



Higher Accounting

Assignment

Assessment task – Trendy Travellers Ltd

This document provides information for teachers and lecturers about the coursework component of this course in terms of the skills, knowledge and understanding that are assessed. It **must** be read in conjunction with the course specification.

Specimen – valid from session 2018-19 and until further notice.

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Introduction

This document contains instructions for teachers and lecturers, marking instructions and instructions for candidates for the Higher Accounting assignment. You must read it in conjunction with the course specification.

This assignment is worth 60 marks. This is 33% of the overall marks for the course assessment.

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

Instructions for teachers and lecturers

Before candidates start the assignment, you must download the following e-file and make it available for them to use. You must keep the file secure and candidates must not access it in advance of assessment.

- ◆ Trendy Travellers Ltd – this is a spreadsheet file with **one** worksheet

Marking instructions

The following marking instructions are for the Higher Accounting specimen assignment. In line with SQA's normal practice, they are addressed to the marker. They will also be helpful for those preparing candidates for course assessment.

Marking instructions are not provided for annual assessment tasks. Candidates' evidence is submitted to SQA for external marking.

General marking principles

Always apply these general principles. Use them in conjunction with the specific marking instructions, which identify the key features required in candidates' responses.

- a Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- b If a candidate response does not seem to be covered by either the principles or specific marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- c Candidates gain marks for showing workings and demonstrating that they have followed accounting processes, even when they present incorrect figures.
- d **Treatment of errors**
The specific marking instructions provide guidance on the treatment of errors such as extraneous items, arithmetical errors and consequential errors.
- e **Layouts**
The specific marking instructions provide layouts for illustrative purposes only. Do not penalise candidates for using appropriate alternative layouts.
- f **Consequential errors**
You must take into account consequential errors. Candidates must receive marks for following the correct accounting processes and using the correct spreadsheet formulae.
- g **+/- rule**
You should check both statements before awarding marks for correct entry of Trial Balance items, as they can only appear once.
- h **Formulae**
Candidates may use a variety of different formulae to solve problems and provide the information needed in the spreadsheet. Award marks where a formula provides the correct answer. The formula in the specific marking instructions is not the only way to achieve the correct answer.

i **Printouts**

Each task clearly provides printing requirements. Where a printout for a task is missing, award marks for the correct information on any available alternative printout.

Specific marking instructions

Task 1 – solution	Marks	Additional guidance																																																																																																																							
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Task 2a spreadsheet or written – solution	Marks	Additional guidance
Factory Overheads £178,000 Prime Cost £334,000 Factory-wide Absorption Rate 52% 1	1	Watch for consequential errors from task 1.

Task 2b, c, d and e – spreadsheet value view – solution

Overhead Analysis Statement								
Name of Overhead	Basis of Apportionment	Rate	Total	Cutting	Assembly	Finishing	Cleaning	
Indirect Wages	Allocated		£42,000	£21,300	£10,600	£5,900	£4,200	
Supervision Salaries	No of Employees	£1,500	£24,000	£12,000	£6,000	£4,500	£1,500	
Heat and Light	Area (m ²)	£2.00	£16,000	£6,000	£4,000	£4,000	£2,000	
Machinery Insurance	Value of Machinery	£0.06	£12,000	£6,000	£4,500	£1,500	£0	
Factory Power	Kilowatt Hours (Kw Hrs)	£1.40	£28,000	£11,200	£8,400	£5,600	£2,800	
Rent	Area (m ²)	£4.50	£36,000	£13,500	£9,000	£9,000	£4,500	
Depreciation of Machinery	Value of Machinery	£0.10	£20,000	£10,000	£7,500	£2,500	£0	
Total Departmental Overheads			£178,000	£80,000	£50,000	£33,000	£15,000	
Service Centre Overheads reapportioned								
Cleaning	No of Employees	£1,000	£15,000	£8,000	£4,000	£3,000		
Total Production Cost Centre Overheads				£88,000	£54,000	£36,000		
Departmental Recovery Rates				£22	£18	£18		
				Per labour hour	Per labour hour	Per machine hour		
				Cutting	Assembly	Finishing		
Actual Overheads				£60,000	£52,000	£30,200		
Machine Hours				3,200	2,600	1,800		
Labour Hours				2,500	2,800	2,600		
Overheads Absorbed				£55,000	£50,400	£32,400		
Amount of overheads under or over absorbed				-£5,000	-£1,600	£2,200		
Overheads over/under absorbed				UNDER	UNDER	OVER		

