



National
Qualifications
2018

2018 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.

Question		Expected answer(s)				Max mark	Additional guidance		
PART B		Flexible budget for Year 3				20	* If candidate does production for 63,000 units first, award 2/3 marks to the first maintenance, electricity and misc expenses figures. Watch for consequentiality - second figures may be consequential on the calculation of the first figure.		
		Level of production	108,000 (1)	63,000 (1)*					
			£	£					
		Raw materials	216,000 (1)	126,000	} (1)				
		Labour	648,000 (1)	378,000					
		Direct OH	259,200 (1)	151,200					
		Maintenance	146,400 (2)	110,400 (1)					
		Electricity	244,400 (3)	208,400 (1)					
		Depreciation	135,000	120,000 (1) for line					
		Miscellaneous expenses	87,200 (3)	69,200 (1)					
		Rent	65,000	65,000	} (1)				
		Insurance	27,000	27,000					
		Total	<u>1,828,200</u>	<u>1,255,200</u> (1) for line					
		Working:							
		Maintenance							
	$108,000 \times 0.5 \times 1.6 = 86,400$ (1)								
	$86,400 + 60,000 = 146,400$ (1)								
	Electricity								
	$(230,000 - 158,000) / 90,000 = 0.8$ (1)								
	$0.8 \times 108,000 = 86,400$ (1)								
	$86,400 + 158,000 = 244,400$ (1)								
	Miscellaneous expenses								
	$(80,000 \times 45%) / 90,000 = 0.4$ (1)								
	$0.4 \times 108,000 = 43,200$ (1)								
	$43,200 + (80,000 \times 55%) = 87,200$ (1)								

Question			Expected answer(s)	Max mark	Additional guidance																					
2.	(a)	(i)	Shares purchased = $80\% \times 750,000 = 600,000$ (1) Cost of shares = $600,000 \times £2 = £1,200,000$ (1) Value of company purchased = $£897,000 \times 80\%$ (1) = £717,600 Goodwill = £482,400 (1)	4																						
		(ii)	Non-controlling interest = $£897,000 \times 20\% = £179,400$	1																						
	(b)	(i)	$£102,300$ (1) – $£72,000$ (1) = $£30,030 \times 80\%$ (1) = £24,240	3																						
		(ii)	Cost of goods sold to Local plc £54,000 Add mark-up 50% £27,000 (1) Unrealised profits on goods not sold = $£27,000 \times 40\%$ (1) = £10,800	2																						
		(iii)	$20\% \times £927,300 = £185,460$	1																						
		(iv)	$£45,000$ (1) – $33,750$ (1) = £11,250	2																						
		(v)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Add post-acquisition profits</td> <td style="text-align: right;">£1,289,250</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>£24,240</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">£1,313,490</td> <td></td> </tr> <tr> <td>Less unrealised profits</td> <td style="text-align: right;"><u>(£10,800)</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">£1,302,690</td> <td></td> </tr> <tr> <td>Less goodwill (£482,400 × 20%) w/o</td> <td style="text-align: right;"><u>£96,480</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Retained earnings</td> <td style="text-align: right;"><u>£1,206,210</u></td> <td></td> </tr> </table>	Add post-acquisition profits	£1,289,250			<u>£24,240</u>	(1)		£1,313,490		Less unrealised profits	<u>(£10,800)</u>	(1)		£1,302,690		Less goodwill (£482,400 × 20%) w/o	<u>£96,480</u>	(1)	Retained earnings	<u>£1,206,210</u>		3	
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Question		Expected answer(s)	Max mark	Additional guidance																																										
	(c)	<p>Consolidated Statement of Financial Position as at 30 April Year 5.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 10%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td colspan="3">Non-Current Assets</td> </tr> <tr> <td>Tangible (6,617,250 + 1,050,000)</td> <td></td> <td style="text-align: right;">7,667,250 (1)</td> </tr> <tr> <td>Intangible – Goodwill (482,400 (1) – 96,480 (1))</td> <td></td> <td style="text-align: right;"><u>385,920</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">8,053,170</td> </tr> <tr> <td colspan="3">Current Assets</td> </tr> <tr> <td>Inventories [(88,500 + 48,000 (1)) – 10,800 (1)]</td> <td style="text-align: right;">125,700</td> <td></td> </tr> <tr> <td>Trade Receivables (84,000 + 78,600)</td> <td style="text-align: right;">162,600</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cash and Cash Equivalents (132,000 (1) – 10,800 (1) + 11,250 (1))</td> <td style="text-align: right;"><u>132,450</u></td> <td style="text-align: right;"><u>420,750</u></td> </tr> <tr> <td>TOTAL ASSETS</td> <td></td> <td style="text-align: right;">8,473,920</td> </tr> <tr> <td colspan="3">Current Liabilities</td> </tr> <tr> <td>Trade Payables (45,000 + 52,500)</td> <td style="text-align: right;">97,500 (1)</td> <td></td> </tr> <tr> <td>Other Payables (7,500 + 2,250)</td> <td style="text-align: right;"><u>9,750 (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">107,250</td> <td></td> </tr> </tbody> </table>		£	£	Non-Current Assets			Tangible (6,617,250 + 1,050,000)		7,667,250 (1)	Intangible – Goodwill (482,400 (1) – 96,480 (1))		<u>385,920</u>			8,053,170	Current Assets			Inventories [(88,500 + 48,000 (1)) – 10,800 (1)]	125,700		Trade Receivables (84,000 + 78,600)	162,600	(1)	Cash and Cash Equivalents (132,000 (1) – 10,800 (1) + 11,250 (1))	<u>132,450</u>	<u>420,750</u>	TOTAL ASSETS		8,473,920	Current Liabilities			Trade Payables (45,000 + 52,500)	97,500 (1)		Other Payables (7,500 + 2,250)	<u>9,750 (1)</u>			107,250		20	
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	(d) (i)	IAS 7 requires companies to explain why the cash at the end of the year is different from the cash at the start of the year.	1																												
	(ii)	<p>Operating activities is the net cash inflow or outflow from trading operations after tax, financing costs and dividend payments. (1)</p> <p>Financing activities is the net cash inflow or outflow associated with the long-term financing of the business. (1)</p> <p>Investing activities is the net cash inflow or outflow from acquiring or disposing of non-current assets, including any cash receipts from financial investments. (1)</p>	3																												

