



National
Qualifications
2016

2016 Accounting Assignment

National 5

Finalised Marking Instructions

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Marking Instructions

General Marking Principles for National 5 Accounting Assignment

This information is provided to help you understand the general principles you must apply when marking candidate responses in this assignment. These principles must be read in conjunction with the detailed marking instructions, which identify the key features required in candidate responses.

Marks for each candidate response must always be assigned in line with these General Marking Principles and the Detailed Marking Instructions for this assessment.

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.

Candidates will be awarded marks for showing workings and demonstrating that accounting processes have been followed, even when incorrect figures are presented.

Treatment of errors

Guidance on the treatment of errors such as extraneous items, arithmetic errors and consequential errors will be provided in the Detailed Marking Instructions.

Printouts

Candidates are clearly directed, within the instructions, as to the printing requirements. Where a printout is missing no marks can be awarded.

Layouts

Layouts in the Detailed Marking Instructions are provided for illustrative purposes only. Candidates should not be penalised for using appropriate alternative layouts ie in Income Statement accept add Gains before less Expenses.

Consequential errors

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

Nomenclature

Accept old/new nomenclature (including a mix/match approach).

Where candidate consistently uses incorrect nomenclature throughout the Assignment, penalise on the first occasion only and treat subsequent incorrect nomenclature as consequential on subsequent tasks.

Formulae Printouts

Where a formula is truncated, no mark each time.

Detailed Marking Instructions

Task 1

Solution	Marks	Comments																																																																																																				
<p>TRIAL BALANCE OF BAA HUMBUG AS AT 28 FEBRUARY YEAR 3</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: center;">£ Dr</th> <th style="width: 10%;"></th> <th style="width: 10%; text-align: center;">£ Cr</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Sales Revenue</td> <td></td> <td></td> <td style="text-align: right;">200,500</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">124,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory (Stock) at 1 March Year 3</td> <td style="text-align: right;">6,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade Payables (Creditors)</td> <td></td> <td></td> <td style="text-align: right;">6,600</td> <td></td> </tr> <tr> <td>Factory Machinery (at cost)</td> <td style="text-align: right;">8,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">35,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">5,300</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cash Equivalents (Bank)</td> <td style="text-align: right;">3,060</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Office Expenses</td> <td style="text-align: right;">8,960</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cleaning and Maintenance</td> <td style="text-align: right;">2,360</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">50,000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Equity (Capital)</td> <td></td> <td></td> <td style="text-align: right;">45,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade Receivables/Debtors</td> <td style="text-align: right;">6,000</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td>Provision for Depreciation: Factory Machinery</td> <td></td> <td></td> <td style="text-align: right;">800</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">4,620</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td>Discount Received</td> <td></td> <td></td> <td style="text-align: right;">750</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>VAT</td> <td></td> <td></td> <td style="text-align: right;">150</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Carriage Inwards</td> <td style="text-align: right;">500</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td>TOTALS</td> <td style="text-align: right; border-top: 1px solid black;">253,800</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">253,800</td> <td></td> </tr> </tbody> </table>		£ Dr		£ Cr		Sales Revenue			200,500		Purchases	124,000				Inventory (Stock) at 1 March Year 3	6,000				Trade Payables (Creditors)			6,600		Factory Machinery (at cost)	8,000				Wages	35,000				Electricity	5,300				Cash Equivalents (Bank)	3,060				Office Expenses	8,960				Cleaning and Maintenance	2,360				Premises	50,000				Equity (Capital)			45,000	(1)	Trade Receivables/Debtors	6,000	(1)			Provision for Depreciation: Factory Machinery			800	(1)	Drawings	4,620	(1)			Discount Received			750	(1)	VAT			150	(1)	Carriage Inwards	500	(1)			TOTALS	253,800		253,800		<p>(7)</p>	<p>Equity is consequential on candidates' entries. Mark awarded for entry and balancing totals.</p> <p>Award mark if figure and nomenclature correct. Advisable to check nomenclature before looking at figure.</p> <p>Accept - 'Depreciation' on its own. Accept - 'Provision for Factory Machinery'. Do not accept - 'Factory Machinery'.</p> <p>Accept - 'Discount' on its own. Do not accept - 'Discount Allowed'.</p> <p>Do not accept - 'Carriage' on its own or 'Carriage Out'.</p> <p>No maximum penalty for incorrect nomenclature.</p>
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TASK 2 - General Instructions:

Extraneous Items

These are items which appear only once, but in the wrong statement eg Trade Receivables appearing in Expenses and nowhere else would be classed as extraneous.

