



National
Qualifications
2017

2017 Accounting Advanced Higher Finalised Marking Instructions

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General marking principles for Advanced Higher Accounting

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 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.
- (c) 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.
- (d) Consequentiality subsequent to a calculative error must be followed through, with credit being given for any errors in subsequent calculations or working.
- (e) Scored out or erased working which has not been replaced should be marked where still legible. However, if the scored out or erased working has been replaced, only the work which has not been scored out should be marked.
- (f) For each candidate response, the following provides an overview of the marking principles. Refer to the detailed marking instructions for further guidance on how these principles should be applied.

Marks will be awarded as follows for:

- (i) Questions that ask candidates to “**Describe ...**”

Candidates must make a number of relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation.

Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- **1 mark** should be given for each relevant factual point.
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

- (ii) For questions that ask candidates to “**Explain...**”

Candidates must make accurate relevant points that relate cause and effect and/or make relationships clear. These points may relate to a concept, process or situation.

Candidates may provide straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- **1 mark** should be given for each relevant point of explanation
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(iii) Questions that ask candidates to “**Justify ...**”

Candidates must give good reasons for a course of action or decision.

Up to the total mark allocation of this question:

- **1 mark** should be given for each relevant statement or opinion
- Marks can be given for any further development of a relevant statement or opinion

(iv) Questions that ask candidates to “**Analyse...**”

Candidates must demonstrate their ability to identify/describe/explain relevant parts and the relationships between the parts and/or the whole. Candidates should be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question:

- **1 mark** should be given for each relevant point of analysis
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(v) Questions that ask candidates to “**Discuss...**”

Candidates must make points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or against. It is not always necessary to give both sides of the debate in responses.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of knowledge that is clearly relevant
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(vi) Questions that ask candidates to “**Compare...**”

Candidates must demonstrate knowledge and understanding of the similarities and/or differences between things, methods or choices, for example. The relevant points could include theoretical concepts.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of analysis
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

(vii) Questions that ask candidates to “**Evaluate...**”

Candidates must demonstrate the ability to make a reasoned judgement in terms of the effectiveness or usefulness of something based on criteria. Candidates should be able to determine the value of something within context.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of evaluation
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate.

Marking instructions for each question

Section 1

Question		Expected answer(s)		Max mark	Additional guidance																																
1.	(a)	<p>BUDGETED PROFIT</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Budgeted Sales (20,000 × £80)</td> <td></td> <td style="text-align: right;">1,600,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Costs: Materials (50,000 × £5.00)</td> <td style="text-align: right;">250,000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Labour</td> <td style="text-align: right;">150,000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Variable Overhead</td> <td style="text-align: right;">50,000</td> <td></td> <td></td> </tr> <tr> <td>Fixed Overhead</td> <td style="text-align: right;">80,000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Budgeted Profit</td> <td></td> <td style="text-align: right;"><u>530,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">£1,070,000</td> <td></td> </tr> </table>			£	£		Budgeted Sales (20,000 × £80)		1,600,000	(1)	Costs: Materials (50,000 × £5.00)	250,000		(1)	Labour	150,000		(1)	Variable Overhead	50,000			Fixed Overhead	80,000		(1)	Budgeted Profit		<u>530,000</u>				£1,070,000		4	If calculated per unit, max award is 3 out of 4.
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Question		Expected answer(s)	Max mark	Additional guidance
	(d) (i)	Sales Price $(70 - 80) \times 24,000$	£240,000 A	Where variance calculation accurately completed but no statement of adverse or favourable, award 1 mark . *(50,000kg/20,000 units) × 24,000 units **(25,000 hours/20,000 units) × 24,000 units
	(ii)	Sales Volume $80 \times (24,000 - 20,000)$	£320,000 F	
	(iii)	Total Sales Revenue $(24,000 \times 70) - (20,000 \times 80)$	£80,000 F	
	(iv)	Materials Price $55,000 \times (5.00 - 4.50)$	£27,500 F	
	(v)	Materials Usage $5.00 \times (60,000^* - 55,000)$	£25,000 F	
	(vi)	Total Materials Cost $(60,000 \times 5.00) - (55,000 \times 4.50)$	£52,500 F	
	(vii)	Labour Rate $(6 - 7.50) \times 28,000$	£42,000 A	
	(viii)	Labour Efficiency $6 \times (30,000^{**} - 28,000)$	£12,000 F	
	(ix)	Total Labour Cost $(6 \times 30,000) - (7.50 \times 28,000)$	£30,000 A	
	(x)	Variable Overhead Expenditure $(28,000 \times 2) - 49,000$	£7,000 F	
	(xi)	Variable Overhead Efficiency $2 \times (30,000 - 28,000)$	£4,000 F	
	(xii)	Total Variable Overhead Cost $(30,000 \times 2) - 49,000$	£11,000 F	
	(xiii)	Fixed Overhead Expenditure $(80,000 - 98,000)$	£18,000 A	
	(xiv)	Fixed Overhead Volume $(96,000 - 80,000)$	£16,000 A	
	(xv)	Fixed Overhead Cost $(24,000 \times 4) - 98,000$	£2,000 A	

