

## **2017 Accounting Assignment**

### **National 5**

## **Finalised Marking Instructions**

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## **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.

### **Printouts**

Candidates are clearly directed, within the instructions, as to the printing requirements. Where a printout is missing, markers should award as many marks as possible on an alternative printout.

### **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 account of and candidates will receive credit for following the correct accounting processes and spreadsheet formula.

### **Formulae Printouts**

Absolute cell references are not required.

Named cells are acceptable.

Where a formula is truncated, no mark each time.

If formulae marks are grouped and the candidate has not made an attempt at some component part - still award the formulae mark providing the formulae that have been attempted are correct.

### **Formatting**

Due to formatting, candidate answers may be rounded to 0 decimal places - Accept.

### **Extra Cells Added**

Candidates may have inserted data in extra cells in order to help them construct formulae. This is acceptable providing the extra data is using cell references. If the extra data has not used cell references then do not award formula marks EACH TIME. Markers should pay close attention as to how formulae are constructed if the candidate has inserted extra cells.

## Detailed marking instructions

### Task 1 - General points

- Always check the formulae to see how answers were arrived at.
- Candidates may have incorrect answers due to not entering brackets in their formula. Mark the answer in value view as incorrect (or lose 1 mark if question is worth more than 1 mark) and award the mark in formula view (providing they have used cell references). A common example of this is, when calculating Average Inventory:

Value view: £10,000 - award 0 marks

Formula view: =B9+B10\2 - award 1 mark

- Be aware of consequentiality on Rate of Inventory Turnover, Trade Payables Payment Period and Return on Equity Invested. For example, in (ii) a candidate may not have added other income when calculating their Profit for the Year and lose a mark. If in (ix) for the Return on Equity, they make the same error - treat as consequential and award the mark.
- If there are extra entries in formulae construction - do not award 1 mark (to a maximum of 2)

Task 1 - Value view

		Answer	Marks	Comments
(i)	Gross profit ratio	40%	1	$\frac{96,000}{240,000} * 100$
(ii)	Profit for the year ratio	21%	3	$\frac{(96,000 - 48,600 + 3,000)}{240,000} (2) * 100$  (1) for dividing by sales revenue and x 100  For top half: 2 correct figures + correct effect - 1 mark 1 correct figure - 0 marks
(iii)	Average inventory	£6,000	1	$(8,000 + 4,000) / 2$
(iv)	Rate of inventory turnover	24 times	2	$\frac{(240,000 - 96,000)}{6,000} (1)$  Watch consequentiality on Av Inventory
(v)	Current ratio	2.6:1	3	$\frac{(4,000 + 13,000 + 9,000)}{10,000} (2)$  2 current assets - award 1 mark for top half 1 current asset - award 0 marks for top half
(vi)	Purchases	£140,000	3	$240,000 - 96,000 + 4,000 - 8,000$ 3 correct figures + correct effect - 2 marks 2 correct figures + correct effect - 1 mark If you see £132,000 - 1 mark If you see £148,000 - 1 mark
(vii)	Trade payables payment period	21 days	1	$\frac{8,050}{140,000} * 365$  Watch consequentiality on Purchases
(viii)	Trade receivables collection period	40 days	2	$\frac{13,000}{(240,000 * 50\%)} * 365$  (1) for multiplying Sales by 50% or /2 (1) for the remainder of the calculation
(ix)	Return on equity invested	28%	1	$(96,000 - 48,600 + 3,000) = \frac{50,400}{180,000} * 100$  Watch consequentiality on Profit for Year
		<b>Total</b>	<b>17</b>	

### Task 1 - Formula view

			<b>Marks</b>
(i) Gross profit ratio:	$=B6/B5*100$	%	<b>F1</b>
(ii) Profit for the year ratio:	$=(B6-B7+B8)/B5*100$	%	<b>F1</b>
(iii) Average inventory:	$=(B9+B10)/2$		<b>F1</b>
(iv) Rate of inventory turnover:	$=(B5-B6)/F10$	times	<b>F1</b>
(v) Current ratio:	$=(B10+B11+B14)/B13$	:1	<b>F2</b>
(vi) Purchases:	$=B5-B6+B10-B9$		<b>F2</b>
(vii) Trade payables payment period:	$=B12/F16*365$	days	<b>F2</b>
(viii) Trade receivables collection period:	$=B11/(B5*50%)*365$	days	<b>F3</b>
(ix) Return on equity invested:	$=(B6-B7+B8)/B15*100$	%	<b>F4</b>

**Total marks 4**

## Task 2

### General points

- Although different reasons must be given in Part A and Part B respectively, a same answer can be used in both Part A and Part B and receive a mark each time.

### PART A - WATCH CONSEQUENTIALITY FROM TASK 1

Ratio	Possible reason for difference	Marks
Gross profit ratio Yr 1 - 32% Yr 2 - 40%	<ul style="list-style-type: none"> <li>Higher selling price</li> <li>Lower cost of purchases/cheaper supplier</li> <li>Lower wastage/spoilage</li> </ul> <p>DON'T ACCEPT - higher/more sales DON'T ACCEPT - higher GP - must be reason</p>	1 mark for correct reason
Current ratio Yr 1 - 1.8:1 Yr 2 - 2.6:1	<p>Higher <u>current</u> assets or any example, eg:</p> <ul style="list-style-type: none"> <li>More cash in the bank</li> <li>More inventory held</li> <li>Higher amounts owed by customers</li> </ul> <p>Lower <u>current</u> liabilities or any example, eg:</p> <ul style="list-style-type: none"> <li>Less money owed to suppliers</li> <li>No longer in bank overdraft</li> </ul> <p>NOTE - must have the word <u>current</u> to gain mark</p>	1 mark for correct reason
Trade payables payment period Yr 1 - 35 days Yr 2 - 21 days	<ul style="list-style-type: none"> <li>Paying suppliers/bills more quickly (if candidate has "electricity bills" no award)</li> <li><u>Suppliers</u> giving less time to pay for goods (must be clear it is the other firm who are changing credit times)</li> <li>Taking advantage of cash discount offered</li> </ul> <p>DON'T ACCEPT less Tr Payables - must be reason</p>	1 mark for correct reason