+/- Rule

This relates to an entry which should only appear once across the financial statements, appearing twice. For example, if Trade Receivables appeared in both the Expenses and Current Assets this would be classed as +/- . Markers should annotate the +/- symbol at both entries and no mark should be awarded.

For a mark to be awarded for correct entry of Trial Balance items, they must appear only once. It is therefore advisable to check both statements before awarding marks.

The Trial Balance figures for Provision for Depreciation of Machinery (£800) and Machinery cost (£8,000) should not be treated as +/- or extraneous in the Expenses section of the P&L Account unless (in the case of extraneous) there are no Non-Current Assets in the Statement of Financial Position.

If new and existing Depreciation for Machinery appear in the Expenses section of the P&L (£1,600), do not award mark. Do not treat subsequent entry in B/S as +/- .

If Depreciation figures appear outside the Expenses section of the P&L or appear in a third place, normal +/- and extraneous rules apply.

If candidate enters £6,000 as the Opening Equity balance (confused with Opening Inventory), this would be marked wrong in the Equity section and not treated as +/- in the Trading Account.

Headings/Layout Mark

For this mark to be awarded candidates need:

- The following headings: Gross Profit, Profit for Year, Non Current Assets, Current Assets, Current Liabilities, Equity (or some other relevant heading)
- An acceptable layout e.g.

Must have Working Equity figure (label not required)

Lose award for:

- C. Liabs before C. Assets
- Working Equity label (though not required) labelled as Profit, etc.
- 'Add Gains' being called 'Money in'.
- Incorrectly labelling an effect for example, candidate types "less Carriage In" but correctly adds it to Purchases.

Subtotals Mark

This mark is awarded for correct application of totals/subtotals. For example, if Cost of Sales is added to Sales Revenue then the candidate would not be awarded the mark for correct subtotalling.

Marking Code

Markers should indicate where a generic mark has been given by using the following codes:

E = No extraneous items
L = Layout/headings correct
S = Subtotals correct

Markers should indicate the point where the candidate loses a generic mark by using these codes as well as indicating whether E, S and L marks have been awarded at the end of the task.

Task 2a - Value view

Solution				Marks/Comments	
INCOME STATEMENT OF BAA HUMBUG FOR THE YEAR ENDED 28 FEBRUARY YEAR 3					
	£	£	£		
Sales Revenue			200,500	Task 2a - Value View	
Less COST OF SALES				Sales Revenue	
Opening Inventory		6,000		Opening Inventory & Closing Inventory	
Purchases	124,000			Purchases	
Add Carriage Inwards	500	124,500		Carriage Inwards	
			130,500	Wages/Cleaning (both)	
Less Closing Inventory			2,750	Electricity/Office without adjustments	
COST OF SALES			127,750	Electricity accrual (+250)	
GROSS PROFIT			72,750	Office Expenses prepayment (-470)	
<u>Less Expenses</u>				Depreciation	
Wages		35,000		Provision for Bad Debts	
Cleaning and Maintenance		2,360		Discount Received	
Electricity		5,550			
Office Expenses		8,490			
Depreciation of Machinery		800			
Provision for Bad Debts		300	52,500		
			20,250		
<u>Add Income</u>					
Discount received			750		
PROFIT FOR THE YEAR			21,000		

Notes

- To gain award, figures must have nomenclature
- Accept adjustments detached if directly below. If not directly below - do not award. Adjustments must be correct effect to gain award.
- If Electricity of 5,550 & Office Expenses of 8,490 appear in both accounts then no +/- . Award full marks in IS and no marks in SOFP.
- For Discount Received to gain award, must be correct effect.
- Do not accept 'Bad Debts' as nomenclature for 'Provision for Bad Debts'.

