' remuneration	290		290		290	For correct split across all three categories. (1)		
Depreciation: property (net of land)						£15,000 – £3,000 (1) = £12,000		
Value net of disposed asset						(£12,000 – £1,000) (1) × 5% (1) = £550.		
Depreciation: property	(£550 × 10%) = 55		(£550 × 70%) = 385		(£550 × 20%) = 110	For correct apportionment across three expense areas. (1)		
Depreciation: shop fittings			240	(1)				
Closing inventory	(5,020)	(£1,320 + £2,080) (1) + £1,620 (1)						
	19,215		4,085		4,070			

Question	Expected response	Max mark	Additional guidance																		
2 b	<p data-bbox="286 264 1370 331">Craigmuir plc Statement of changes in Retained Earnings for the year ended 31 March Year 2</p> <table border="1" data-bbox="286 363 1317 580"> <thead> <tr> <th data-bbox="286 363 1010 400"></th> <th data-bbox="1010 363 1249 400" style="text-align: right;">£'000</th> <th data-bbox="1249 363 1317 400"></th> </tr> </thead> <tbody> <tr> <td data-bbox="286 400 1010 437">Opening retained earnings</td> <td data-bbox="1010 400 1249 437" style="text-align: right;">5,720</td> <td data-bbox="1249 400 1317 437" style="text-align: right;">(1)</td> </tr> <tr> <td data-bbox="286 437 1010 474">Profit for the year</td> <td data-bbox="1010 437 1249 474" style="text-align: right;">3,470</td> <td data-bbox="1249 437 1317 474" style="text-align: right;">(1)</td> </tr> <tr> <td data-bbox="286 474 1010 510">Dividends paid</td> <td data-bbox="1010 474 1249 510" style="text-align: right;">(850)</td> <td data-bbox="1249 474 1317 510" style="text-align: right;">(1)</td> </tr> <tr> <td data-bbox="286 510 1010 547">Closing retained earnings</td> <td data-bbox="1010 510 1249 547" style="text-align: right;">8,340</td> <td data-bbox="1249 510 1317 547"></td> </tr> <tr> <td data-bbox="286 547 1010 580"></td> <td data-bbox="1010 547 1249 580"></td> <td data-bbox="1249 547 1317 580"></td> </tr> </tbody> </table>		£'000		Opening retained earnings	5,720	(1)	Profit for the year	3,470	(1)	Dividends paid	(850)	(1)	Closing retained earnings	8,340					3	
	£'000																				
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Question		Expected response				Max mark	Additional guidance
2	c	Craigmuir plc Statement of Financial Position as at 31 March Year 2				20	
			£'000		£'000		
		Non-current assets					
		Property	see workings below (5)	10,350			
		Shop fittings	4,000 (1) - (2,400 + 240 (1))	<u>1,360</u>	11,710		
		Current assets					
		Inventory		5,020	(1)		
		Trade receivables		<u>7,080</u>	(1)	<u>12,100</u>	
		Total assets				23,810	
		Current liabilities					
		Trade and other payables	3,800 (1) + 50 (1)	(3,850)			
		Bank overdraft		(2,080)	(1)		
		Taxes payable		<u>(1,240)</u>	(1)	<u>(7,170)</u>	
		Non-current liabilities					
		10% Debentures Year 10				<u>(1,000)</u> (1)	
		Total liabilities				<u>(8,170)</u>	
		Net assets				15,640	
		Equity					
		Ordinary share capital	4,000 (1) + 250 (1)			4,250	
		Share premium account	1,300 (1) + 1,250 (1)			2,550	
		Retained earnings				8,340 (1)	
		Revaluation reserve account				<u>500</u> (1)	
		Total equity				15,640	

Question	Expected response				Max mark	Additional guidance
	Detailed workings for question 2c: depreciation on property					
	Property	Cost £000	Acc. Dep. £000	NBV £000		
	1 April 2013	12,000	(4,500)	7,500		
	Disposal	(1,000)	900	(100)	(1) #	
	Depreciation		(550)	(550)	(1) #	
	31 March 2014	11,000	(4,150)	6,850	(1) #	
	Land			£3,500	(3,000 (1) + 500 (1))	
	Total Property Value	(£6,850 + 3,500) =		£10,350		

Be aware of consequentiality.

