



# **2015 Accounting Solutions**

## **Higher**

### **Finalised Marking Instructions**

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## **General Marking Principles for: Accounting Higher Solutions**

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 specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie marks should be awarded for what is correct and not deducted for errors or omissions.

## **GENERAL MARKING ADVICE: Accounting Higher Solutions**

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

## Question 1

### TRADING AND PROFIT AND LOSS ACCOUNT FOR YEAR ENDING 31 DECEMBER YEAR 5 ✓

	£000	£000	£000	
Sales			550	(1)
<b>Less COST OF GOODS SOLD</b>				
Opening Stock		17		(1)
Add Purchases	180	(1)		
Less Purchase Returns	<u>3</u>	(1)	<u>177</u>	
			194	
Less Closing Stock			<u>25</u>	(1)
			169	
Add Warehouse Rent		<u>7</u>	(2)	<u>176</u>
<b>GROSS PROFIT</b> ✓				374
Add Decrease in Provision for Bad Debts		3	(2)	
Discount Received		<u>13</u>	(1)	<u>16</u>
				390
Less Office Expenses	12			
Less Prepaid	<u>2</u>	10	(2)	
Salaries	94			
Add due	<u>3</u>	97	(2)	
Depreciation on Motor Vehicles	16	(2)		
Depreciation on Office Equipment	<u>12</u>	(2)	28	
Office Rent			3	(1)
Loan Interest due		<u>5</u>	(2)	<u>143</u>
<b>NET PROFIT</b> ✓				247
Add Interest on Drawings	Wilson	3	(1)	
	Ferguson	<u>5</u>	(1)	<u>8</u>
				255
Less Interest on Capital	Wilson	10	(1)	
	Ferguson	<u>5</u>	(1)	15
Salary - Wilson			<u>15</u>	(1)
Residual Profit				225
Share of Profits	Wilson (2/3)		150	(1)
	Ferguson (1/3)		<u>75</u>	(1)
				225
				<b>(28)</b>

**Current Account – Wilson**

Balance			20✓	Dr
Interest on Capital	10 ✓		10	Dr
Salary	15 (1)		5	Dr
Share of Profits	150 ✓		155	Cr
Interest on Drawings	3 ✓		152	Cr
Drawings	30 ✓		122	Cr

**Current Account – Ferguson**

Balance			30 (1)	Cr
Interest on Capital	5 (1)		35	Cr
Share of Profits	75 (1)		110	Cr
Interest on Loan	5 (1)		115	Cr
Interest on Drawings	5 (1)		110	Cr
Drawings	50 (1)		60	Cr
				(7)

**BALANCE SHEET AS AT 31 DECEMBER YEAR 5 ✓**

**FIXED ASSETS**

Premises	400	50	450	(1)
Motor Vehicles	100	36	64	(1)
Office Equipment	<u>120</u>	<u>42</u>	<u>78</u>	(1)
			592	

**ADD CURRENT ASSETS**

Stock		25	(1)
Debtors	140		
Less Provision for Bad Debts	<u>7</u>	133	(2)
Prepaid Office Expenses		<u>2</u>	(1)
		160	

**LESS CURRENT LIABILITIES**

Creditors	62	(1)
VAT	40	(1)
Bank Overdraft	15	(1)
Salaries due	3	(1)
	<u>120</u>	

**WORKING CAPITAL**

<u>40</u>
<u><u>632</u></u>

**FINANCED BY**

**CAPITAL**

Wilson		200	} (1)
Ferguson		<u>100</u>	
		300	

**CURRENT ACCOUNTS**

Wilson		122	} (1)
Ferguson		<u>60</u>	
		182	
		<u>482</u>	

**RESERVES**

Capital Reserve		50	(1)
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**LONG TERM LIABILITIES**

ADD Loan – Ferguson		<u>100</u>	(1)
		<u><u>632</u></u>	(15)

(50)

## Question 2

### (a) Accumulated Fund at 1 January Year 3

<b>ASSETS</b>			
Equipment		10	(1)
Pool hire prepaid		3	(1)
Subs in arrears		4	(1)
		<u>17</u>	
Less <b>LIABILITIES</b>			
Subs in advance	1	(1)	
Bank	3	(1)	
Travel Expenses due	1	(1)	
		<u>5</u>	
		<u>12</u>	(6)