Task 2a - Formulae view

All correct cell linkage	1(L)
Using formulae to construct subtotals and basic arithmetic calculations	1(A)
	(2)

NOTE:

All cells containing figures should contain cell references with the exception of the following:

- Closing Inventory (£2,750)
- Adjustments for Accrual (£250) & Prepayments (£470)
- Percentages for Provisions for Bad Debts (5%) and Depreciation (10%)

Markers should indicate the award of formulae marks by using the codes indicated above.

IMPORTANT

The cell which contains the formula for the Provision for Depreciation **MUST** be checked. This is because the existing provision is £800 and the new provision is £800 ($£8,000 \times 10\%$). If it can be ascertained by formula that the candidate has entered the existing provision and not this year's amount, then the mark for depreciation will be lost in value view. In some cases a candidate might show in the nomenclature that depreciation is $£8,000 \times 10\%$ but use the existing provision in the formula. In this case - accept and award mark in value view, as candidate has shown knowledge of which depreciation should be used.

If there is no formula and the candidate has just typed 800, award the mark in value view but lose the award in formula view as there has been no linkage.

Task 2b - Value View

STATEMENT OF FIN POSITION OF BAA HUMBUG AS AT 28 FEBRUARY YR 3				Marks/Comments	
	£	£	£		
NON-CURRENT (FIXED) ASSETS					
Premises			50,000	Premises AND Machinery Cost	1
Factory Machinery	8,000	1,600	6,400	Agg Dep (1,600)	1
			<u>56,400</u>	Inventory & Trade Rec (without adj)	1
CURRENT ASSETS				Prepayment & Bank	1
Inventory		2,750		PBD Adjustment	1
Trade Receivables (6,000-300)		5,700		Current Liabs	2
Prepaid Expenses		470		(1 mark for VAT)	
Cash & Cash Equivalents		<u>3,060</u>		(1 mark for both Trade Payables and Accrual)	
		<u>11,980</u>		Opening Equity	1
Less CURRENT LIABILITIES				Profit for the Year	1
Trade Payables (Creditors)	6,600			Drawings	1
Expenses Owing	250				
VAT	<u>150</u>			PLUS	
		<u>7,000</u>			
Working Equity			<u>4,980</u>	E - No Extraneous (For Both Statements)	1
NET ASSETS			61,380	L - Layout/Headings (For Both Statements)	1
EQUITY (CAPITAL)				S - Subtotals/Totals correct (Across Both Statements)	1
Opening Balance		45,000			
Add Profit for the Year		<u>21,000</u>			(13)
		<u>66,000</u>			
Less Drawings		<u>4,620</u>			
			61,380		

Notes:

- Machinery Dep - If only this year's Dep used or only existing provision used (i.e. £800), 0 marks
- If only Factory Machinery NBV of £6,400 shown - accept. If NBV wrong, look at formula to assess if marks can be awarded
- Accept PBD if directly below. If not directly below - do not award. PBD adjustment must be correct effect to gain award.
- Financed By can be in any order. Has to be correct treatment to get awards.

Task 2b - Formulae view

All correct cell linkage	1(L)
Using formulae to construct subtotals and basic arithmetic calculations (Ignore totals for 'At Cost' and 'Agg Dep' columns.)	1(A)
	(2)

All cells containing figures should contain cell references with the exception of the following:

- Closing Inventory (£2,750)
- Adjustments for Accrual (£250) & Prepayments (£470)

Markers should indicate the award of formulae marks by using the codes indicated above.

