



National
Qualifications

2018 Accounting Assignment

Higher

Finalised Marking Instructions

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General marking principles for the assignment

This information is provided to help you understand the general principles you must apply when marking candidate responses to this assignment. 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.

Treatment of errors

Guidance on the treatment of errors such as extraneous items, arithmetical errors and consequential errors will be provided in the detailed marking instructions.

Layouts

Layouts in the detailed marking instructions are provided for illustrative purposes only. Candidates should not be penalised for using appropriate alternative layouts.

Consequential errors

Consequential errors will be taken into account and candidates will receive credit for following the correct accounting processes and spreadsheet formula.

Formulae

It is possible for candidates to use a variety of different formulae to resolve the problem and provide the information needed in the spreadsheet. Marks will be awarded where a formulae has been used that provides the correct answer, the formulae provided in the marking instructions is not the only correct answer.

Printouts

Candidates are clearly directed, within the instructions, as to the printing requirements. Where a printout for a task is missing, marks will be awarded on any available alternative printout.

Task 1a

TechDesign Ltd		CODE	MARK
Manufacturing Account for Year ended 31 December 2017 ✓			
	£000	£000	
Opening Inventory of Raw Materials		10	A
Add Purchases of Raw Materials (340-12)		328	B
		<u>338</u>	
Add Carriage on Raw Materials		5	B
		<u>343</u>	
Closing Inventory of Raw Materials		6	A
COST OF RAW MATERIALS CONSUMED ✓		<u>337</u>	
ADD DIRECT COSTS			
Royalties (12+2)	14		1
Direct Wages (60% x 185)	111	125	C
PRIME COST ✓		<u>462</u>	
ADD FACTORY OVERHEADS			
Indirect Wages (185 x 20%)	37		C
Rent (2/3 x 45)	30		D
Factory Heat and Light	18		E
Factory Power	15		E
Insurance of Factory Machinery (12 x 3/4)	9		F
Depreciation of Factory Machinery (180-35) x 20%	29		1
Factory Maintenance and Cleaning costs (16/16*12)	12	150	1
		<u>612</u>	
Add Opening Inventory of Work-in-Progress		35	G
		<u>647</u>	
Less Closing Inventory of Work-in-Progress		46	G
FACTORY COST OF PRODUCTION ✓		<u>601</u>	H
Manufacturing Profit ✓		69	H
WHOLESALE VALUE OF FINISHED GOODS ✓		<u>670</u>	H

8 Marks

TechDesign Ltd

CODE MARKS

Income Statement for Year ended 31 December 2017 ✓

	£000	£000		
Sales Revenue		875	J	
Less Sales Returns		<u>12</u>	J	1
		863		
Less Cost of Sales				
Opening Inventory of Finished Goods	10		K	
Add Market Value of Finished Goods*	<u>670</u>		L	
	680			
Purchases of Finished Goods	<u>26</u>		L	1
	706			
Closing Inventory of Finished Goods	<u>24</u>		K	1
	682			
Warehouse Wages (185 x 20%)	<u>37</u>	719	C	1
Gross Profit ✓		144		
Add Manufacturing Profit		<u>69</u>		1
		213		
Less Expenses				
Rent (1/3)	15		D	1
Office Insurance (12*1/4)	3		F	1
Office Salaries	26		M	
Administration Expenses	8		M	
Discount Allowed	4		M	1
Depreciation of Delivery Vehicles (120-30)*20%	18			1
Depreciation of Office Equipment (60*10%)	<u>6</u>	80		1
Profit for the Year ✓		133		

Headings, labels, arithmetic and no extraneous items

1

11 Marks

If Direct Costs or Factory Overheads deducted but indicated as add, treat as arithmetical error.

However, if indicated *less* or no indication and figure deducted, award marks where possible and divide by 2. Round-up, max 3.

* If no market value used in Manufacturing Account, accept Factory Cost of Production.