Task 2b, c, d and e – spreadsheet formula view – solution

19	Overhead Analysis Statement								
20	Name of Overhead	Basis of Apportionment	Rate	Total	Cutting	Assembly	Finishing	Cleaning	
21	Indirect Wages	Allocated	=G14	=G14	=C14	=D14	=E14	=F14	
22	Supervision Salaries	=A10	=D22/\$G\$10	24000	=C\$22*C\$10	=C\$22*\$D\$10	=C\$22*E10	=C\$22*\$F\$10	1
23	Heat and Light	=A13	=D23/G13	16000	=C\$23*C\$13	=C\$23*\$D\$13	=C\$23*E\$13	=C\$23*\$F\$13	1
24	Machinery Insurance	=A11	=D24/G11	12000	=C\$24*C\$11	=C\$24*\$D\$11	=C\$24*E\$11	=C\$24*\$F\$11	1
25	Factory Power	=A15	=D25/G15	28000	=C\$25*C\$15	=C\$25*\$D\$15	=C\$25*E\$15	=C\$25*\$F\$15	1
26	Rent	=A13	=D26/G13	36000	=C\$26*C\$13	=C\$26*\$D\$13	=C\$26*E\$13	=C\$26*\$F\$13	1
27	Depreciation of Machinery	=A11	=D27/G11	20000	=C\$27*C\$11	=C\$27*\$D\$11	=C\$27*E\$11	=C\$27*\$F\$11	1
28	Total Departmental Overheads		=SUM(D21:D27)	=SUM(E21:E27)	=SUM(F21:F27)	=SUM(G21:G27)	=SUM(H21:H27)	1	
29	Service Centre Overheads re-apportioned								
30	Cleaning	=B22	=H28/(G10-F10)	=H28	=C\$30*C10	=C\$30*D10	=C\$30*E10		
31	Total Production Cost Centre Overheads				=E28+E30	=F28+F30	=G28+G30	1	
32									
33	Departmental Recovery Rates				=E31/\$C\$9	=F31/D9	=G31/\$E\$12		
34					Per labour hour	Per labour hour	Per machine hour		
35									
36					Cutting	Assembly	Finishing		
37	Actual Overheads				60000	52000	30200		
38	Machine Hours				3200	2600	1800		
39	Labour Hours				2500	2800	2600		
40	Overheads Absorbed				=E33*\$E\$39	=F33*\$F\$39	=G33*\$G\$38	1	
41	Amount of overheads under or over absorbed				=E40-E37	=F40-F37	=G40-G37	1	
42	State whether overheads are under absorbed or over absorbed				=IF(E40>E37,"OVER","UNDER")	=IF(F40>F37,"OVER","UNDER")	=IF(G40>G37,"OVER","UNDER")	1	

Marks	Additional guidance
11	<p>Award 1 mark if all formulae in rows 21 and 28 are correct.</p> <p>Award 1 mark for each row if all formulae in rows 22-27, 33 and 40-42 are correct.</p> <p>Award 1 mark if all formulae in rows 30 and 31 are correct.</p> <p>Absolute cells must be as shown.</p> <p>Watch for consequential errors from task 1 (Total Factory Overheads).</p>

Task 2f – solution					Marks	Additional guidance
JOB DATA	Cutting	Assembly	Finishing	Total		
Labour Hours	16	10	11			
Machine Hours	10	8	6			
Labour Hour Rate	£14	£18	£12			
JOB COST STATEMENT – JOB 321✓						
Direct Materials	£600	£200	£100	£900	1	Award 1 mark for Overheads row if both Cutting and Assembly are correct, and award an additional 1 mark if Finishing is correct.
Direct Labour	£224	£180	£132	£536	1	
Direct Expenses				£400	1	
Prime Cost				£1,836		
Overheads	£352	£180	£108	£640	2	
Total Cost				£2,476		
Profit Margin				£619	2	Award 2 marks for both Profit and Selling Price (all or nothing).
Selling Price✓				£3,095		
Correct heading, selling price label and arithmetic					1	Award 1 mark if heading and label indicated by ✓, and arithmetic are correct.