Question			Expected Answer(s)	Max Mark	Additional Guidance
	(e)	(i)	Reduction in price due to quantity discounting/price reductions in the face of increased competition.	1	In all cases accept alternative responses consequential to candidate answers to (d). Accept any other reasonable response provided which is not stated here.
		(ii)	Increase in quantity sold due to response to advertising.	1	
		(iii)	Purchase of materials of a different quality/price to those budgeted due to shortage.	1	
		(iv)	More efficient working practices; better training of staff; better quality control.	1	
		(v)	Increase in wage rates due to industrial action/changes in minimum wage legislation.	1	
		(vi)	Use of a different grade of worker due to absenteeism - poorer/better workmanship.	1	
		(vii)	Efficiency of workforce.	1	
		(viii)	Increase in costs such as rent, insurance, electricity.	1	

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2.	(a)	Orbit plc Income Statement for the year ended 31 December Year 4 <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">£000</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>Sales Revenue</td> <td style="text-align: right;">4,260</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Cost of Sales (Note 1)</td> <td style="text-align: right;"><u>(1,756)</u></td> <td style="text-align: right;">*</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">2,504</td> <td></td> <td></td> </tr> <tr> <td>Administration Expenses (Note 1)</td> <td style="text-align: right;">(538)</td> <td style="text-align: right;">*</td> <td></td> </tr> <tr> <td>Selling & Distribution Expenses (Note 1)</td> <td style="text-align: right;"><u>(1,000)</u></td> <td style="text-align: right;">* (11)</td> <td></td> </tr> <tr> <td>Profit from Operations</td> <td style="text-align: right;">966</td> <td></td> <td></td> </tr> <tr> <td>Other Income</td> <td style="text-align: right;">32</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Other Expenses</td> <td style="text-align: right;"><u>(50)</u></td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Profit Before Finance Costs</td> <td style="text-align: right;">948</td> <td></td> <td></td> </tr> <tr> <td>Finance Costs (Interest payable)</td> <td style="text-align: right;"><u>(70)</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Profit Before Tax</td> <td style="text-align: right;">878</td> <td></td> <td></td> </tr> <tr> <td>Taxation</td> <td style="text-align: right;"><u>477</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Profit for the Year</td> <td style="text-align: right;">401</td> <td></td> <td></td> </tr> </tbody> </table>					£000			Sales Revenue	4,260	(1)		Cost of Sales (Note 1)	<u>(1,756)</u>	*		Gross Profit	2,504			Administration Expenses (Note 1)	(538)	*		Selling & Distribution Expenses (Note 1)	<u>(1,000)</u>	* (11)		Profit from Operations	966			Other Income	32	(1)		Other Expenses	<u>(50)</u>	(2)		Profit Before Finance Costs	948			Finance Costs (Interest payable)	<u>(70)</u>	(1)		Profit Before Tax	878			Taxation	<u>477</u>	(1)		Profit for the Year	401			17	*refers to mark allocations on Note 1. If finance costs and other expenses combined as 120, max award is 2. Extraneous items included, do not award sales mark.
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(c)	<p data-bbox="331 204 1234 236">Orbit plc - Statement of Financial Position as at 31 December Year 4</p> <table border="1" data-bbox="331 252 1368 1353"> <thead> <tr> <th data-bbox="331 252 786 288">Non-Current assets</th> <th data-bbox="786 252 927 288"></th> <th data-bbox="927 252 1070 288">£000</th> <th data-bbox="1070 252 1160 288"></th> <th data-bbox="1160 252 1294 288">£000</th> <th data-bbox="1294 252 1368 288"></th> </tr> </thead> <tbody> <tr> <td data-bbox="331 288 786 325">Intangible</td> <td data-bbox="786 288 927 325">(Note 4)</td> <td data-bbox="927 288 1070 325">180</td> <td data-bbox="1070 288 1160 325">(1)</td> <td data-bbox="1160 288 1294 325"></td> <td data-bbox="1294 288 1368 325"></td> </tr> <tr> <td data-bbox="331 325 786 362">Tangible</td> <td data-bbox="786 325 927 362">(Note 5)</td> <td data-bbox="927 325 1070 362">3,720</td> <td data-bbox="1070 325 1160 362">(4)</td> <td data-bbox="1160 325 1294 362"></td> <td data-bbox="1294 325 1368 362"></td> </tr> <tr> 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<td data-bbox="1070 619 1160 655"></td> <td data-bbox="1160 619 1294 655">690</td> <td data-bbox="1294 619 1368 655"></td> </tr> <tr> <td data-bbox="331 655 786 692">Total Assets</td> <td data-bbox="786 655 927 692"></td> <td data-bbox="927 655 1070 692"></td> <td data-bbox="1070 655 1160 692"></td> <td data-bbox="1160 655 1294 