### (b) Income and Expenditure Account the year ended 31 December Year 3 ✓

	£000	£000	
<b>(i) Income</b>			
Subscriptions (25 + 1 (1) - 4 (1) - 2 (1) + 3 (1))		23	(4)
Profit on Raffle (3 - 1 - 1)		1	(2)
Competition Profit (4 - 2 - 1)		1	(2)
		<u>25</u>	
<b>Expenditure</b>			
Coaches Honorarium	4	(1)	
Pool Hire (22 + 3 - 4)	21	(2)	
Travel Expenses (3 - 1)	2	(2)	
General Expenses	1	(1)	
Depreciation: Equipment (10 + 2) - 9	3	(2)	
		<u>31</u>	
<b>Deficit ✓</b>		<u>6</u>	(16)
<b>(ii) Balance Sheet as at 31 December Year 3 ✓</b>			
<b><u>Fixed Assets</u></b>			
Equipment			9 (1)
<b><u>ADD Current Assets</u></b>			
Subs in Arrears		3	(1)
Pool Hire Prepaid		4	(1)
		<u>7</u>	
<b><u>LESS Current Liabilities</u></b>			
Bank (-3 + 32 - 37)	8	(2)	
Subs in Advance	2	(1)	
		<u>10</u>	
			<u>-3</u>
			<u>£6</u>
<b><u>Financed by</u></b>			
Accumulated Fund 1 Jan			12 (1)
Less Deficit			<u>6 (1)</u>
Accumulated Fund at 31 Dec			<u>£6 (8)</u>
			<u>(30)</u>

**PART B****(a)**

Year 2	$0.75 \times 0.2 \times \text{£}30,000 = \text{£}4,500$	<b>(2)</b>
Year 3	$0.2 \times (\text{£}30,000 - \text{£}4,500) = 0.2 \times \text{£}25,500 = \text{£}5,100$	<b>(2)</b>
Year 4	$0.2 \times (\text{£}25,500 - \text{£}5,100) = 1/3 \times 0.2 \times \text{£}20,400 = \text{£}1,360$	<b>(2)</b>
Total	$\text{£}4,500 + \text{£}5,100 + \text{£}1,360 = \text{£}10,960$	<b>(1)</b>

**(7)****(b)**Net Book Value at Sale =  $\text{£}30,000 - \text{£}10,960 = \text{£}19,040$  **(1)**

Selling Price – NBV = Profit/Loss

 $\text{£}12,000 - \text{£}19,040 = \text{£}7,040$  **(1)** Loss **(1)** **(3)****(10)**

### Question 3

#### PART A

##### (i) Manufacturing Account for year ended 31 December Year 4 ✓

	£000		£000	
Cost of Raw Materials Consumed			320	(1)
<u>Plus Direct Costs</u>				
Manufacturing Wages	280	(1)		
Royalties	<u>15</u>	(1)	<u>295</u>	
<b>PRIME COST ✓</b>			615	
<u>Plus Factory Overheads</u>				
Indirect Factory Wages	43	(1)		
Electricity(9 + 6 × 4/5)	12	(2)		
Insurance	12	(1)		
Depreciation: Machinery (60 – 20) × 20%	<u>8</u>	(2)	<u>75</u>	
			690	
<u>Work-in-Progress</u>				
Opening Stock	30	(1)		
Less Closing Stock	<u>25</u>	(1)	<u>5</u>	
<b>COST OF GOODS MANUFACTURED ✓</b>			695	
Profit on Manufacture			<u>10</u>	
<b>MARKET VALUE OF PRODUCTION ✓</b>			<u>705</u>	(2)
				(13)

##### (ii) Trading and Profit and Loss Account for year ending 31 December Year 4 ✓

	£000		£000	
Sales			800	(1)
Opening Stock: Finished Goods	42	(1)		
Market Value of Production	<u>705</u>	(2)		
	747			
Closing Stock: Finished Goods	<u>36</u>	(1)		
<b>COST OF SALES</b>			<u>711</u>	
<b>GROSS PROFIT ✓</b>			89	
Add Manufacturing Profit			<u>10</u>	(1)
			99	
<u>Less Expenses</u>				
Debenture Interest	10	(2)		
Electricity	3	(1)		
Office Expenses	30	(1)		
Loan Interest (3/4 × 10% × 40)	3	(2)		
Overdraft Interest	<u>5</u>	(1)	<u>51</u>	
<b>NET PROFIT (BEFORE TAX) ✓</b>			48	
Less Corporation Tax			<u>12</u>	(1)
			36	
Add Unappropriated Profit			<u>8</u>	(1)
			44	
Less Interim Ordinary Dividend (360/0.6 × 4p)			<u>24</u>	(2)
<b>UNAPPROPRIATED PROFIT C/F ✓</b>			<u>20</u>	(17)
				(30)