### PART B

Ratio	Way of improving ratio	Marks
Return on equity invested	<p>Any Profit for Year Improvement, eg:</p> <ul style="list-style-type: none"> <li>Increase the selling price/get higher sales</li> <li>Reduce expenses</li> <li>Find and use a cheaper supplier</li> </ul> <p>DON'T ACCEPT - higher Profit for Year on its own</p>	1 mark for correct suggestion
Trade receivables collection period	<ul style="list-style-type: none"> <li>Offer cash discount to encourage prompt payment (if only the word discount is used - answer needs to indicate discount is for paying quicker)</li> <li>Reduce credit terms/customer payment time</li> </ul>	1 mark for correct suggestion
Rate of inventory turnover	<ul style="list-style-type: none"> <li>Advertising campaign</li> <li>Reduce inventory holding</li> <li>Reduce selling price</li> </ul> <p>DON'T ACCEPT - Increase Cost of Sales</p>	1 mark for correct suggestion

Total marks 6

Task 3 - Value view

	A	B	C	D	E	F
	No of garden sheds	Total variable costs	Total fixed costs	Total costs	Sales revenue	Profit/Loss
12	0	£0	£32,000	£32,000	£0	-£32,000
13	200	£30,000	£32,000	£62,000	£50,000	-£12,000
14	400	£60,000	£32,000	£92,000	£100,000	£8,000
15	600	£90,000	£32,000	£122,000	£150,000	£28,000
16	800	£120,000	£32,000	£152,000	£200,000	£48,000

1 mark for total variable cost and total cost columns all correct

1 mark for sales revenue and profit/loss columns all correct

No of garden sheds required to break-even

320

2 marks

Margin of safety in sales value at 600 units

£70,000

1 mark

Profit/loss at 260 units

(£6,000) Loss

2 marks

(ALL OR NOTHING)

Total marks 7

Task 3 - Formula view

	A	B	C	D	E	F
	No of garden sheds	Total variable costs	Total fixed costs	Total costs	Sales revenue	Profit/Loss
12	0	=D\$6*A12	=D\$8	=B12+C12	=D\$4*A12	=E12-D12
13	200	=D\$6*A13	=D\$8	=B13+C13	=D\$4*A13	=E13-D13
14	400	=D\$6*A14	=D\$8	=B14+C14	=D\$4*A14	=E14-D14
15	600	=D\$6*A15	=D\$8	=B15+C15	=D\$4*A15	=E15-D15
16	800	=D\$6*A16	=D\$8	=B16+C16	=D\$4*A16	=E16-D16

F2
F1
F2
F2
F2

No of garden sheds required to break-even

=D8/(D4-D6) F3

Margin of safety in sales value at 600 units

=(600-E19)\*D4 F3

Profit/loss at 260 units

=(260-E19)\*(D4-D6) F4

**Total marks 4**

**NOTE** - apart from figures of 600 and 260, everything else must be cell referenced.



Task 4 - Value view

General Points

- Watch for consequentiality after candidates have calculated contribution per labour hour
- The mark for labour hours to be used to maximise profits **MUST** be based on the contribution per labour hour. This could result in a correct answer as per solution being consequentially wrong. Do not continue to penalise thereafter.

	Garden Shed	Furniture Set	Total	Marks
Variable cost per unit	£160	£220		1
Lab hours to meet max demand	7,200	5,000	12,200	1
Contribution per unit	£90	£100		1
Contribution per labour hour	£15	£10		1
Labour hours to be used to maximise profits	7,200	2,800		1
Units to be produced	1,200	280		1
Total contribution	£108,000	£28,000	£136,000	1
Fixed costs			£41,600	1
Maximum profit			£94,400	1
			<b>Total marks</b>	<b>9</b>

Task 4 - Formula view

	E	F	G	H	I	J	K
5			<b>Garden Shed</b>		<b>Furniture Set</b>		<b>Total</b>
6	Variable cost per unit		<input type="text" value="='Break-even'!D6+10"/>	F1	220		
7							
8	Labour hours required to meet						
9	maximum demand		<input type="text" value="=B8*B10"/>	F2	<input type="text" value="=C8*C10"/>	F2	<input type="text" value="=G9+I9"/>
10							
11	Contribution per unit		<input type="text" value="=B9-G6"/>	F2	<input type="text" value="=C9-I6"/>	F2	
12							
13	Contribution per labour hour		<input type="text" value="=G11/B8"/>	F2	<input type="text" value="=I11/C8"/>	F2	
14							
15	Labour hours to be used to						
16	maximise profits		<input type="text" value="=G9"/>	F3	<input type="text" value="=B5-G16"/>	F3	
17							
18	Units to be produced		<input type="text" value="=B10"/>	F3	<input type="text" value="=I16/C8"/>	F3	
19							
20	Total contribution		<input type="text" value="=G18*G11"/>	F3	<input type="text" value="=I18*I11"/>	F3	<input type="text" value="=G20+I20"/>
21							
22	Fixed costs						<input type="text" value="='Break-even'!D8*1.3"/>
23							
24	Maximum profit						<input type="text" value="=K20-K22"/>

NOTE - Total contribution can be calculated using hours instead of units which means the formula used will be different.

Total marks 3

[END OF MARKING INSTRUCTIONS]