All figures in this line must be correct to gain the mark.

Question			Expected response				Max mark	Additional guidance
3	a	i	Contract Account for the Year to 31 December Year 1: Contract A				16	
				£'000s	£'000s	£'000s		
			Revenues/value produced					
			Work completed, not certified			11	(1)	
			Work certified complete			<u>240</u>	(1)	
						251		
			Costs					
			Kits	77				
			Shipping	<u>3</u>				
					80		(1)	
			Materials					
			Purchased	33				
			Issued from stores	<u>5</u>				
				38			(1)	
			Add transfer from B	<u>5</u>			(1)	
				43				
			Less closing stock	<u>3</u>			(1)	
					<u>40</u>			
					120			
			Wages (50 + 10)		60		(1)	
			Direct expenses (20 - 2)		18		(1)	
			Depreciation (30 - 25)		5		(1)	
			Sub-contracting	10			(1)	
			Professional fees	<u>5</u>			(1)	
					15			
			Overheads		<u>13</u>		[(120 + 10) (1) × 10%] (1)	
						<u>231</u>		
			Notional profit			20		
			Transferred to Profit and Loss		16		[20 × (240 (1)/300 (1))] (1)	
			Profit retained/carried forward		4		(1)	

Question			Expected response	Max mark	Additional guidance
3	a	ii	Cash paid by clients is $£240 (1) \times 90\% (1) = £216$	2	
3	a	iii	Retentions are allowed as a cash guarantee against “snagging”, disputes and other unforeseen problems. (1) This gives the client some piece of mind, as the account will only be paid in full when the contractor has completed the job to the satisfaction of the client. (1)	2	
3	b	i	Material price variance = $(SP - AP) \times AQ = (£4.50 - £4.55) (1) \times 12,675 (1) = £633.75$ (adv)	2	
3	b	ii	Material usage variance = $(SQ - AQ) \times SP = [(3,250 \times 4) (1) - 12,675] (1) \times £4.50 (1) = £1,462.50$ fav	3	
3	b	iii	Labour rate variance = $(SR - AR) \times AH = (£4.00 - £4.10) (1) \times 9,450 (1) = £945$ (adv)	2	
3	b	iv	Labour efficiency variance = $(SH - AH) \times SR = [(3,250 \times 3) (1) - 9,450] (1) \times £4.00 (1) = £1,200$ fav	3	

Section 2

Question			Expected response	Max mark	Additional guidance
4	a	i	<p>Total number of machine hours = $(4,000 \times 2) + (2,000 \times 3) = 14,000$ (1)</p> <p>Absorption rate = $\text{£}28,000/14,000 = \text{£}2$ per machine hour (1)</p> <p>Total number of order requisitions = $25 + 20 = 45$ (1)</p> <p>Absorption rate = $\text{£}18,000/45 = \text{£}400$ per requisition (1)</p> <p>Total number of customer orders = $120 + 140 = 260$ (1)</p> <p>Absorption rate = $\text{£}32,240/260 = \text{£}124$ per customer order (1)</p> <p>Total number of aftersales requests = $40 + 60 = 100$ (1)</p> <p>Absorption rate = $\text{£}12,000/100 = \text{£}120$ per aftersale request (1)</p>	8	<p>1 mark for calculation of the totals for each cost driver.</p> <p>1 mark for each correct rate.</p> <p>Be aware of consequentiality.</p>