<b>Question 3 contd</b>	
<b>PART B</b>	
<b>(i)</b>	<p><b>Mark-up Ratio</b></p> <p>Gross Profit = 40% × £200,000 = £80,000</p> <p>Cost of Sales = £200,000 – £80,000 = £120,000</p> <p>Mark-up Ratio = £80,000/£120,000 × 100 = <b>66.6%</b> <span style="float: right;"><b>(3)</b></span></p>
<b>(ii)</b>	<p><b>Opening Stock</b></p> <p>Rate of Stock Turnover = 10 times</p> <p>Average Stock = 120/10 = £12,000</p> <p>Opening Stock = (12,000 × 2 ) = £24,000 – £10,000 = <b>£14,000</b> <span style="float: right;"><b>(2)</b></span></p>
<b>(iii)</b>	<p><b>Purchases</b></p> <p>= £120,000 – £14,000 + £10,000 = <b>£116,000</b> <span style="float: right;"><b>(1)</b></span></p>
<b>(iv)</b>	<p><b>Expenses</b></p> <p>Return on Capital Employed = 20%</p> <p>Net Profit = 20% × £120,000 = £24,000</p> <p>Expenses = Gross Profit – Net Profit</p> <p>Expenses = £80,000 – £24,000 = <b>£56,000</b> <span style="float: right;"><b>(2)</b></span></p>
<b>(v)</b>	<p><b>Debtors Collection Period</b></p> <p>Credit Sales = 80% × £200,000 = £160,000</p> <p>15,000/160,000 × 365 = <b>34.2 days</b> <span style="float: right;"><b>(2)</b></span></p>

**Question 4**

**(a) Limitations of Ratio Analysis**

- Business must be in the same industry **(1)**
- The results must be compared with firms of equal size or the ratios are meaningless **(1)**
- The results must be compared with the previous year's ratios – the ratios on their own are meaningless **(1)**
- If being used for comparison purposes from year to year then the final accounts must be prepared consistently and in accordance with FRSs and the Companies' Acts **(1)**
- Not all firms calculate their ratios in the same way **(1)**
- Internal changes within the organisation such as changes in the method of production are not taken into account in ratio analysis **(1) max**
- Factors external to the organisation may change from year to year **(1) max**
- Ratios are based on historical information **(1)**

**(6)**

**(b)**

- Owners/shareholders/potential shareholders, managers/board of directors, employees, government, customers, lenders/bank/debenture holders, local community, suppliers – **not competitors (Any 4 x 1)**

**(4)**

**(10)**

**Question 5**

<b>(a)</b> Public Limited Company	Private Limited Company
Public Limited Company recognised by plc in name	Private Limited Company recognised by ltd in name <b>(1)</b>
Public Limited Company has unlimited shareholders	Private Limited Company has a few shareholders <b>(1)</b>
Public Limited Companies tend to be large companies	Private Limited Companies tend to be small family run businesses <b>(1)</b>
Public Limited Company shareholders can sell their shares freely	Private Limited Companies can only sell their shares with the approval of other shareholders <b>(1)</b>
Public Limited Companies can have their shares quoted on the Stock Exchange	Private Limited Companies cannot <b>(1)</b>
Public Limited Companies' accounts are available to the public	Private Limited Companies' accounts are not available to the public <b>(1)</b>

**Must be comparison**

**(4)**

**(b) Duties of a financial accountant**

- Reports to the owners of the firm the effect of managerial decisions on the performance of the firm **(1)**
- Keeps accurate records of the daily financial transactions of the firm **(1)**
- Checks the financial records to maintain accuracy and reduce fraud **(1)**
- Prepares periodic financial statements to show profit/loss, balance sheet etc **(1)**
- Prepares accounts for auditing and publication as and if required **(1)**
- Ensures that the firm is operating within the rules laid down by legislation from government or professional bodies **(1)**
- Prepares ratio analyses **(1)**

**(Max 6)**

**(10)**

**Question 6 – PART A**

<b>(a)</b>		A	B	C	
<b>(i)</b>	Total variable cost per unit	£50 <b>(1)</b>	£40 <b>(1)</b>	£36 <b>(1)</b>	
	Selling price per unit	£74	£67	£61	
	Contribution per unit	£24 <b>(1)</b>	£27 <b>(1)</b>	£25 <b>(1)</b>	
<b>(ii)</b>	Demand in units	3,000	3,000	3,000	
	Product contribution	£72,000 <b>(1)</b>	£81,000 <b>(1)</b>	£75,000 <b>(1)</b>	
	Total contribution	£228,000			
	Less: fixed costs	£200,000			
	Profit	<u>£28,000</u>	<b>(2)</b>		<b>(11)</b>