Task 1b

Role of the financial accountant:

- prepare a historical record of the financial affairs of a business
- provide financial accounting statements for both internal and external purposes and to make these statements available to shareholders, lenders and other stakeholders
- ensure that the preparation of financial statements complies with the law (Companies Act), particularly for public limited companies
- ensure that financial statements comply with the principles outlined in statements of accounting standards laid down by professional accounting bodies
- provide financial accounting information to the management of a business organisation for decision making purposes
- ensure that financial accounting statements show the stewardship of an organisation and the accountability of the board of directors to shareholders and other stakeholders

Role of the management accountant:

- collect financial data so that a business can improve and operate more efficiently and effectively
- produce business plans, forecasts and budgeting information
- collect and categorise costs such as labour, materials and overheads
- allocate costs to cost centres
- cost products and services
- determine the profit made on individual products
- prepare budgets and make comparisons between budgeted and actual data
- provide advice to assist management with decision-making regarding alternative strategies and courses of action
- supply financial information to other departments to assist them in their own internal planning and decision making
- work as part of a management team involving managers from other areas of the business such as sales and production
- produce reports which will help the organisation to monitor and manage its performance and to plan future activities

1 mark for each point of comparison, (max 2)

(2 marks)

Task 2 - Data View

	A	B	C	D	E
1	Task 2				
2	Name				
3					
4	WAGES				
5	Basic Pay - per hour	£10	Basic Hours	35	
6	Overtime - per hour	£15	Overtime Hours	5	
7					
8	MOTOR VANS				
9	Cost - per van	£15,000	No of vans	3	
10	Estimated Life - years per van	4	MOT per van	£50	
11	Residual Value - per van	£3,000	Road Tax per van	£240	
12	Total Annual Mileage - all vans	72,000			
13	Petrol - per litre	£1.20			
14	Servicing - per van	£280			
15	Tyres - per van	£320			
16					
17					
18	Number of Safety Checks per Quarter	460			
19					
20	Annual Operating Costs - Model X				
21					
22	Wages	£65,400			
23	Administration Costs	£654			
24	Depreciation	£9,000			
25	Petrol	£10,800			
26	Servicing	£1,680			
27	Tyres	£1,440			
28	MOT	£150			
29	Road Tax	£720			
30	Insurance	£2,156			
31	Total Cost	£92,000			
32					
33	Cost per Safety Check	£50			

Task 2 - Formula View

	A	B	C	D	E
1	Task 2				
2	Name				
3					
4	WAGES				
5	Basic Pay - per hour	10	Basic Hours	35	
6	Overtime - per hour	=B5*1.5	Overtime Hours	5	
7					
8	MOTOR VANS				
9	Cost - per van	15000	No of vans	3	
10	Estimated Life - years per van	4	MOT per van	50	
11	Residual Value - per van	£3,000	Road Tax per van	240	
12	Total Annual Mileage - all vans	=500*D9*48			
13	Petrol - per litre	1.2			
14	Servicing - per van	280			
15	Tyres - per van	320			
16					
17					
18	Number of Safety Checks per Quarter	460			
19					
20	Annual Operating Costs - Model X				
21					
22	Wages	=(B5*D5*3*52)+(B6*D6*3*48)	1		
23	Administration Costs	=IF(B22>=70000,2%*B22,1%*B22)	1		
24	Depreciation	=(B9-B11)/B10*D9	1		
25	Petrol	=(B12/8)*B13	1		
26	Servicing	=(B12/12000)*B14	1		
27	Tyres	=(B12/16000)*B15	1		
28	MOT	=D10*D9			
29	Road Tax	=D11*D9			
30	Insurance	2156	1		
31	Total Cost	=SUM(B22:B30)			
32					
33	Cost per Safety Check	=B31/(B18*4) OR B31/B18/4	1		
One mark will be awarded for inserting all data and following printing instructions for both value and formulae printout (fit on one page, show gridlines, row and column headings).				1	
				10 marks	

