



# Higher Accounting Assignment Assessment task

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.

**Valid for session 2018-19 only.**

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# 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-files supplied by SQA for the tasks you complete using spreadsheet software. **These files must not be adapted, for example adding or deleting columns or rows.**

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

# Assessment task

Accurate Accounts Ltd is a small firm of chartered accountants based in Aberdeen. It offers specialised accounting services for clients in the surrounding area.

As a new trainee accountant, you work alongside Mr Jim Marshall, an experienced accountant. Mr Marshall is currently undertaking work for Italian Cuisine, a successful partnership that supplies Italian food across the north of Scotland. Mr Marshall requires your assistance to complete the tasks outlined below.

Task	Description	Marks
1	<p>Using information taken from the Accounts of Italian Cuisine, prepare an Income Statement, including the appropriation of profits for the year ended 31 December Year 3.</p> <p>You are also required to show the updated Current Accounts of <b>both</b> partners.</p> <p>You can complete task 1 as a handwritten task or by using spreadsheet software.</p>	25
2	<p>Produce a Sales Budget and a Cash Budget for Italian Cuisine for Year 4.</p> <p>You can complete task 2(a) as a handwritten task or by using spreadsheet software.</p> <p>You must complete task 2(b) using spreadsheet software on the template provided and submit printouts as evidence.</p> <p>If you are completing all of task 2 using spreadsheet software this should be completed on file <b>T2SSA</b>.</p> <p>If you are completing task 2(a) – the Sales Budget – as a handwritten task, you must use file <b>T2SSB</b>.</p> <p>For the completion of task 2(b) you must transfer the necessary information from your Sales Budget onto file <b>T2SSB</b> prior to commencing the Cash Budget.</p> <p><b>You must pay particular attention to the printing instructions for this task.</b></p>	15
3	<p>Prepare Investment Appraisal Statements and a short report.</p> <p>You can complete task 3 as a handwritten task or by using spreadsheet/word-processing software.</p>	20
<b>Total marks</b>		<b>60</b>

## Task 1

You have been provided with the following information from the Accounts of Italian Cuisine.

<b>Italian Cuisine</b>		
<b>Trial Balance as at 31 December Year 3</b>		
	£000	£000
Sales Revenue		620
Purchases Returns		14
Selling Expenses	12	
Sales Returns	80	
General Expenses	5	
Provision for Doubtful Debts at 1 January Year 3		4
Inventory at 1 January Year 3	40	
Purchases	250	
Staff Salaries	80	
Discounts	2	3
Rates	3	
Warehouse Expenses	4	
Advertising	10	
VAT		30
Trade Receivables	20	
Trade Payables		12
Property (at cost)	425	
Motor Vehicles (at cost)	50	
Equipment (at cost)	60	
Cash and Cash Equivalents	23	
Rent Received		6
Loan – Zecchino		120
Provision for Depreciation at 1 January Year 3:		
Motor Vehicles		10
Equipment		15
Equity Accounts:		
Zecchino		200
Martone		100
Current Accounts:		
Zecchino	50	
Martone		30
Drawings:		
Zecchino	20	
Martone	30	
	<b>1,164</b>	<b>1,164</b>

### Notes at 31 December Year 3

- 1 Closing inventory is 560 units valued at £20,000.
- 2 Advertising for the second half of the year is still outstanding.
- 3 Selling Expenses receivable £2,000.
- 4 Rates payable £1,000.
- 5 The Provision for Doubtful Debts at 31 December Year 3 has to be adjusted to 5% of Trade Receivables.
- 6 The loan from Zecchino was obtained on 1 July Year 3. Finance charges are paid at 5% per annum.
- 7 Provide for depreciation for the year as follows
  - Motor Vehicles 10% on cost
  - Equipment 20% on the reducing balance.

### The partnership agreement states

- interest on equity will be paid at 8% per annum
- interest will be charged on drawings at the rate of 10% per annum
- Martone will be paid an annual salary of £15,000
- residual profits/losses are to be shared in the ratio of equity invested.

Using this information prepare

- (a) an Income Statement for year ended 31 December Year 3
- (b) updated Current Accounts of both partners.

## Task 2

Italian Cuisine sells Italian food from its factory/shop in Aberdeen on both a retail (cash) and wholesale (credit) basis.

Year 4	January	February	March	April	May	June	July
Purchases in Units	2,800	4,400	6,000	5,000	4,500	4,500	4,000

The business will retain 20% of the following month's purchases as closing inventory each month.

- (a) Using appropriate information from **task 1** and the information provided by Mr Marshall, above, prepare a Sales Budget for the first 6 months of Year 4.