<b>(b)</b>		A	B	C	
<b>(i)</b>	Material per unit (kg)	£18/3	£27/3	£15/3	
		6 <b>(2)</b>	9 <b>(2)</b>	5 <b>(2)</b>	
	Material (kg) for 3000 units	18,000	27,000	15,000 <b>(2)</b>	
	Total required	60,000			
	Reduction	12,000			
	Available	<u>48,000</u>	<b>(2)</b>		
<b>(ii)</b>	Contribution per kg	£24/6	£27/9	£25/5	
		£4 <b>(2)</b>	£3 <b>(2)</b>	£5 <b>(2)</b>	
<b>(iii)</b>	Kg with min 2000 units	15,000 <b>(4)</b>	18,000 <b>(3)</b>	15,000 <b>(1)</b>	
	Contribution	15,000 × £4	18,000 × £3	15,000 × £5	
		£60,000 <b>(1)</b>	£54,000 <b>(1)</b>	£75,000 <b>(1)</b>	
<b>(iv)</b>	Total contribution	£189,000			
	Previous contribution	£228,000			
	Reduction	<u>£39,000</u>	<b>(2)</b>		<b>(29)</b>
				Total	<b>(40)</b>

**PART B**

<b>(a)</b>		Machining	Assembly	Maintenance	
	Indirect Labour	£200	£450	£850	
	Machine Depreciation	£1,200 <b>(1)</b>	£800 <b>(1)</b>	-	
	Rent	£3,750 <b>(1)</b>	£3,000 <b>(1)</b>	£750 <b>(1)</b>	
	Supervision	<u>£2,400</u> <b>(1)</b>	<u>£1,200</u> <b>(1)</b>	<u>£400</u> <b>(1)</b>	
		£7,550	£5,450	£2,000	
<b>(b)</b>	Maintenance	<u>£1,120</u> <b>(1)</b>	<u>£880</u> <b>(1)</b>	<u>(£2,000)</u>	
		<u>£8,670</u>	<u>£6,330</u>	-	<b>(10)</b>
				Total	<b>(50)</b>

### Question 7

**(a) Production Budget for 6 months January – June Year 6**

	Jan	Feb	Mar	Apr	May	Jun	
Credit Sales	2,800	3,000	2,900	3,200	3,100	3,300	} (1)
Cash Sales	1,400	1,500	1,450	1,600	1,550	1,650	
Stocks at end	<u>900</u>	<u>870</u>	<u>960</u>	<u>930</u>	<u>990</u>	<u>810</u>	(1+3)
	5,100	5,370	5,310	5,730	5,640	5,760	
Stock start	840	900	870	960	930	990	(1+3)
Production	<u>4,260</u>	<u>4,470</u>	<u>4,440</u>	<u>4,770</u>	<u>4,710</u>	<u>4,770</u>	

Marks should be awarded as follows:

**1 mark for combined credit and cash sales lines**

**1 mark for correct figures in closing stock line plus 3 marks for correct treatment**

**1 mark for correct figures in opening stock line plus 3 marks for correct treatment (9)**

**(b) Cash Budget for March-April Year 6 ✓**

	March £	April £	
<u>Receipts</u>			
Cash Sales	72,500 (1)	80,000 (1)	
Credit Sales 1 month	126,000 (2)	121,800 (2)	
Credit Sales 2 months	<u>42,000 (2)</u>	<u>45,000 (2)</u>	
	240,500	246,800	
<u>Payments</u>			
Material before prod	42,930 (2)	42,390 (2)	
Material prod month	26,640 (2)	28,620 (2)	
Labour	88,800 (1)	95,400 (1)	
Variable overhead	17,880 (2)	17,760 (2)	
Fixed overhead	2,500	2,500 (2) for line	
Dividend	-	40,000 (2)	
Commission	<u>9,000 (1)</u>	<u>8,700 (1)</u>	
	187,750	235,370	
Receipts less payments	52,750	11,430	
Balance (start)	<u>(15,000) ✓</u>	<u>37,750 ✓</u>	
Balance (end)	<u>37,750 ✓</u>	<u>49,180 (1)</u>	(31)

**(40)**

**Question 8**  
**PART A**

**Process 1 Account**

	<b>QTY (kg)</b>	<b>Cost/Unit</b>	<b>£</b>		<b>Qty (kg)</b>	<b>Cost/Unit</b>	<b>£</b>
Direct Materials – A	4,000	£4	16,000	(1)	Normal Loss	£3	900 (1)
Direct Materials – B	2,000	£2	4,000	(2)	Closing Work-In – Progress		940 (1)
Direct Labour		£8	2,800	(1)	Abnormal Loss	£4.40	880
Labour Overtime		£16	80	(2)	Transfer to Process 2	£4.40 (4)	22,880
Variable Overheads			800	(1)			
Fixed Overheads		£3	12,000	(1)			
	<u>6,000</u>		<u>£25,600</u>		<u>6000</u>		<u>25,600</u>

$$\text{Cost Per Unit} = \frac{\text{£25,600} - \text{£940} - \text{£900}}{5200 + 200} = \text{£4.40}$$