Task 3

Task 3a	Model X	Model Y	Model Z		MARKS
Selling Price	£300	£270	£265		
Less Variable Cost					
Materials	£110	£100	£80		
Labour	£60	£40	£50		
Safety Check	£50*	£40	£60	*consequential on Task 2	
Total Variable Costs	£220	£180	£190		1 row
Contribution per Unit	£80	£90	£75		1 row
Machine Hours	4	5	5		
Contribution per Machine Hour	£20	£18	£15		1 row
Order of Priority	1	2	3		
Machine Hours Allocated	2,500	2,500	1800		
OR Units Produced	625	500	360		3 for the row
CONTRIBUTION	£50,000	£45,000	£27,000	£122,000	1 total contribution
LESS FIXED COSTS				£80,000	
PROFIT				£42,000	1 both figures

8 Marks

If no attempt at Contribution per Machine Hour, award marks lost 4 (Contribution per Machine Hour and Machine Hours Allocated/Units Produced).

However: no attempt to reduce production (based on unit cost), award mark lost for total contribution.

Task 3b

OPTION 1

	Model X	Model Y	Model Z	
Selling Price	£300	£270	£265	
Less Variable Cost				
Material	£110	£100	£80	
Labour	£60	£40	£50	
Safety Check	£45	£45	£45	
	£215	£185	£175	
Contribution per Unit	£85	£85	£90	1 row
Machine Hours	4	5	5	
Contribution per Machine Hour	£21.25	£17	£18	1 row
Order of Priority	1	3	2	
Machine Hours Allocated	2500	2300	2000	1 row
OR Units Produced	625	460	400	
CONTRIBUTION	£53,125	£39,100	£36,000	£128,225
LESS FIXED COSTS				£80,000
PROFIT				£48,225

4 Marks

OPTION 2

	Model X	Model Y	Model Z	Special Order	
Selling Price	£300	£270	£265	£295	
Less Variable Cost	£220	£180	£190	£190	
Contribution per Unit	£80	£90	£75	£105	1 for £105 only
Machine Hours	4	5	5	5	
Contribution per Machine Hour	£20	£18	£15	£21	
Order of Priority	2	3	4	1	
Machine Hours Allocated	2500	2500	300	1500	1
OR Units Produced	625	500	60	300	
CONTRIBUTION	£50,000	£45,000	£4,500	£31,500	£131,000
LESS FIXED COSTS					£80,000
Bonus					£1,000
PROFIT					£50,000

1 row

1 all three figures

4 Marks

Alternative Method

Contribution lost Model Z	300 units x £75	1	(£22,500)	
OR	1500 hours x £15			
Contribution gain Special order	300 units x £105	1	<u>£31,500</u>	
OR	1500 hours x £21			
			£9,000	1
Less Bonus			£1,000	
Add Original Profit			<u>£42,000</u>	
PROFIT			£50,000	1 all three figures

Report

To: Ms Lilly Cheng

From: Your name

Date: Today's

Subject: Insert an appropriate subject

(i) TechDesign Ltd should implement Option 2, as the profit would increase (by £8,000).

1 mark

Note:

The recommendation (and reason) will be consequential on calculations carried out in question 3b.

(ii) The importance of a limiting factor to a manufacturing business:

- Limiting factors can reduce the number of units a manufacturing business is able to make.
- If an organisation manufactures more than one product and faces a shortage in the supply of a single resource (for example, labour hours, machine hours or materials) that is required in the production of its products then the organisation must determine the product that generates the highest contribution per limiting factor.
- When an organisation faces a limiting factor, contribution per unit is not sufficient to determine the most profitable level of output of each product. The business must first calculate contribution per unit and then divide this by the number of units of the limiting factor to make one unit.
- When a business manufactures more than one product, then calculating the contribution per limiting factor enables the business to determine an order of priority to produce their products to maximise profits.

1 mark for each valid explanation

2 marks

[END OF MARKING INSTRUCTIONS]