Task 3 – Value view

Solution	Marks/Comments
<p>Profit for the Year Ratio:</p> <div style="text-align: right; margin-right: 100px;"> <div style="border: 1px solid black; padding: 5px; display: inline-block;">10.47%</div> </div>	<p>1 mark for each correct ratio calculation.</p> <p>WATCH CONSEQUENTIALITY. Markers <u>must</u> work through the formula to check that answers in Value View are consequentially correct.</p>
<p>Acid Test Ratio:</p> <div style="text-align: right; margin-right: 100px;"> <div style="border: 1px solid black; padding: 5px; display: inline-block;">1.32</div> : 1 </div>	<p>If formula and answer do not correspond then candidate will lose value mark and formula mark.</p> <p>Watch for wrong answer based on incorrect construction of formula. This would be consequentially correct in Value View. For example, if Average Inventory answer is £7,375 then award one mark in Value View and lose award in Formulae View. This is because the candidate has used the correct figures but constructed the formula incorrectly by failing to use brackets properly.</p>
<p>Trade Receivables (Debtors') Collection Period:</p> <div style="text-align: right; margin-right: 100px;"> <div style="border: 1px solid black; padding: 5px; display: inline-block;">21.85</div> days </div>	<p>Accept 20.75 for Trade Receivables (Debtors') Collection Period. (Using Net Trade Receivables of £5,700).</p>
<p>Average Inventory (Stock):</p> <div style="text-align: right; margin-right: 100px;"> <div style="border: 1px solid black; padding: 5px; display: inline-block;">£4,375</div> </div>	<p>If ratios done by formulae accept Value View answers to any decimal places.</p>
<p>Rate of Inventory (Stock) Turnover</p> <div style="text-align: right; margin-right: 100px;"> <div style="border: 1px solid black; padding: 5px; display: inline-block;">29.2</div> times </div>	<p>TOTAL MARKS - 5</p>

Task 3 - Formula view

Profit for the Year Ratio*:

='Income Statement'!D27/'Income Statement'!D5 * 100

Acid Test Ratio:

=(Statement of Financial Position'!C14-'Statement of Financial Position'!C10)/'Statement of Financial Position'!C18

: 1

Trade Receivables (Debtors') Collection Period:

='Trial Balance'!A18/('Income Statement'!D5*50%)*365

days

Average Inventory (Stock):

=(Income Statement'!C9+'Income Statement'!C13)/2

Rate of Inventory (Stock) Turnover*:

='Income Statement'!D14/Ratios!B20

times

COMMENTS

One mark for correct acid test formula	1	Note: Candidate cell references as regards row numbers and columns may differ from those above. Accept linkage to any relevant statement.
One mark for correct trade receivables formula	1	
One mark for correct average inventory formula	1	
One mark for both profit for year and rate of inventory turnover formula*	1	
	(4)	

Task 4

SOLUTION		MARKS/COMMENTS
(a)		If candidates get Year 2 and Year 3 the wrong way round - no award EACH TIME. 1 mark each
	Profit for the Year Ratio	The business is less profitable/making less profit. Candidates MUST comment/imply whether ratio has improved/worsened to gain award. Do not accept - increased/decreased on its own.
	Acid Test	The business is in better liquidity position in year 3 than in year 2. The business can pay off more of its debts. Candidates MUST comment/imply whether ratio has improved/worsened to gain award. Do not accept - increased/decreased on its own.
	Trade Rec Collection Period	The business is taking less time to collect money owed from debtors/more efficient at collecting money owed/getting its money in quicker. Candidates MUST comment/imply whether ratio has improved/worsened to gain award. Do not accept - increased/decreased on its own.

(b)	Profit for the Year Ratio	<ul style="list-style-type: none"> • Increase in expenses (Accept individual expenses) • Gross Profit has decreased • Reduction in the selling price • Increase in cost of purchases/supplier costs increase/cost of sales increase/more cost of sales • Increase in theft/pilferage <p>DON'T ACCEPT: Lower Sales</p>	<p>1 mark each</p> <p>Watch for consequentiality on answers to (a).</p> <p>Answers may be opposite depending on candidates' answers to part (a).</p> <p>Can express answers from point of view of Year 2. E.g. Profit for Year ratio was better in Year 2.....</p> <p>If candidates get Year 2 and Year 3 the wrong way round in (a), then treat as consequential in (b).</p>
	Acid Test	<ul style="list-style-type: none"> • Holding less inventory • Increase in current assets other than inventory (accept specific example) • Decrease in current liabilities (accept specific examples) <p>Do not accept any reference to 'Assets' or 'Liabilities' on their own. Must be pre-fixed with 'Current'.</p>	
	Trade Rec Collection Period	<ul style="list-style-type: none"> • Offer (cash) discount for prompt payment <p>ACCEPT: Discount on its own DON'T ACCEPT: Trade Discount</p> <ul style="list-style-type: none"> • There is better credit control <p>DON'T ACCEPT: Paying back quicker Getting the money in sooner</p>	

[END OF MARKING INSTRUCTIONS]