**Total (16)**

**Abnormal Loss Account**

	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>	
Process 1 (200 × £4.40)	880		880	(1)
Bank (200 × 3)		600	280	(2)
Profit and Loss		280	0	(1)
				<b>Total (4)</b>
				<b>(20)</b>

**Question 8A Alternative Solution**

**Process 1 Account**

	DEBIT			CREDIT			BALANCE		
	Q	P	£	Q	P	£	Q	P	£
Direct Materials – A	4000		£4 16,000	(1)			4000		16,000
Direct Materials – B	2000		£2 4,000	(2)			6000		20,000
Direct Labour			£8 2,800	(1)					22,800
Direct Labour Overtime			£16 800	(2)					23,600
Variable Overheads			800	(1)					24,400
Fixed Overheads			1,200	(1)					25,600
Normal Loss					300 (1)	£3 900	(1)		24,700
Closing Work-in-Progress					300	940	(1)		23,760
Abnormal Loss					200 (1)	£4.40 880			22,880
Transfer to Process 2					5,200	£4.40 (4) 22,800			£0

(16)

**Abnormal Loss Account**

	Debit	Credit	Balance
Process 1 (200 × £4.40)	880		880 (1)
Bank (200 × 3)		600	280 (2)
Profit and Loss		280	0 (1)

(4)

(20)

**PART B**

(a) FIFO 150 @ £3.17 475.50 (3)

(b) AVCO

	Units	£	£		Units	£	£		Units	£	£	
01-Jun Balance									200	3	600	
04-Jun Receipts	400	3.06	1224	}					600	3.04	1824	
08-Jun Issues					500	3.04	1520	(2)	100	3.04	304	
12-Jun Receipts	200	3.10	620		(1)				300	3.08	924	
15-Jun Issues					200	3.08	616	(2)	100	3.08	308	
22-Jun Returns					50	3.06	153	(3)	50	3.10	155	
29-Jun Receipts	300	3.17	951					350	3.16	1106		
30-Jun Issues					200	3.16	632	(2)	150	3.16	474	(10)

**PART C**

**JOB COST STATEMENT ✓**

Materials		212	
Labour		<u>288</u>	
<b>Prime Cost ✓</b>		500	<b>(1)</b>
Overheads			
Assembly (3*12)	36		<b>(2)</b>
Finishing (4*10)	40	<u>76</u>	<b>(2)</b>
Total Cost		576	
Profit Mark up		<u>144</u>	<b>(2)</b>
Selling Price ✓		<u><u>720</u></u>	<b>(7)</b>

## Question 9

### (a) Assumptions of Break-Even Analysis

- All costs are classified as either fixed or variable (1)
- Variable costs vary directly with output (1)
- Fixed costs remain constant for all levels of output (1)
- Selling price per unit is constant (1)
- There is only one product (1)
- All production is sold (1)
- There are no changes in material or wages costs (1)

**Max 4 (4)**

### (b)

#### **Advantages**

- Use of formulae to calculate figures (1)
- Can show the effects of 'what if' scenarios (1)
- Changes to any data in the spreadsheet is updated automatically due to the use of formulae (1)
- Accuracy, providing data and formulae are entered correctly (1)
- Graphs and charts to make information clearer (1)
- Use of multiple worksheets to link budgets (1)
- Use of templates from year to year (1)

**(6)**

**(10)**



## Question 10

### (a) Factors to include when setting re-order quantities

- The level of demand for the product (1)
- Amount of discount for bulk-buying (1)
- The length of time for delivery (1)
- Cost of delivery (1)
- Cost of operating the stores eg wages (1)
- Risk of specification of the product changing (1)
- Risk of obsolescence (1)
- Deterioration or wastage of the product (1)
- Cost of insurance (1)
- Amount of capital tied up in stores (1)
- Legal restrictions on amount of stock of dangerous materials to be kept (1)
- Maximum/minimum level of stock (1) (max)
- Space available for storage of stock (1)

**Max 4 (4)**

### (b) Piece Rate

This is a method of paying workers according to the amount of work they produce (1) with higher rates being paid for higher levels of output (1). This method is unsuitable for the production of large quantities of identical products (1). It is sometimes used to supplement a low basic wage (1). The main advantage is that it gives workers an incentive to work harder (1). The main disadvantage is that quality of work may decline with workers trying to maximise their wages (1).

**(2)**

### Margin of Safety

Used in break-even analysis to show how big a 'safety cushion' the firm has in the event of a fall in sales (1). The safety factor is measured either in sales value or sales units using the formula  $MOS = \text{Actual Sales} - \text{Break-even Point}$  (1). The higher the margin of safety is, the more likely the firm is able to overcome a fall in demand for its product (1).