**Other information for the period is as follows.**

- 1 Sales are divided 40% retail (cash only) and 60% wholesale (credit terms).
- 2 Selling prices

Cash Sales	£10
Credit Sales	75% of wholesale customers pay within 1 month and receive 10% discount on retail price.
	The remaining credit customers pay within 2 months of sale, however 5% of the amount due from these customers is expected to be bad debts.
- 3 Italian Cuisine purchases its inventory from suppliers at a cost of £5 per unit. It will pay a 10% deposit of total purchase cost in the month of purchase, with the remainder being paid the month after purchase.
- 4 Selling Expenses of £0.50 per unit are payable one month after sales.
- 5 Monthly fixed costs (including depreciation of £200) are £700.
- 6 From 1 January Year 4, target sales will be set at 5,000 units per month. Bonuses are payable in the following month for sales which exceed this target. The bonus payable to sales staff is £2 per unit.
- 7 Finance charges on Zecchino's loan will remain at 5% per annum during Year 4 and these will be paid quarterly starting in January.
- 8 Martone will provide the business with an additional loan on 1 March Year 4. The amount will be  $\frac{1}{4}$  of Zecchino's loan and finance charges of 5% per annum will be paid monthly beginning in April.
- 9 New fittings will be purchased for the business in March Year 4 at a total cost of £120,000. Payment of an initial deposit will be made in March. The remaining two payments, made in April and May, will be exactly twice the amount of the payment for March.
- 10 Cash and Cash Equivalents balance on 1 March is £80,000.

(b) Prepare a Cash Budget for the 3 months March – May Year 4, to show monthly receipts and payments and the opening and closing balance for each month.

**Printing instructions**

Once you have completed tasks 2(a) and (b), 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.

## Copy of e-file: T2SSA

	A	B	C	D	E	F	G
1	<b>Italian Cuisine</b>						
2	<b>Sales Budget for January – June Year 4</b>						
3		Jan	Feb	Mar	Apr	May	Jun
4	Opening Inventory	d	f	f	f	f	f
5	Purchases	d	d	d	d	d	d
6		f	f	f	f	f	f
7	Closing Inventory	f	f	f	f	f	d/f
8	Sales	f	f	f	f	f	f
9							
10							
11	Retail (Cash) Selling Price (per unit)	d					
12	Purchase Price (per unit)	d					
13	Selling Expenses	d					
14	Bonus (per unit)	d					
15							
16							
17	<b>Italian Cuisine</b>						
18	<b>Cash Budget for March – May Year 4</b>						
19		Mar	Apr	May			
20	Opening Balance	d	f	f			
21							
22	<b>Receipts</b>						
23	Cash Sales	f	f	f			
24	Credit Sales — 1 month	f	f	f			
25	Credit Sales — 2 months	f	f	f			
26	Loan — Martone	f					
27	<b>Total Receipts</b>	f	f	f			
28							
29	<b>Payments</b>						
30	Purchases (Deposit)	f	f	f			
31	Purchases (Balance)	f	f	f			
32	Fixed Costs	d	f	f			
33	New Fittings	f	f	f			
34	Selling Expenses	f	f	f			
35	Sales Bonus	f	f	f			
36	Finance Charges — Zecchino		f				
37	Finance Charges — Martone		f	f			
38	<b>Total Payments</b>	f	f	f			
39							
40	Closing Balance	f	f	f			

## Copy of e-file: T2SSB

	A	B	C	D	E	F	G
1	<b>Italian Cuisine</b>						
2	<b>Sales Budget for January – June Year 4</b>						
3		Jan	Feb	Mar	Apr	May	Jun
4							
5	Purchases	d	d	d	d	d	d
6							
7							
8	Sales	d	d	d	d	d	d
9							
10							
11	Retail (Cash) Selling Price (per unit)	d					
12	Purchase Price (per unit)	d					
13	Selling Expenses	d					
14	Bonus (per unit)	d					
15							
16							
17	<b>Italian Cuisine</b>						
18	<b>Cash Budget for March – May Year 4</b>						
19		Mar	Apr	May			
20	Opening Balance	d	f	f			
21							
22	<b>Receipts</b>						
23	Cash Sales	f	f	f			
24	Credit Sales — 1 month	f	f	f			
25	Credit Sales — 2 months	f	f	f			
26	Loan — Martone	f					
27	<b>Total Receipts</b>	f	f	f			
28							
29	<b>Payments</b>						
30	Purchases (Deposit)	f	f	f			
31	Purchases (Balance)	f	f	f			
32	Fixed Costs	d	f	f			
33	New Fittings	f	f	f			
34	Selling Expenses	f	f	f			
35	Sales Bonus	f	f	f			
36	Finance Charges — Zecchino		f				
37	Finance Charges — Martone		f	f			
38	<b>Total Payments</b>	f	f	f			
39							
40	Closing Balance	f	f	f			

### Task 3

Italian Cuisine has funds available to invest and is considering one of two projects. Each project will be worth 20% of its initial investment at the end of its life. Data relating to each project is shown below.

	Project A	Project B
Initial Investment	£30,000	£40,000
Project Life	4 years	5 years
Estimated Net Cash Inflow		
Year 1	£21,000	£17,500
Year 2	£17,500	£13,500
Year 3	£14,000	£10,500
Year 4	£10,000	£9,000
Year 5		£7,000

You are required to

- (a) calculate profit earned each year for both projects
- (b) calculate the Accounting Rate of Return for Project A and Project B based on the original investment
- (c) calculate the Payback Period (to the nearest day) for each project
- (d) prepare a short report to
  - (i) outline the reason for the preferred project
  - (ii) describe the advantages and disadvantages of using the Payback method of investment appraisal.

**Note: you can use file T3WP for task 3(d).**

# Report

To: Italian Cuisine

From: Your name

Date: Today's

Subject: INVESTMENT APPRAISAL

# Administrative information

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## History of changes

Version	Description of change	Date

Note: you are advised to check SQA's website to ensure you are using the most up-to-date version of this document.

## Security and confidentiality

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