



National
Qualifications
2017

2017 Accounting

Higher

Finalised Marking Instructions

© Scottish Qualifications Authority 2017

The information in this publication may be reproduced to support SQA qualifications only on a non-commercial basis. If it is reproduced, SQA should be clearly acknowledged as the source. If it is to be used for any other purpose, written permission must be obtained from permissions@sqa.org.uk.

Where the publication includes materials from sources other than SQA (secondary copyright), this material should only be reproduced for the purposes of examination or assessment. If it needs to be reproduced for any other purpose it is the centre's responsibility to obtain the necessary copyright clearance. SQA's NQ Assessment team may be able to direct you to the secondary sources.

These marking instructions have been prepared by examination teams for use by SQA appointed markers when marking external course assessments. This publication must not be reproduced for commercial or trade purposes.



General marking principles for 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, ie marks should be awarded for what is correct and not deducted for 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) (i) For 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 “Outline ...”

Candidates must make a number of brief statements appropriate to the question asked. These may include facts, features or characteristics.

Up to the total mark allocation for this question:

1 mark should be given for each accurate statement.

Marking instructions for each question

Section 1

Question		Expected answer(s)						Max mark	Additional guidance	
1.	(a)	Overhead analysis statement ✓						11	<p>If Direct Labour included as well as Indirect Wages, award 0 marks for Indirect Wages.</p> <p>If 1 arithmetic error award 1 mark. More than 1 arithmetic error award 0 marks.</p> <p>If incorrect basis is used then award 0 marks for line.</p>	
		Overhead	Rate	Dept A £	Dept B £	Dept C £	Dept D £	Dept E £		Marks
		Indirect wages	Allocated	60,000	27,400	21,250	26,000	9,700		(1)
		Insurance of property	£23,000/11,500 £2/sq m	8,000	4,000	2,000	3,000	6,000		(2)
		Supervisor's salary	£30,000/100 £300 per employee	9,000	7,200	6,000	3,000	4,800		(2)
		Rent and rates	£166,750/11,500 £14.50/sq m	58,000	29,000	14,500	21,750	43,500		(2)
		Power	£34,600/3,460 £10/kwh	16,200	2,400	2,000	6,000	8,000		(2)
		Depreciation of P&M	£56,000/£280,000 20% of asset value	30,000	8,000	2,000	4,000	12,000		(2)
		TOTAL DEPARTMENT OVERHEADS		181,200	78,000	47,750	63,750	84,000	✓	

Question	Expected answer(s)	Max mark	Additional guidance																				
(b)	<table border="1"> <tr> <td>Dept E</td> <td>£84,000/84 £1,000 per employee</td> <td>30,000</td> <td>24,000</td> <td>20,000</td> <td>10,000</td> <td>(84,000)</td> <td>(2)</td> </tr> <tr> <td></td> <td></td> <td>211,200</td> <td>102,000</td> <td>67,750</td> <td>73,750</td> <td></td> <td></td> </tr> </table>	Dept E	£84,000/84 £1,000 per employee	30,000	24,000	20,000	10,000	(84,000)	(2)			211,200	102,000	67,750	73,750			2	If 1 arithmetic error award 1 mark . More than 1 arithmetic error award 0 marks .				
Dept E	£84,000/84 £1,000 per employee	30,000	24,000	20,000	10,000	(84,000)	(2)																
		211,200	102,000	67,750	73,750																		
(c)	<table border="1"> <tr> <td>Dept D</td> <td>£73,750/36,875 £2/mach hr</td> <td>44,000</td> <td>24,000</td> <td>5,750</td> <td>(73,750)</td> <td></td> <td>(2)</td> </tr> <tr> <td colspan="2">PRODUCTION DEPT OVERHEADS</td> <td>255,200</td> <td>126,000</td> <td>73,500</td> <td>✓</td> <td></td> <td></td> </tr> </table> <p>1 mark for correctly headed up statement, arithmetic totals for department overheads in (a) and production department overheads in (c). (1)</p>	Dept D	£73,750/36,875 £2/mach hr	44,000	24,000	5,750	(73,750)		(2)	PRODUCTION DEPT OVERHEADS		255,200	126,000	73,500	✓			3	If 1 arithmetic error award 1 mark . More than 1 arithmetic error award 0 marks .				
Dept D	£73,750/36,875 £2/mach hr	44,000	24,000	5,750	(73,750)		(2)																
PRODUCTION DEPT OVERHEADS		255,200	126,000	73,500	✓																		
(d)	<p>Overhead absorption rates</p> <p>Dept A - £255,200/22,000 = £11.60 per machine hour (1) Dept B - (£126,000/£360,000) x 100 = 35% of direct labour cost (1) Dept C - Labour hours used = £252,000/£12/hr = 21,000 hrs (1) £73,500/21,000 = £3.50 per labour hour) (1)</p>	4	If £/% missing, lose first mark only.																				
(e)	<table border="1"> <thead> <tr> <th></th> <th>Dept A</th> <th>Dept B</th> <th>Dept C</th> </tr> </thead> <tbody> <tr> <td>Overheads recovered</td> <td>20,500 x £11.60</td> <td>£370,000 x 35%</td> <td>19,750 x £3.50</td> </tr> <tr> <td></td> <td>£237,800 (1)</td> <td>£129,500 (1)</td> <td>£69,125 (1)</td> </tr> <tr> <td>Actual overheads</td> <td>£242,000</td> <td>£122,400</td> <td>£75,000</td> </tr> <tr> <td></td> <td>£4,200 under (1)</td> <td>£7,100 over (1)</td> <td>£5,875 under (1)</td> </tr> </tbody> </table>		Dept A	Dept B	Dept C	Overheads recovered	20,500 x £11.60	£370,000 x 35%	19,750 x £3.50		£237,800 (1)	£129,500 (1)	£69,125 (1)	Actual overheads	£242,000	£122,400	£75,000		£4,200 under (1)	£7,100 over (1)	£5,875 under (1)	6	Award marks for over/under absorption only if clearly stated.
	Dept A	Dept B	Dept C																				
Overheads recovered	20,500 x £11.60	£370,000 x 35%	19,750 x £3.50																				
	£237,800 (1)	£129,500 (1)	£69,125 (1)																				
Actual overheads	£242,000	£122,400	£75,000																				
	£4,200 under (1)	£7,100 over (1)	£5,875 under (1)																				

