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# Accounting Assignment Assessment task

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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.

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**Valid for session 2017/18 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](http://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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# Accounting Assignment

**TechDesign Ltd**

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# 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

TechDesign Ltd is based in Aberdeen and specialises in the manufacture and servicing of small machines for use in the catering and hospitality industry. You have just taken up the position of trainee accountant and will work under the supervision of Ms Lilly Cheng, the Senior Accountant. Ms Cheng requires your assistance in completing the tasks outlined below.

Task	Description	Marks
1	<p>a) Using information taken from the Accounts of TechDesign Ltd, prepare a Manufacturing Account and an Income Statement to determine Profit for the Year for the year ended 31 December 2017.</p> <p><b>Note: the appropriation section of the Income Statement is not required.</b></p> <p>b) Describe the differences between financial and management accounting.</p> <p>Task 1 can be completed as a handwritten task or completed using spreadsheet software.</p>	<p>19 marks</p> <p>2 marks</p>
2	<p>Using the <b>template provided</b> prepare a Service Cost Statement.</p> <p><b>You should pay particular attention to the printing instructions detailed in the task.</b></p>	10 marks
3	<p>a, b) Analyse accounting information</p> <p><b>Tasks 3a and 3b can be completed as a handwritten task or completed using spreadsheet software.</b></p> <p>c) Prepare a short report to aid decision-making within TechDesign Ltd.</p> <p>Task 3c can be handwritten or completed using word processing software (template provided).</p>	<p>16 marks</p> <p>3 marks</p>
<b>Total marks</b>		<b>50 marks</b>

### Task 1a

Ms Cheng has provided you with the following data from the accounts of TechDesign Ltd. Using this information and the additional notes she has provided, prepare a Manufacturing Account for the year ended 31 December 2017 and an Income Statement to clearly show Profit for the Year.

	£000
Inventories at 1 January 2017	
Raw Materials	10
Work-in-Progress	35
Finished Goods	10
Sales Revenue	875
Rent	45
Delivery Vehicles at cost	120
Purchases of Raw Materials	340
Trade Receivables	52
Carriage on Raw Materials	5
Equity - Ordinary Shares	250
Sales Returns	12
Wages	185
Office Salaries	26
Cash and Cash Equivalents	52
Office Equipment at cost	60
Provision for Depreciation on Office Equipment at 1 January 2017	15
Factory Heat and Light	18
Factory Machinery at cost	180
Provision for Depreciation on Factory Machinery at 1 January 2017	35
Royalties	12
Factory Maintenance and Cleaning	16
Administration Expenses	8
Discount Allowed	4
Trade Payables	40
Provision for Depreciation on Delivery Vehicles at 1 January 2017	30
Purchases of Finished Goods	26
Factory Power (Indirect)	15
Insurance	12

## NOTES

	£000
1. Inventories at 31 December 2017:	
Raw Materials	6
Work-in-Progress	46
Finished Goods	24
2. Provide for depreciation for the year as follows:	
• Factory Machinery and Delivery Vehicles 20% on the reduced balance	
• Office Equipment 10% on cost	
3. Purchases of Raw Materials have been overstated by £12,000.	
4. Royalties of £2,000 are payable at 31 December 2017.	
5. Factory Maintenance and Cleaning costs have been paid for the 16 months ending 30 April 2018.	
6. Wages are to be shared:	
60% Manufacturing	
20% Indirect Factory	
20% Warehouse	
7. Rent is to be apportioned between the Factory and Office in the ratio of 2:1 respectively.	
8. Insurance is to be split as follows:	
Factory Machinery $\frac{3}{4}$	
Office Equipment $\frac{1}{4}$	
9. Finished Goods are transferred to the warehouse at an estimated wholesale value of £670,000.	

### Task 1b

Describe the differences in the role of financial and management accountants.

## Task 2

TechDesign Ltd provides an annual 'safety check' service on all the machines they sell in their customer's own premises. Ms Cheng has provided you with the following estimated annual costs for carrying out safety checks on Model X:

1. Three technicians have been specifically trained to carry out repairs to Model X. Each technician works a basic 35-hour week, plus an additional 5 hours per week overtime. The basic wage rate is £10 per hour and overtime is paid at time and a half.
2. Each technician works 48 weeks and has an annual holiday of 4 weeks paid at the basic weekly wage.
3. Administration costs will be charged at a rate of 2% of total annual wages if wages are £70,000 or above, otherwise a rate of 1% will be charged.
4. Each technician will be supplied with a motor van. Each motor van costs £15,000 and has an estimated life of 4 years, after which it will have a residual value of £3,000.
5. It is estimated that each van will cover an average of 500 miles per week.
6. Petrol - 1 litre of petrol per 8 miles at a price of £1.20 per litre.
7. Servicing - each van will be serviced every 12,000 miles at a cost of £280 per service.
8. Tyres - replaced every 16,000 miles at a cost of £320 per van.
9. Other operating costs:
  - MOT £50 per van
  - Road Tax £240 per van
  - Group Insurance Policy for 3 vans - £2,156
10. It is expected that 460 safety checks will be carried out per quarter.