692">5,080</td> <td data-bbox="1294 655 1368 692"></td> </tr> <tr> <td data-bbox="331 692 786 729">Current Liabilities</td> <td data-bbox="786 692 927 729"></td> <td data-bbox="927 692 1070 729"></td> <td data-bbox="1070 692 1160 729"></td> <td data-bbox="1160 692 1294 729"></td> <td data-bbox="1294 692 1368 729"></td> </tr> <tr> <td data-bbox="331 729 786 766">Trade Payables</td> <td data-bbox="786 729 927 766"></td> <td data-bbox="927 729 1070 766">260</td> <td data-bbox="1070 729 1160 766">(1)</td> <td data-bbox="1160 729 1294 766"></td> <td data-bbox="1294 729 1368 766"></td> </tr> <tr> <td data-bbox="331 766 786 802">Other Payables</td> <td data-bbox="786 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1316"></td> </tr> </tbody> </table>	Non-Current assets		£000		£000		Intangible	(Note 4)	180	(1)			Tangible	(Note 5)	3,720	(4)			Investments		490	(1)							4,390		Current Assets						Inventory at 31 Dec Yr 4		142	} (1)			Trade Receivables		410				Other Receivables		10	(1)			Cash & Cash Equivalents	(Note 6)	128	(2)							690		Total Assets				5,080		Current Liabilities						Trade Payables		260	(1)			Other Payables	(Note 7)	92	(2)			Taxes Payable		477	(1)							829		Non-current Liabilities						10% Debentures				700	(1)							Total Liabilities				(1,529)								Net Assets				3,551		EQUITY						£1 Ordinary Shares				1,200	} (1)	Share Premium				230		Revaluation Reserve	(Note 8)			850	(1)	Closing Retained Earnings				1,271	(1)	Total Equity				3,551		21	<p data-bbox="1653 204 1989 268">1 mark for no extraneous items (E).</p> <p data-bbox="1653 268 1989 331">1 mark for all arithmetic correct (A).</p> <p data-bbox="1653 331 2040 475">1 mark for headings/layout/terminology (eg other payables/other receivables etc) (H).</p>
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	(b)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th></th> <th style="text-align: center;">A</th> <th style="text-align: center;">B</th> <th style="text-align: center;">C</th> </tr> </thead> <tbody> <tr> <td>Receipts of Raw Materials</td> <td>per purchase req</td> <td style="text-align: center;">0.40 (2)</td> <td style="text-align: center;">0.80 (1)</td> <td style="text-align: center;">0.50 (1)</td> </tr> <tr> <td>Machining</td> <td>per machine hour</td> <td style="text-align: center;">4.00 (2)</td> <td style="text-align: center;">2.40 (1)</td> <td style="text-align: center;">1.60 (1)</td> </tr> <tr> <td>Machinery Set-up Costs</td> <td>Number of production runs</td> <td style="text-align: center;">1.20 (2)</td> <td style="text-align: center;">3.00 (1)</td> <td style="text-align: center;">0.40 (1)</td> </tr> <tr> <td>Inspection Costs</td> <td>Number of production runs</td> <td style="text-align: center;">0.80 (2)</td> <td style="text-align: center;">2.00 (1)</td> <td style="text-align: center;">0.27 (1)*</td> </tr> <tr> <td>Despatch Costs</td> <td>Number of orders</td> <td style="text-align: center;">0.53 (2)*</td> <td style="text-align: center;">1.40 (1)</td> <td style="text-align: center;">0.17 (1)*</td> </tr> <tr> <td>Direct Costs</td> <td></td> <td style="text-align: center;">60.00</td> <td style="text-align: center;">50.00</td> <td style="text-align: center;">40.00 (1 line)</td> </tr> <tr> <td>COST PER UNIT</td> <td></td> <td style="text-align: center;">66.93</td> <td style="text-align: center;">59.60</td> <td style="text-align: center;">42.94#</td> </tr> </tbody> </table>			A	B	C	Receipts of Raw Materials	per purchase req	0.40 (2)	0.80 (1)	0.50 (1)	Machining	per machine hour	4.00 (2)	2.40 (1)	1.60 (1)	Machinery Set-up Costs	Number of production runs	1.20 (2)	3.00 (1)	0.40 (1)	Inspection Costs	Number of production runs	0.80 (2)	2.00 (1)	0.27 (1)*	Despatch Costs	Number of orders	0.53 (2)*	1.40 (1)	0.17 (1)*	Direct Costs		60.00	50.00	40.00 (1 line)	COST PER UNIT		66.93	59.60	42.94#	21	<p>1 mark for calculation of cost per driver.</p> <p>1 mark for appropriate use.</p> <p>Be aware of consequentiality.</p> <p>Where figures marked * have been calculated accurately but rounded to one dec. place, award max 3.</p> <p>Inclusion of any other extraneous information, do not award direct cost mark.</p> <p>#CPU not totalled/shown, do not award direct cost line or final mark earned if no direct costs entered.</p>
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	(c)	<p>ABC is more accurate than traditional methods because it bases costs on the number of times a driver is used per unit of production.</p> <p>It is more straightforward to apply than traditional methods when production consists of a wide variety of different products and processes.</p>	2	<p>1 mark per valid point.</p>																																								