**(2)**

### Limiting Factor

Where a firm has a range of products a decision has to be taken on the order of production (1). Based on the contribution per unit divided by the limiting factor (1) which can be: machine hours, labour hours, availability of materials or workers (1 max for example). The product with the highest contribution/limiting factor will be made first in order to maximise profits (1).

**(2)**

**(6)**

**(10)**

[END OF MARKING INSTRUCTIONS]



# **2015 Accounting Special Instructions**

## **Higher**

### **Finalised Marking Instructions**

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## **General Marking Principles for: Accounting Higher Special Instructions**

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 specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

## **GENERAL MARKING ADVICE: Accounting Higher Special Instructions**

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

## 2015 ACCOUNTING

### MARKING CONVENTIONS

CONVENTION	EXPLANATION	MARK(S) ON CANDIDATE PAPER
Extraneous	Item entered which should not be in the statement – for example Fixed Assets entered in the Profit and Loss Account or Income and Expenditure Account.	-2E
Consequential	If a figure in the question is wrong, any further calculations are awarded marks if correct, as a consequence of using that figure.	C
Complete Reversal	All the ledger entries are made the wrong way round.  The question is marked as if correct and then the total mark is divided by 2.	R  eg Total Mark = 12 Divided by 2 Mark awarded = 6
Plus/Minus Rule	If an entry is shown correctly it is awarded the mark (+).  If the same entry then appears again in another part of the question the mark is deducted (-)  ie no mark is gained and there is no penalty.	Eg  correct entry £60,000 Debtors in Current Assets Mark awarded 1 (+/-)  £60,000 Debtors repeated under Current Liabilities 1 (+/-)
Penalty	The answers given are more than required (4 given instead of 3) and one of them is wrong.  A heading is wrong/missing from a final account.  The answer is correct but not given in the format requested ie question asks for an account or statement.	-1P
Arithmetical error	Error made in addition/subtraction etc.	-1A/E
General	The answers given are more than required (4 given instead of 3) and one of them is wrong.	-1P

## General

- 1 Assess pencil figures and working. If the script is predominantly in pencil, mark and DO NOT refer to the Principal Assessor unless a whole centre completes the exam in pencil.
- 2 Work which has been deleted gains no marks even if it is correct. However if question is not redone, or no alternative question attempted, mark deleted work.
- 3 Consequential errors MUST NOT be penalised, subject to the marking instructions for each question.
- 4 Incorrect figures, supported by adequate workings – award marks for any correct operations performed.
- 5 Incorrect figures, not supported by adequate workings – lose awards, unless the marking instructions specify otherwise. If arithmetic error – lose 1 mark.
- 6 EXTRANEIOUS ITEMS: see instructions for specific questions.

Deduct in appropriate section of question – not at end from total.

Penalties should be shown beside the figure and encircled, eg

(-1P) (-2E) (-1 +/-)

Penalties must be deducted in the appropriate section of the question and not at the end from the final total for that question.

- 7 If right and wrong – give value of award where right, deduct value of award where wrong (cross reference +/- against relevant figures).
- 8 Indicate awards given for each item eg      £1,500      1
- 9 In essay type questions indicate marks awarded beside the point made by candidate – NOT IN THE MARGIN.
- 10 Sub-totals for sections should be indicated and encircled, eg (4/6)
- 11 Final total should be clearly indicated and easy to check, eg Q1 = 45/50.
- 12 If 2 choice questions are attempted – mark both, even if one is scored out, and accept the question with the higher mark.

Penalties must be deducted in the appropriate section of the question and not at the end from the final total for that question.