Question		Expected answer(s)	Max mark	Additional guidance																																																																																										
	(f)	<p>Job cost statement - CC006 ✓</p> <p>Direct Material:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Material X - (10 m x 20 sofas) @ £20 per metre</td> <td style="width: 10%; text-align: right;">4,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Material Y - (200/10) @ £10 per metre</td> <td style="text-align: right;">200</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td>Stuffing material - ((20 x 4 kg)/200 kg) x £500</td> <td style="text-align: right;">200</td> <td style="text-align: right;">(2)</td> <td style="text-align: right;">4,400</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> <td></td> <td></td> </tr> </table> <p>Direct Labour</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dept A - 40 labour hours @ £12 per hour</td> <td style="width: 10%; text-align: right;">480</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Dept B - 20 labour hours @ £12 per hour</td> <td style="text-align: right;">240</td> <td style="text-align: right;">(1)∞</td> <td></td> <td></td> </tr> <tr> <td>Dept C - 6 labour hours @ £12 per hour</td> <td style="text-align: right;">72</td> <td></td> <td style="text-align: right;">792</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> <td></td> <td></td> </tr> </table> <p>Direct Expenses } Prime Cost ✓ }</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">239</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">5,431</td> <td></td> </tr> </table> <p>Overheads</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Dept A - 40 machine hours @ £11.60 per hour</td> <td style="width: 10%; text-align: right;">464</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Dept B - £240 x 35%</td> <td style="text-align: right;">84</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td>Dept C - 6 labour hours @ £3.50 per hour</td> <td style="text-align: right;">21</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">569</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> </tr> </table> <p>Cost of Job</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">6,000</td> <td style="width: 10%;"></td> </tr> </table> <p>Profit margin (6,000/75) x 25</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">2,000</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> </table> <p>Selling price ✓</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">8,000</td> <td style="width: 10%; text-align: right;">(*1)</td> </tr> </table> <p>* 1 mark for correctly headed up statement, selling price label and arithmetic</p>	Material X - (10 m x 20 sofas) @ £20 per metre	4,000	(1)			Material Y - (200/10) @ £10 per metre	200	(1)			Stuffing material - ((20 x 4 kg)/200 kg) x £500	200	(2)	4,400							Dept A - 40 labour hours @ £12 per hour	480				Dept B - 20 labour hours @ £12 per hour	240	(1)∞			Dept C - 6 labour hours @ £12 per hour	72		792										239	(1)									5,431		Dept A - 40 machine hours @ £11.60 per hour	464	(1)			Dept B - £240 x 35%	84	(1)			Dept C - 6 labour hours @ £3.50 per hour	21	(1)	569										6,000					2,000	(1)				8,000	(*1)	11	<p>∞ Only award mark to direct labour if there is no calc using m/c hours.</p> <p>Award 1 mark for direct expenses recorded before prime cost and prime cost label.</p>
Material X - (10 m x 20 sofas) @ £20 per metre	4,000	(1)																																																																																												
Material Y - (200/10) @ £10 per metre	200	(1)																																																																																												
Stuffing material - ((20 x 4 kg)/200 kg) x £500	200	(2)	4,400																																																																																											
Dept A - 40 labour hours @ £12 per hour	480																																																																																													
Dept B - 20 labour hours @ £12 per hour	240	(1)∞																																																																																												
Dept C - 6 labour hours @ £12 per hour	72		792																																																																																											
			239	(1)																																																																																										
			5,431																																																																																											
Dept A - 40 machine hours @ £11.60 per hour	464	(1)																																																																																												
Dept B - £240 x 35%	84	(1)																																																																																												
Dept C - 6 labour hours @ £3.50 per hour	21	(1)	569																																																																																											
			6,000																																																																																											
			2,000	(1)																																																																																										
			8,000	(*1)																																																																																										
	(g) (i)	Factory wide overhead absorption rate = £420,000/10,000 units = £42 per unit (1)	1																																																																																											
	(ii)	CC006 - overheads applied = 20 units x £42 per unit = £840 (1) £840 – £569 = Increase £271 (1)	2	Increase (or conseq. decrease) must be indicated.																																																																																										