Section 2

Question		Expected answer(s)			Max mark	Additional guidance																																																																
4.	(a)		Production level Output	100% 15,000	110% 16,500	120% 18,000	1																																																															
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		(ii)	Cost per chair	£55.55	£55.66	£55.42 (1 line)	1	Be aware of consequentiality from (b)(i).																																																														
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Question			Expected answer(s)	Max mark	Additional guidance
5.	(a)	(i)	$86 + (10\% \times 120) (1) + 24 (1) = 122$	2	No need to indicate whether cash outflow/inflow.
		(ii)	$11(1) + 12(1) - 6(1) = 17$	3	The figure of 12 (Income Statement Deb Int) is consequential on the answer to (i) No need to indicate whether cash outflow/inflow.
		(iii)	$87(1) - (44(1) - 35(1)) = 78$	3	No need to indicate whether cash outflow/inflow.
		(iv)	Agg dep Yr 4 - Dep on Asset Sold = $70(1) - (40(1) - 25(1)) = 55$ Change in Agg Dep = $(95 - 55) (1) = 40$	4	No need to indicate whether cash outflow/inflow.
		(v)	Year 4 Cash & Cash Equivalents 55 Year 5 Bank Overdraft <u>(30)</u> Difference <u>(85)</u> Decrease	1	Candidate must indicate decrease/outflow in order to gain a mark.
	(b)		Inventories (291 - 234) 57(1) Trade Receivables (127 - 210) -83(1) Trade Payables (43 - 59) -16(1) Other Payables (28 - 6) (1) - (23 - 11) (1) 10	5	Must be correct effect in order to gain a mark. If Other Payables correct but wrong effect - max 1.
	(c)		<ul style="list-style-type: none"> Loss on Sale is a non cash adjustment (1) Profit has reduced but no cash left the business (1) Must be added back to profit to reflect true cash position (1) 	2	1 mark per valid point. Accept any other relevant answer.

[END OF MARKING INSTRUCTIONS]