Question			Expected response				Max mark	Additional guidance																																																												
4	a	ii	Overhead cost per unit: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>PRODUCT A</th> <th>PRODUCT B</th> <th></th> </tr> <tr> <th></th> <th>CPU</th> <th>CPU</th> <th></th> </tr> </thead> <tbody> <tr> <td>Power</td> <td>£4.00</td> <td>£6.00</td> <td>(1)</td> </tr> <tr> <td>Material handling</td> <td>£2.50</td> <td>£4.00</td> <td>(3)</td> </tr> <tr> <td>Sales and marketing</td> <td>£3.72</td> <td>£8.68</td> <td>(3)</td> </tr> <tr> <td>Service and repairs</td> <td>£1.20</td> <td>£3.60</td> <td>(3)</td> </tr> <tr> <td>TOTALS</td> <td>£11.42</td> <td>£22.28</td> <td></td> </tr> </tbody> </table> <p>Detailed workings for question 4a(ii):</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>PRODUCT A</th> <th>PRODUCT B</th> <th></th> </tr> </thead> <tbody> <tr> <td>Power</td> <td>$£2.00 \times 2 = £4.00$</td> <td>$£2.00 \times 3 = £6.00$</td> <td>(1) #</td> </tr> <tr> <td>Material</td> <td>$£400 \times 25 = £10,000$</td> <td>$£400 \times 20 = £8,000$</td> <td>(1) #</td> </tr> <tr> <td></td> <td>$£10,000/4,000 = £2.50$ (1)</td> <td>$£8,000/2,000 = £4.00$ (1)</td> <td></td> </tr> <tr> <td>Sales and marketing</td> <td>$£124 \times 120 = £14,880$</td> <td>$£124 \times 140 = £17,360$</td> <td>(1) #</td> </tr> <tr> <td></td> <td>$£14,880/4,000 = £3.72$ (1)</td> <td>$£17,360/2,000 = £8.68$ (1)</td> <td></td> </tr> <tr> <td>Service and repairs</td> <td>$£120 \times 40 = £4,800$</td> <td>$£120 \times 60 = £7,200$</td> <td>(1) #</td> </tr> <tr> <td></td> <td>$£4,800/4,000 = £1.20$ (1)</td> <td>$£7,200/2,000 = £3.60$ (1)</td> <td></td> </tr> </tbody> </table>					PRODUCT A	PRODUCT B			CPU	CPU		Power	£4.00	£6.00	(1)	Material handling	£2.50	£4.00	(3)	Sales and marketing	£3.72	£8.68	(3)	Service and repairs	£1.20	£3.60	(3)	TOTALS	£11.42	£22.28			PRODUCT A	PRODUCT B		Power	$£2.00 \times 2 = £4.00$	$£2.00 \times 3 = £6.00$	(1) #	Material	$£400 \times 25 = £10,000$	$£400 \times 20 = £8,000$	(1) #		$£10,000/4,000 = £2.50$ (1)	$£8,000/2,000 = £4.00$ (1)		Sales and marketing	$£124 \times 120 = £14,880$	$£124 \times 140 = £17,360$	(1) #		$£14,880/4,000 = £3.72$ (1)	$£17,360/2,000 = £8.68$ (1)		Service and repairs	$£120 \times 40 = £4,800$	$£120 \times 60 = £7,200$	(1) #		$£4,800/4,000 = £1.20$ (1)	$£7,200/2,000 = £3.60$ (1)		10	<p>Detailed workings and allocation of individual marks are shown in the table below.</p> <p># All figures in this line must be correct to gain the mark.</p>
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4	b	<p>Possible answers include:</p> <ul style="list-style-type: none"> • Allows for a more accurate calculation of the cost of production of each item. (1) • Avoids over/under pricing of products, due to more accurate calculation of unit cost of production. (1) • Fairer, as products are charged overheads based on use of cost drivers, instead of an arbitrary method, eg labour hours. (1) 				2	1 mark for each point of explanation or development of a point.																																																																						