Section 2

Question		Expected answer(s)			Max mark	Additional guidance
2.	(a)	Cash Budget for 3 months September to November Year 2 ✓			18	
			Sept	Oct	Nov	
		Opening Balance ✓	9,500	9,100	58,900	
		Receipts (Cash In) ✓				
		Cash Sales	80,000	76,250	77,500 (2)*	* If 1 arithmetic error award 1 mark . More than 1 arithmetic error award 0 marks . If bad debts shown, do not award credit sales (2 months).
		Credit Sales one month	162,000	172,800	164,700 (2)*	
		Credit Sales 2 months	39,900 (1)	42,750 (1)	45,600 (1)	
		Loan	80,000			
		Total Receipts	361,900	291,800	287,800	
		Payments (Cash Out) ✓				
		Sales Expenses	12,000	12,800	12,200 (2)*	
		Materials	157,500	147,500	152,500 (2)*	
		Labour	68,200	69,300	64,900 (2)*	
		Labour Bonus	600 (1)			
		Fixed Overheads	4,000	4,000	4,000 (1)	
		New Machine	120,000 (1)			
		Loan Repayments	<u> </u>	<u>8,400</u>	<u>8,400 (1)</u>	
		Total Payments	362,300	242,000	242,000	
		Closing Balance ✓	<u>9,100</u>	<u>58,900</u>	<u>104,700</u>	
		Heading including time period, labels, opening and closing balances and arithmetic 1 mark				

Question		Expected answer(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> • Use of formulae to calculate figures reduces human error • Can show the effects of “what if” scenarios in, for example purchase of new non-current assets • Changes to any data in the spreadsheet are automatically updated with the use of formulae/future proof • Use of multiple worksheets to link statements • Use of templates from year to year 	2	Answers MUST relate to preparing a cash budget on a spreadsheet.