Task 3a and b – solution				Marks	Additional guidance
3a	Lightweight	Expandable	Hard-shell	8	
Selling Price	£120	£200	£150		
Variable Cost per unit	(£60 + £20) = £80 1	(£65 + £45) = £110 1	(£80 + £40) = £120 1		
Contribution per unit	£40	£90	£30		
Contribution from each Product	(£40 × 3,400) = £136,000 1	(£90 × 2,000) = £180,000 1	(£30 × 2,500) = £75,000 1		
Total Contribution	£391,000				
Fixed Costs/Overheads (2017)	£178,000				
Expected Profit	£213,000				
3b				2	
80% = 14,400 machine hours 1	100% = 18,000 machine hours 1				

Task 3c – solution				Marks	Additional guidance
	Lightweight	Expandable	Hard-shell	5	
	£40/1 hour	£90/3 hours	£30/2 hours		
Contribution per machine hour	£40 1	£30 1	£15 1		
Order of priority	1	2	3		
Additional 3,600 hours or 3,600 units is allocated to Lightweight					
Additional Contribution	3,600 hours × £40		£144,000 1		
Original Profit			£213,000		
Maximum Profit			<u>£357,000</u> 1		

Task 3d and e – solution					Marks	Additional guidance
3d					6	Award 1 mark for calculating Contribution from Lightweight, Expandable and Hard-shell. (indicated by ✓) Award 1 mark for calculating both Total Contribution and deducting Fixed Costs/Overheads. Award 1 mark for deducting Delivery Costs.
Special Order	Special Order (Lightweight)	Lightweight	Expandable	Hard-shell		
Selling Price	£110					
Variable Cost per unit	£80					
Contribution per unit	£30	1		£30		
Units	3,800			$18,000 - (3,800 + 3,400 + 6,000)$ $= 4,800 \text{ hrs}/2 = 2,400 \text{ units}$	1	
Contribution from each Product	£114,000	£136,000 ✓	£180,000 ✓	£72,000 ✓	1	
Total Contribution			£502,000			
Less Fixed Costs/Overheads			£178,000		1	
			£324,000			
Less Delivery Costs			£1,500			
Profit from Special Order			<u>£322,500</u>		1	
3e	Trendy Travellers Ltd should not accept the Special Order, as it results in a lower profit than the original full-capacity option.				1	

Instructions for candidates

This assessment applies to the assignment for Higher Accounting.

This assignment is worth 60 marks. This is 33% of the overall marks for the course assessment.

It assesses the following skills, knowledge and understanding:

- ◆ selecting appropriate data to prepare accounting statements using computational techniques and appropriate layouts
- ◆ comparing, analysing and making decisions using a range of complex accounting information
- ◆ making appropriate use of spreadsheet software to complete the assignment
- ◆ preparing a report outlining reasons for the decisions taken

Your teacher or lecturer will let you know if there are any specific conditions for doing this assessment.

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

- ◆ in the order presented
- ◆ in one block of 2 hours and 30 minutes (excluding printing time) – all printing must be completed on the same day as the assignment

You must use the e-file supplied by SQA for the tasks you complete using spreadsheet software.

Make sure you display your name, school and task clearly on each printout you submit.

Assessment task

Trendy Travellers Ltd is a family-run private limited company based in Glasgow. It manufactures and sells travel luggage on both a wholesale and retail basis. Currently, the business produces three main products:

- ◆ Lightweight suitcases
- ◆ Expandable suitcases
- ◆ Hard-shell suitcases

You have recently taken up the position of trainee accountant and work alongside Mrs Shah, one of three senior accountants employed by the company. Mrs Shah needs your help to complete the tasks outlined below, using the information provided.

Task	Description	Marks
1	<p>Prepare a Manufacturing Account and an Income Statement to determine Gross Profit for the year ended 31 December Year 2.</p> <p>You can complete task 1 as a handwritten task or using spreadsheet software.</p>	18
2	<ul style="list-style-type: none">◆ Prepare an Overhead Analysis Statement.◆ Calculate departmental overhead recovery rates.◆ Prepare a Job Cost Statement for Job 321. <p>You must complete task 2 (parts b-e) using spreadsheet software on the template provided and submit printouts as evidence.</p>	20
3	<p>Analyse the accounting information to aid decision-making within Trendy Travellers Ltd.</p> <p>You can complete task 3 as a handwritten task or using spreadsheet software.</p>	22
Total marks		60

Task 1

Mrs Shah has provided you with the following data taken from the accounts of Trendy Travellers Ltd.