5	a	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Realisation Account</th> <th style="text-align: right;">Dr</th> <th style="text-align: right;">Cr</th> <th style="text-align: right;">Balance</th> <th></th> </tr> </thead> <tbody> <tr> <td>Property</td> <td style="text-align: right;">£320,000</td> <td></td> <td></td> <td style="text-align: right;">£320,000 Dr</td> </tr> <tr> <td>Fittings and equipment</td> <td style="text-align: right;">£40,000</td> <td></td> <td></td> <td style="text-align: right;">£360,000 Dr</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">£13,300</td> <td></td> <td></td> <td style="text-align: right;">£373,300 Dr</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">£5,000</td> <td></td> <td></td> <td style="text-align: right;">£378,300 Dr</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">£7,000</td> <td></td> <td></td> <td style="text-align: right;">£385,300 Dr</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Sale of property</td> <td></td> <td style="text-align: right;">£306,000</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">£79,300 Dr</td> </tr> <tr> <td>Actual trade receivables</td> <td></td> <td style="text-align: right;">£4,000</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">£75,300 Dr</td> </tr> <tr> <td>Assets transferred to Rogers</td> <td></td> <td style="text-align: right;">£58,300</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">£17,000 Dr</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;">£300</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">£16,700 Dr</td> </tr> <tr> <td>Dissolution expenses</td> <td style="text-align: right;">£13,300</td> <td></td> <td></td> <td style="text-align: right;">£30,000 Dr</td> </tr> <tr> <td>Loss on dissolution – Lyall</td> <td></td> <td style="text-align: right;">£19,200</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">£10,800 Dr</td> </tr> <tr> <td>Loss on dissolution – Rogers</td> <td></td> <td style="text-align: right;">£10,800</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">£0</td> </tr> </tbody> </table>				Realisation Account	Dr	Cr	Balance		Property	£320,000			£320,000 Dr	Fittings and equipment	£40,000			£360,000 Dr	Vehicles	£13,300			£373,300 Dr	Trade receivables	£5,000			£378,300 Dr	Inventory	£7,000			£385,300 Dr				(1)		Sale of property		£306,000	(1)	£79,300 Dr	Actual trade receivables		£4,000	(1)	£75,300 Dr	Assets transferred to Rogers		£58,300	(1)	£17,000 Dr	Discount received		£300	(1)	£16,700 Dr	Dissolution expenses	£13,300			£30,000 Dr	Loss on dissolution – Lyall		£19,200	(1)	£10,800 Dr	Loss on dissolution – Rogers		£10,800	(1)	£0		<p>Watch consequentiality for the “Loss on dissolution”.</p> <p>No need for actual ledger account to be prepared.</p>
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Question			Expected response				Max mark	Additional guidance
5	b	i	Capital accounts	Lyall	Rogers		4	Watch consequentiality. No need for actual ledger accounts to be prepared.
			Opening balance	£160,000 Cr	£90,000 Cr	(1)		
			Current account	£21,800 Cr	£28,000 Cr	(1)		
			Transfer of assets		£58,300 Dr	(1)		
			Loss on realisation	<u>£19,200</u> Dr	<u>£10,800</u> Dr	(1)		
			Bank	£162,600 Cr	£48,900 Cr			
5	b	ii	Bank	Dr	Cr	Balance	8	Watch consequentiality. Ignore balances. Final capital figures MUST be from “Capital accounts”. If they are a 64%/36% split, then no mark awarded. No need for actual ledger account to be prepared.
			Balance	£3,600 (1)		£3,600 Dr		
			Trade receivables	£4,000 (1)		£7,600 Dr		
			Property	£306,000 (1)		£313,600 Dr		
			Dissolution expenses		£13,300 (1)	£300,300 Dr		
			Mortgage		£62,000 (1)	£238,300 Dr		
			Loan		£20,000 (1)	£218,300 Dr		
			Trade payables		£6,800 (1)	£211,500 Dr		
			Capital – Lyall		£162,600	£48,900 Dr		
			Capital – Rogers		£48,900			

[END OF SPECIMEN MARKING INSTRUCTIONS]