Question		Expected answer(s)			Max mark	Additional guidance																																																																																																	
3.	(a)	Manufacturing Account for year ended 31 December Year 2 ✓			19	If direct costs or factory overheads deducted but indicated as add, treat as arithmetical error. However, if indicated <i>less</i> or no indication, award marks where possible and divide by 2. If labelled <i>profit on manufacture</i> and negative figure shown, ACCEPT.																																																																																																	
		<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: right;">£000</th> <th style="width: 15%; text-align: right;">£000</th> <th style="width: 15%; text-align: right;">£000</th> </tr> </thead> <tbody> <tr> <td>Opening Inventory of Raw Materials</td> <td></td> <td style="text-align: right;">80</td> <td></td> </tr> <tr> <td>Purchase of Raw Materials</td> <td style="text-align: right;">600</td> <td></td> <td></td> </tr> <tr> <td>Carriage on Raw Materials</td> <td style="text-align: right;"><u>20</u></td> <td style="text-align: right;">620</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">700</td> <td></td> </tr> <tr> <td>Closing Inventory of Raw Materials</td> <td></td> <td style="text-align: right;">30</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>COST OF RAW MATERIAL CONSUMED ✓</td> <td></td> <td style="text-align: right;">670</td> <td></td> </tr> <tr> <td>Add Direct Costs</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Production wages (520+10)</td> <td style="text-align: right;">530</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Royalties</td> <td style="text-align: right;"><u>48</u></td> <td style="text-align: right;">578</td> <td></td> </tr> <tr> <td>PRIME COST ✓</td> <td></td> <td></td> <td style="text-align: right;">1,248</td> </tr> <tr> <td>Add Factory Overheads</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Insurance (note 1)</td> <td></td> <td style="text-align: right;">15</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Electricity (note 2)</td> <td></td> <td style="text-align: right;">48</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Factory indirect labour</td> <td></td> <td style="text-align: right;">68</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation of factory machinery (note 3)</td> <td></td> <td style="text-align: right;"><u>6</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">137</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">1,385</td> </tr> <tr> <td>Opening Inventory of work in progress</td> <td></td> <td></td> <td style="text-align: right;">60</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">1,445</td> </tr> <tr> <td>Closing Inventory of work in progress</td> <td></td> <td></td> <td style="text-align: right;"><u>54</u></td> </tr> <tr> <td>FACTORY COST OF PRODUCTION ✓</td> <td></td> <td></td> <td style="text-align: right;">1,391</td> </tr> <tr> <td>Loss on manufacture</td> <td></td> <td></td> <td style="text-align: right;">(11)</td> </tr> <tr> <td>Market Value of goods completed</td> <td></td> <td></td> <td style="text-align: right;"><u>1,380</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">(1)</td> </tr> </tbody> </table>		£000	£000		£000	Opening Inventory of Raw Materials		80		Purchase of Raw Materials	600			Carriage on Raw Materials	<u>20</u>	620			(1)	700		Closing Inventory of Raw Materials		30	(1)	COST OF RAW MATERIAL CONSUMED ✓		670		Add Direct Costs				Production wages (520+10)	530	(1)		Royalties	<u>48</u>	578		PRIME COST ✓			1,248	Add Factory Overheads				Insurance (note 1)		15	(1)	Electricity (note 2)		48	(2)	Factory indirect labour		68	(1)	Depreciation of factory machinery (note 3)		<u>6</u>	(2)				137				1,385	Opening Inventory of work in progress			60				1,445	Closing Inventory of work in progress			<u>54</u>	FACTORY COST OF PRODUCTION ✓			1,391	Loss on manufacture			(11)	Market Value of goods completed			<u>1,380</u>				(1)
	£000	£000	£000																																																																																																				
Opening Inventory of Raw Materials		80																																																																																																					
Purchase of Raw Materials	600																																																																																																						
Carriage on Raw Materials	<u>20</u>	620																																																																																																					
	(1)	700																																																																																																					
Closing Inventory of Raw Materials		30	(1)																																																																																																				
COST OF RAW MATERIAL CONSUMED ✓		670																																																																																																					
Add Direct Costs																																																																																																							
Production wages (520+10)	530	(1)																																																																																																					
Royalties	<u>48</u>	578																																																																																																					
PRIME COST ✓			1,248																																																																																																				
Add Factory Overheads																																																																																																							
Insurance (note 1)		15	(1)																																																																																																				
Electricity (note 2)		48	(2)																																																																																																				
Factory indirect labour		68	(1)																																																																																																				
Depreciation of factory machinery (note 3)		<u>6</u>	(2)																																																																																																				
			137																																																																																																				
			1,385																																																																																																				
Opening Inventory of work in progress			60																																																																																																				
			1,445																																																																																																				
Closing Inventory of work in progress			<u>54</u>																																																																																																				
FACTORY COST OF PRODUCTION ✓			1,391																																																																																																				
Loss on manufacture			(11)																																																																																																				
Market Value of goods completed			<u>1,380</u>																																																																																																				
			(1)																																																																																																				