**Question 1**

	<b>Award Marks Lost</b>	<b>Penalties</b>
<p>No main headings/label awards but if heading/label wrong/omitted eg “for year ending”, “as at” or Gross Profit/Net Profit – APPLY penalty.</p> <p><b>PROFIT AND LOSS APPROPRIATION ACCOUNT – 28 MARKS</b></p> <p>EXTRANEOUS ITEMS – Any Balance Sheet items, Drawings and Current Account Balances – BUT Trial Balance figures for Provision for Depreciation are NOT extraneous – lose award for annual depreciation charge as appropriate.</p> <p>If Provision for Bad Debts figure of 3 entered, any additional Provision entry made (eg Provision for Bad Debts 7 in the Expenses section) – lose mark.</p> <p><b>CURRENT ACCOUNTS – 7 MARKS</b></p> <p><b>Complete</b> reversal of entries – ignore the opening balances Otherwise – if one error – lose award for both current account items.</p> <p>If no current accounts shown, and current account balances in Balance Sheet differ from the Trial Balance figures, then current account balances will have to be calculated using the candidate’s appropriation account. Implied mark out of 7 should be shown beside current account figures in Balance Sheet.</p> <p>Capital balances and capital reserve shown in current account, ignore – but apply +/- rule to items if shown in balance sheet.</p>	<p>2</p> <p>3</p> <p>1 each</p>	<p>1P each</p> <p>2E each Item (Max 6)</p>
<p><b>BALANCE SHEET – 15 MARKS</b></p> <p>EXTRANEOUS ITEMS (eg any P &amp; L A/c items) – APPLY PENALTY BUT decrease in provision not extraneous, ignore but apply the +/- rule if necessary.</p> <p><b>FIXED ASSETS</b></p> <p><b>Depreciation</b> Consequential on P&amp;L figure If no depreciation charged in P/L DO NOT give trial balance figures.</p> <p><b>FINANCED BY = 4 MARKS</b></p> <p>Must start with Capital and Current Accounts (either the Capital Accounts or Current Accounts can be first) – if not apply penalty.</p> <p>If Current Account balances of 20 Dr and 30 Cr shown. Any other figures should be awarded one mark for entry.</p> <p>Loan must be last item in either section of the Balance Sheet.</p> <p>If capital reserve split either to current or capital accounts.</p>	<p>1</p> <p>1</p> <p>1</p>	<p>2E each item (Max 6)</p> <p>1P</p>

## Question 2

<b>PART A</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
<p><b>(a) ACCUMULATED FUND</b></p> <p>Accept the correct calculated fund in any layout.</p> <p>Extraneous from Receipts and Payments.</p> <p><b>(b) INCOME AND EXPENDITURE ACCOUNT</b></p> <p>If heading wrong/omitted eg “as at” – APPLY penalty.</p> <p>EXTRANEIOUS ITEMS – Any Balance Sheet items.</p> <p>If Raffle/Competition entries shown as individual entries in Income and Expenditure sections, award 1 mark in each case to last expenditure item.</p> <p>Deficit not shown or labelled apply penalty.</p>	<b>1</b>	<p><b>2P once</b></p> <p><b>1P</b></p> <p><b>2E each (Max -6)</b></p> <p><b>1P</b></p>
<p><b>(c) BALANCE SHEET</b></p> <p>If heading wrong/omitted eg “for year ending” – APPLY penalty.</p> <p>EXTRANEIOUS ITEMS any Income and Expenditure items.</p>		<p><b>1P</b></p> <p><b>2E each (Max -4)</b></p>

<b>PART B</b>		
<b>WATCH CONSEQUENTIALITY THROUGHOUT THIS QUESTION</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
<p><b>MARK AS PER SOLUTION</b></p> <p><b>(a)</b> Year 3 and Year 4 Depreciation figures will be consequential on Year 2 calculation.</p> <p>Total not shown.</p> <p><b>(b)</b> Net book value calculation will be consequential on (a), however, if wrong formula used (eg selling price less total depreciation).</p> <p>Profit or Loss must be stated in answer.</p>	<p><b>1</b></p> <p><b>3</b></p> <p><b>1</b></p>	

### Question 3

PART A	Award Marks Lost	Penalty
<p><b>MARK AS PER SOLUTION</b></p> <p><b><u>Manufacturing Account</u></b></p> <p>Heading wrong or omitted.</p> <p>Labels required for Prime Cost, Cost of Goods Manufactured, Market Value of Production – if omitted/wrong.</p> <p>If candidate starts with Sales and adjusted for the manufacturing account items.</p> <p>If Closing Stock appears above Prime Cost, lose cost of raw materials consumed mark.</p> <p>All figures are right or wrong.</p> <p>Any direct costs in overheads, or overheads in Prime Cost, give award.</p> <p>If Factory Overheads deducted, but candidate has stated “Add”, treat as arithmetic error.</p> <p>If Factory Overheads deducted, and candidate has stated “Less” or given no indication of how they are going to treat the overheads.</p> <p>Extraneous items eg Balance sheet items.</p> <p><b><u>Trading and Profit and Loss Account</u></b></p> <p>Heading wrong or omitted (unless Manufacturing Account heading already penalised).</p> <p>Labels required for Gross Profit, Net Profit before Tax, Unappropriated Profit – if omitted/wrong.</p> <p>Market Value of Production is consequential on Manufacturing Account figure.</p> <p>Electricity will be consequential on Manufacturing calculation.</p> <p>Extraneous items – Balance Sheet items.</p>	1	<p><b>1P (once)</b></p> <p><b>1P each</b></p> <p><b>3P</b></p> <p><b>2P once</b></p> <p><b>1A</b></p> <p><b>3P</b></p> <p><b>2E (max -6)</b></p> <p><b>1P</b></p> <p><b>1P each</b></p> <p><b>2E (max -6)</b></p>