Using this information and the additional notes, prepare a Manufacturing Account for the year ended 31 December Year 2 and an Income Statement, clearly showing **Gross Profit** at that date.

	£000
Inventories at 1 January Year 2:	
Raw Materials	4
Work-in-Progress	18
Finished Goods	48
Sales Revenue	702
Rent	42
Motor Vehicles at cost	220
Purchases of Raw Materials	248
Trade Receivables	65
Carriage on Raw Materials	4
Equity: 160,000 Ordinary Shares of £1 each	160
Purchases Returns (Finished Goods)	6
Wages	140
Factory Supervision Salaries	24
Cash and Cash Equivalents	15
Factory Heat and Light	16
Factory Machinery at Cost	200
Provision for Depreciation of Factory Machinery at 1 January Year 2	100
Royalties	6
Insurance	20
Administrative Expenses	32
Discount Allowed	2
Trade Payables	35
Provision for Depreciation of Motor Vehicles at 1 January Year 2	80
Purchases of Finished Goods	54
Factory Power (Indirect)	28
Property	250
Loan	25

Notes

£000

- 1 Inventories at 31 December Year 2:

Raw Materials	2
Work-in-Progress	12
Finished Goods	50
- 2 All Non-current Assets are depreciated at 20% using the reducing balance method.
- 3 Wages are to be shared as follows:
 - ◆ 60% Manufacturing
 - ◆ 30% Indirect Factory
 - ◆ 10% Warehouse
- 4 Sales Revenue of £8,000, paid in cash, has not yet been recorded.
- 5 Rent of £12,000 is payable at 31 December Year 2.
- 6 Rent is to be apportioned between the Factory and Office in the ratio of 2:1 respectively.
- 7 Purchases of Finished Goods worth £4,000 have been included in Purchases of Raw Materials by mistake.
- 8 Insurance receivable: £4,000.
- 9 Insurance is to be apportioned as follows:
 - ◆ Factory machinery $\frac{3}{4}$
 - ◆ Office equipment $\frac{1}{4}$
- 10 Finished Goods are transferred to the warehouse at an estimated wholesale value of £572,000.

Task 2

Trendy Travellers Ltd currently recovers overheads on a factory-wide basis, based on a percentage of Prime Cost. Mrs Shah estimates that all costs for Year 3 (both direct and indirect) will remain exactly the same as in Year 2.

- a Using the relevant information from your answer to task 1, calculate the factory-wide overhead absorption rate for Year 3.

Trendy Travellers Ltd has three production departments: Cutting, Assembly and Finishing, and one service department: Cleaning. Mrs Shah is thinking about introducing departmental overhead recovery rates for Year 3 and provides you with the following information:

	Cutting	Assembly	Finishing	Cleaning	Totals
Labour Hours	4,000	3,000	1,500	500	9,000
Number of Employees	8	4	3	1	16
Value of Machinery	£100,000	£75,000	£25,000	-	£200,000
Machine Hours	9,000	4,000	2,000	-	15,000
Area (m ²)	3,000	2,000	2,000	1,000	8,000
Indirect Wages	£21,300	£10,600	£5,900	£4,200	£42,000
Kilowatt Hours (Kw Hrs)	8,000	6,000	4,000	2,000	20,000
Direct Materials	£150,000	£70,000	£30,000	-	£250,000

- b Using the spreadsheet provided (filename: Task 2) and the relevant information from task 1, prepare an Overhead Analysis Statement for Year 3.
- c Reapportion the service department's total overheads to the production departments, based on the number of employees.

Production department overheads are recovered as follows:

- ◆ Cutting – Labour Hours
- ◆ Assembly – Labour Hours
- ◆ Finishing – Machine Hours

- d Calculate the overhead recovery rate for each production department.

The actual figures for Year 3 are as follows:

	Cutting	Assembly	Finishing
Total Overheads	£60,000	£52,000	£30,200
Machine Hours	3,200	2,600	1,800
Labour Hours	2,500	2,800	2,600

- e Calculate the amount of overhead over/under absorbed in each department. Your answer must clearly show whether the amount is over or under absorbed.
- f Using the following information and the departmental overhead recovery rates from part d, prepare a Job Cost Statement to calculate the selling price of Job 321. Direct expenses are expected to total £400 and Trendy Travellers Ltd apply a profit margin of 20%.