Question	Expected answer(s)	Max mark	Additional guidance																																																
	<p>Income Statement for year ended 31 December Year 2 ✓</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales Revenue</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">1,800</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td>Less Cost of Sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening Inventory of Finished Goods</td> <td style="text-align: right;">40</td> <td></td> <td></td> </tr> <tr> <td>Market Value of Finished Goods*</td> <td style="text-align: right;">1,380</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">1,420</td> <td></td> <td></td> </tr> <tr> <td>Closing Inventory of Finished Goods</td> <td style="text-align: right;">64</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">1,356</td> <td></td> <td></td> </tr> <tr> <td>Warehouse wages</td> <td style="text-align: right;">45</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Insurance (note 1)</td> <td style="text-align: right;">5</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Electricity (note 2)</td> <td style="text-align: right;">9</td> <td style="text-align: right;">59</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">1,415</td> <td></td> </tr> <tr> <td>GROSS PROFIT ✓</td> <td></td> <td style="text-align: right;">385</td> <td></td> </tr> </table> <p>1 mark for headings, labels, arithmetic and no extraneous</p> <p>NOTES</p> <p>1. Insurance – £27,000 – £2,000 = £25,000 Apportioned: Factory – £25,000 × 60% = £15,000; C.O.S – £25,000 × 20% = £5,000</p> <p>2. Electricity – (£55,000/11 months) × 12 months = £60,000 Apportioned: Factory – £60,000 × 80% = £48,000; C.O.S – £60,000 × 15% = £9,000</p> <p>3. Depreciation of Factory Machinery:</p> <p>Net book value of assets = £100,000 – £40,000 = £60,000 Depreciation charged for Year 3 = £60,000 × 10% = £6,000</p>	Sales Revenue		1,800	(1)	Less Cost of Sales				Opening Inventory of Finished Goods	40			Market Value of Finished Goods*	1,380		(1)		1,420			Closing Inventory of Finished Goods	64		(1)		1,356			Warehouse wages	45		(1)	Insurance (note 1)	5		(1)	Electricity (note 2)	9	59				1,415		GROSS PROFIT ✓		385			<p>* If no market value used in manufacturing account, accept factory cost of production.</p>
Sales Revenue		1,800	(1)																																																
Less Cost of Sales																																																			
Opening Inventory of Finished Goods	40																																																		
Market Value of Finished Goods*	1,380		(1)																																																
	1,420																																																		
Closing Inventory of Finished Goods	64		(1)																																																
	1,356																																																		
Warehouse wages	45		(1)																																																
Insurance (note 1)	5		(1)																																																
Electricity (note 2)	9	59																																																	
		1,415																																																	
GROSS PROFIT ✓		385																																																	
(b)	<p>Profit on manufacture is added to Gross Profit OR Loss on manufacture is deducted from Gross Profit.</p>	1																																																	

Question		Expected answer(s)						Max mark	Additional guidance
4	(a)							9	<p>If 1 arithmetic error award 1 mark. More than 1 arithmetic error, award 0 marks.</p> <p>If hours worked out for each product but not totalled, award 1 mark.</p>
				Product A	Product B	Product C	Total		
		(i)	Machine hours per unit	3	4	10			
			Production	8,000	5,000	3,500			
			Total machine hours	24,000	20,000	35,000	79,000 (2)		
		(ii)	Selling price	25	50	48			
			Less variable costs						
			Materials	6	10	7			
			Labour	6	6	12			
			Overheads	4	16	2	18		
	Contribution per unit	<u>£9 (1)</u>	<u>£32 (1)</u>	<u>£25 (1)</u>					
(iii)	Contribution per unit	£9	£32	£25					
	Production	8,000	5,000	3,500					
	Total contribution	£72,000	£160,000	£87,500	£319,500				
	Less fixed overheads				<u>£200,000 (1)</u>				
	Total Profit				<u><u>£119,500</u></u>				

Question		Expected answer(s)					Max mark	Additional guidance			
(b)	(i)	CPU /Machine hours per unit	£9 3] (1)	Product A	£32 4] (1)	Product B	£25 10 (1)	Product C	Total	10	If cont per m/c hr not used, max possible marks 2 (for m/c hrs and fixed costs). Total contribution - if 1 arithmetic error award 1 mark. More than 1 arithmetic error, award 0 marks.
		Contribution per Machine hour	£3.00		£8.00		£2.50				
		Order of priority	2		1		3				
		Machine hours allocated to each product		Units							
		Available(78% * 79,000)	61,620 (1)								
		Allocated to B	18,000	4,500							
			43,620								
		Allocated to A	21,600	7,200							
		Left for C	22,020	2,202							
		Quantity of each product to be produced	7,200	4,500		2,202	(3) for line				
	(ii)	Total contribution (Units x CPU)	64,800	144,000		55,050		263,850	(2)		
		Less fixed costs						210,000	(1)		
		Total Profit						<u>£53,850</u>			
(c)		Equity Gearing is the comparison of ordinary share equity to preference share equity and debentures which carry a fixed rate of return.								1	

[END OF MARKING INSTRUCTIONS]