PART B	Award Marks Lost	Penalties
<p><b>WATCH CONSEQUENTIALITY THROUGHOUT THIS QUESTION</b></p> <p><b>MARK AS PER SOLUTION</b></p> <p>i. If mark up ratio does not have % symbol</p> <p>ii. Opening Stock is consequential on COGS from (i)</p> <p>iii. Purchases is consequential on (i) and (ii)</p> <p>iv. Expenses are consequential on Gross Profit calculation (i)</p> <p>v. Debtors Collection period not in days</p>		<p><b>1P</b></p> <p><b>1P</b></p>

**Question 4**

	<b>Award Marks Lost</b>	<b>Penalties</b>
Mark as per solution. Award marks for valid points not in solution.		

**Question 5**

	<b>Award Marks Lost</b>	<b>Penalties</b>
Mark as per solution. Award marks for valid points not in solution.		

**Question 6**

**PART A**

<b>Watch consequentiality throughout this question</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
<p><b>(a) (ii)</b> Contribution is consequential on(a)(i)</p> <p><b>(b) (ii) Contribution per kg</b> Consequential on (a)(ii) and (b)(i)</p> <p><b>(iv) Reduction in profit</b> Consequential on (a)(ii) and (b)(iii)</p>		

**PART B**

	<b>Award Marks Lost</b>	<b>Penalties</b>
<p>Award marks as per solution.</p> <p>Indirect labour figures wrong/omitted. <i>(If indirect labour omitted, maintenance department split will consequentially be £644 and £506).</i></p> <p>If no final departmental total shown.</p>		<p><b>2P</b></p> <p><b>1P</b></p>

**Question 7**

<b>MARK AS PER SOLUTION</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
<p><b>(a)</b> Correct treatment means the addition or subtraction of relevant stock figure.</p> <p>1 mark for combined credit and cash sales lines.</p> <p>1 mark for correct figures in closing stock line plus 3 marks for correct treatment.</p> <p>1 mark for correct figures in opening stock line plus 3 marks for correct treatment.</p> <p>If candidates treat Credit Sales as Total Sales and 50% of that figure is used as incorrect Cash and Credit Sales figures, mark as per alternative solution, applying a penalty of 3 in (a).</p> <p><b>(b)</b> Mark as per solution.</p> <p>No heading, or time period omitted.</p> <p>If bad debts shown anywhere, lose the credit sales 2 months payment marks.</p> <p>Mark attached to final balance is for opening balance as well and its correct treatment.</p> <p>If no attempt to distinguish between receipts and payments – give marks to receipts only.</p> <p>If attempt made to distinguish but have + and – mark it and apply penalty.</p> <p>No nomenclature.</p>	<p></p> <p></p> <p></p> <p></p> <p><b>4</b></p> <p></p> <p><b>20</b></p> <p></p> <p></p> <p></p>	<p></p> <p></p> <p><b>3P</b></p> <p></p> <p><b>1P</b></p> <p></p> <p></p> <p><b>3P</b></p> <p><b>3P</b></p>

**Question 8**

<b>PART A</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
<p><b>(a) (i)</b> Mark as per solution.</p> <p>Abnormal Loss and Transfer to Process 2 cost per kg must be same to gain the 4 marks allocated to £4.40.</p> <p>Normal loss consequential on input quantity.</p> <p>Not shown in account form.</p>		<b>3P</b>
<p><b>(a) (ii)</b></p> <p>Abnormal loss transfer is consequential on answer in (a) (i).</p> <p>Profit and loss entry is consequential on other entries in a/c.</p> <p>Not in a/c form.</p> <p>Nomenclature wrong.</p>		<b>1P</b> <b>1P once</b>
<b>PART B</b>		
<p>(a) and (b) Mark as per solution.</p> <p>(b) If no closing value balance shown</p>		<b>2P</b>
<b>PART C</b>		
<p>Mark as per solution.</p> <p>If statement does not have a heading.</p> <p>If prime cost not labelled.</p> <p>If mark up deducted.</p> <p>If selling price not labelled.</p>	<p></p> <p><b>1</b></p> <p><b>2</b></p>	<p><b>1P</b></p> <p></p> <p><b>1P</b></p>

**Question 9**

	<b>Award Marks Lost</b>	<b>Penalties</b>
Mark as per solution Award marks for valid points not in solution		

**Question 10**

	<b>Award Marks Lost</b>	<b>Penalties</b>
Mark as per solution Award marks for valid points not in solution		

[END OF MARKING INSTRUCTIONS]