**As the above costs are estimates, formulae must be used to accommodate changes.**

Using the **template provided**, you are required to:

- a) Calculate the annual cost of operating the safety check service for Model X;
- b) Calculate the cost of each safety check.

**On completion of the tasks (a-b) above, print one copy of your spreadsheet in value view and one copy in formulae view.**

**EACH PRINTOUT MUST:**

- **FIT ON ONE PAGE**
- **SHOW GRIDLINES AND ROW AND COLUMN HEADINGS**

## Task 2 Worksheet

	A	B	C	D	E
1	<b>Task 2</b>				
2	<b>Name</b>				
3					
4	<b>WAGES</b>				
5	Basic Pay - per hour	d	Basic Hours	d	
6	Overtime - per hour	f	Overtime Hours	d	
7					
8	<b>MOTOR VANS</b>				
9	Cost - per van	d	No of vans	d	
10	Estimated Life - years per van	d	MOT per van	d	
11	Residual Value - per van	d	Road Tax per van	d	
12	Total Annual Mileage - all vans	f			
13	Petrol - per litre	d			
14	Servicing - per van	d			
15	Tyres - per van	d			
16					
17					
18	Number of Safety Checks per Quarter	d			
19					
20	<b>Annual Operating Costs - Model X</b>				
21					
22	Wages	f			
23	Administration Costs	f			
24	Depreciation	f			
25	Petrol	f			
26	Servicing	f			
27	Tyres	f			
28	MOT	f			
29	Road Tax	f			
30	Insurance	d			
31	<b>Total Cost</b>	f			
32					
33	<b>Cost per Safety Check</b>	f			

### Task 3

TechDesign Ltd manufactures 3 main machines - Model X, Model Y and Model Z. In 2019, TechDesign Ltd will include one safety check in the cost of making each machine.

Ms Cheng has provided you with the following information for 2019:

	Model X	Model Y	Model Z
Selling Price per unit	£300	£270	£265
Variable Costs per unit:			
Material Cost per unit	£110	£100	£80
Labour Cost per unit	£60	£40	£50
Safety Check	?	£40	£60
Machine Hours per unit	4	5	5
Projected Sales and Production (Units)	625	500	400

Machine hours for 2019 will be limited to 6,800 hours.

Fixed Costs are estimated to be £80,000.

- (a) Using the above information (and relevant information from Task 2), calculate the expected total profit from all 3 products for TechDesign Ltd for 2019.

TechDesign Ltd wants you to investigate the following 2 options:

#### Option 1

TechDesign Ltd sub-contracts its safety check service to another firm. The firm has agreed to carry out safety checks on **all 3 machines** at a flat rate of £45 per machine. All other information would remain unchanged.

OR

#### Option 2

TechDesign Ltd accepts a special order for an additional **300 units** of Model Z. Price per unit for the **special order** would increase by £30 per unit. A one-off bonus payment of £1,000 will be paid to workers who produce Model Z. All other information would remain unchanged.

- (b) Calculate the revised total profit for TechDesign Ltd from each of these options.

- (c) Prepare a short report for Ms Cheng to:

- (i) advise and justify whether TechDesign Ltd should implement either of the 2 options outlined above;
- (ii) explain the importance of a limiting factor for a manufacturing business.

**File Memo Report is available for use with task (3c)**

# Report

**To:** Ms Lilly Cheng

**From:** Your name

**Date:** Today's

**Subject:** Insert an appropriate subject

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## FILES TO ACCOMPANY THE ASSIGNMENT



Memo Report



Task 2 Worksheet

## Administrative information

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## History of changes

Version	Description of change	Authorised by	Date

## Security and confidentiality

This document can be used by practitioners in SQA approved centres for the assessment of National Courses and not for any other purpose.

<p><b>Published:</b> September 2018 <b>Change since last published:</b> Copyright statement added</p>
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