	Cutting	Assembly	Finishing
Direct Materials	£600	£200	£100
Machine Hours	10	8	6
Labour Hour Rate	£14	£18	£12
Labour Hours	16	10	11

Printing instructions:

Once you have completed task 2 parts b-e, print one copy of your spreadsheet in value view and one copy in formula view. Each printout must show gridlines, and row and column headings.

Copy of spreadsheet used with task 2

	A	B	C	D	E	F	G	H
1	Cost Centre Information							
2			Cutting	Assembly	Finishing	Cleaning	Total	
3	Labour Hours		4,000	3,000	1,500	500	9,000	
4	No of Employees		8	4	3	1	16	
5	Value of Machinery		£100,000	£75,000	£25,000	0	£200,000	
6	Machine Hours		9,000	4,000	2,000	0	15,000	
7	Area (m ²)		3,000	2,000	2,000	1,000	8,000	
8	Indirect Wages		£21,300	£10,600	£5,900	£4,200	£42,000	
9	Kilowatt Hours (Kw Hrs)		8,000	6,000	4,000	2,000	20,000	
10	Direct Materials		£150,000	£70,000	£30,000	0	£250,000	
11								
12	<i>Parts b and c</i>							
13	Overhead Analysis Statement							
14	Name of Overhead	Basis of Apportionment	Rate	Total	Cutting	Assembly	Finishing	Cleaning
15	Indirect Wages	d/f		f	f	f	f	f
16	d	d/f	f	d	f	f	f	f
17	d	d/f	f	d	f	f	f	f
18	d	d/f	f	d	f	f	f	f
19	d	d/f	f	d	f	f	f	f
20	d	d/f	f	d	f	f	f	f
21	d	d/f	f	d	f	f	f	f
22	Total Departmental Overheads			f	f	f	f	f
23	Service Centre Overheads reappportioned							
24	Cleaning	d/f	f	f	f	f	f	
25	Total Production Cost Centre Overheads				f	f	f	

26	Part d							
27	Departmental Recovery Rates				f	f	f	
28					Per labour hour	Per labour hour	Per machine hour	
29								
30	Part e				Cutting	Assembly	Finishing	
31	Actual Overheads				£60,000	£52,000	£30,200	
32	Machine Hours				3,200	2,600	1,800	
33	Labour Hours				2,500	2,800	2,600	
34	Overheads Absorbed				f	f	f	
35	Amount of overheads under or over absorbed				f	f	f	
36	Overheads under/over absorbed				f	f	f	

Task 3

Trendy Travellers Ltd produces three main products: Lightweight suitcases, Expandable suitcases and Hard-shell suitcases. Mrs Shah has provided you with the following information for Year 3:

	Lightweight	Expandable	Hard-shell
Selling Price per unit	£120	£200	£150
Material Cost per unit	£60	£65	£80
Labour Cost per machine hour	£20	£15	£20
Machine Hours per unit	1	3	2
Projected Sales and Production	3,400	2,000	2,500

Trendy Travellers Ltd currently operates at 80% of machine capacity.

Fixed Costs/Overheads will remain the same as in Year 2.

- a Using the above information, calculate the expected total profit from all three products for Trendy Travellers Ltd during Year 3.
- b Calculate total machine hours at full capacity.
- c Trendy Travellers Ltd intends to allocate the additional hours from operating at full capacity to the product that would maximise profits.

Calculate the maximum total profit for Trendy Travellers Ltd at full machine capacity.

Trendy Travellers Ltd is considering a special order for Year 3, for an additional 3,800 units of the product with the highest contribution per machine hour. The price per unit for the special order would be reduced by £10 and the special order would involve a delivery charge of £1,500.

The factory will continue working at full capacity and Sales and Production for the company's products will remain the same as before. All other costs and prices remain unchanged.

- d
 - (i) Calculate the revised total profit for Trendy Travellers Ltd if it accepts the option of the Special Order.
 - (ii) Advise Trendy Travellers Ltd if it should accept the Special Order outlined above during Year 3.

Administrative information

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History of changes

Version	Description of change	Date

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