Question		Expected answer(s)	Max mark	Additional guidance																																			
3.	(a)	£6,000/30,000 units = £0.20 per unit	1																																				
	(b)	<table border="1"> <thead> <tr> <th>Sales</th> <th>July</th> <th>August</th> <th>September</th> <th></th> </tr> </thead> <tbody> <tr> <td>Opening inventory</td> <td>1,400</td> <td>1,800</td> <td>2,800</td> <td>(1 line)</td> </tr> <tr> <td>Production</td> <td>27,000</td> <td>26,000</td> <td>31,000</td> <td>(1 line)</td> </tr> <tr> <td>Closing inventory</td> <td>1,800</td> <td>2,800</td> <td>4,000</td> <td>(1 line)</td> </tr> <tr> <td>Sales in bars</td> <td>26,600</td> <td>25,000</td> <td>29,800</td> <td>(2*)</td> </tr> <tr> <td>Sales in boxes**</td> <td>1,330</td> <td>1,250</td> <td>1,490</td> <td></td> </tr> <tr> <td>Sales value</td> <td>£39,900</td> <td>£37,500</td> <td>£44,700</td> <td>(2*)</td> </tr> </tbody> </table>	Sales	July	August	September		Opening inventory	1,400	1,800	2,800	(1 line)	Production	27,000	26,000	31,000	(1 line)	Closing inventory	1,800	2,800	4,000	(1 line)	Sales in bars	26,600	25,000	29,800	(2*)	Sales in boxes**	1,330	1,250	1,490		Sales value	£39,900	£37,500	£44,700	(2*)	7	<p>* 1 mark for July, 1 mark for replication (Aug and Sept).</p> <p>** Calculation of boxes not required. If candidate shows boxes and not bars, award marks as per bars - 1 for July and 1 for replication.</p>
Sales	July	August	September																																				
Opening inventory	1,400	1,800	2,800	(1 line)																																			
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	(c)	<p>Marginal costing</p> <p>July - $(0.15 + 0.45 + 0.20) \times 1,800 = \text{£}1,440$ (*1 + 1) August - $\times 2,800 = \text{£}2,240$ September - $\times 4,000 = \text{£}3,200$ (**1)</p> <p>Absorption costing</p> <p>July - $(0.15 + 0.45 + 0.20 + 0.20) \times 1,800 = \text{£}1,800$ (*1 + 1) August - $\times 2,800 = \text{£}2,800$ September - $\times 4,000 = \text{£}4,000$ (**1)</p>	6	<p>* 1 mark each for calculating the marginal and absorption rate.</p> <p>1 mark each for the closing inventory values (July) for marginal and absorption costing.</p> <p>** 1 mark each for replication of inventory values (Aug and Sept) for marginal costing and absorption costing.</p>																																			

Question		Expected answer(s)	Max mark	Additional guidance																																																												
	(d)	<p>Absorption Costing Profit Statement</p> <table border="1"> <thead> <tr> <th></th> <th>July £</th> <th></th> <th>August £</th> <th>September £</th> <th></th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>39,900</td> <td></td> <td>37,500</td> <td>44,700</td> <td>(1 line)</td> </tr> <tr> <td>Opening inventory</td> <td>1,400</td> <td>(1)</td> <td>1,800</td> <td>2,800</td> <td>(#)</td> </tr> <tr> <td>Variable cost</td> <td>21,600</td> <td></td> <td>20,800</td> <td>24,800</td> <td>(2*)</td> </tr> <tr> <td>F/O absorbed</td> <td>5,400</td> <td></td> <td>5,200</td> <td>6,200</td> <td>(2*)</td> </tr> <tr> <td>Closing inventory</td> <td>1,800</td> <td></td> <td>2,800</td> <td>4,000</td> <td>(1#)</td> </tr> <tr> <td>Total costs</td> <td>26,600</td> <td></td> <td>25,000</td> <td>29,800</td> <td>(1 line)</td> </tr> <tr> <td>Profit</td> <td>13,300</td> <td></td> <td>12,500</td> <td>14,900</td> <td>(1 line @)</td> </tr> <tr> <td>Over/under absorption</td> <td>-600</td> <td></td> <td>1,000</td> <td>800</td> <td>(3**)</td> </tr> <tr> <td>Profit</td> <td>12,700</td> <td></td> <td>13,500</td> <td>15,700</td> <td>(1 line @)</td> </tr> </tbody> </table>		July £		August £	September £		Sales	39,900		37,500	44,700	(1 line)	Opening inventory	1,400	(1)	1,800	2,800	(#)	Variable cost	21,600		20,800	24,800	(2*)	F/O absorbed	5,400		5,200	6,200	(2*)	Closing inventory	1,800		2,800	4,000	(1#)	Total costs	26,600		25,000	29,800	(1 line)	Profit	13,300		12,500	14,900	(1 line @)	Over/under absorption	-600		1,000	800	(3**)	Profit	12,700		13,500	15,700	(1 line @)	13	<p># 1 mark for all closing inventory entries all correct, with corresponding opening inventory entries (Aug & Sept).</p> <p>* 1 mark for calculation of July, one mark for replication (Aug and Sept).</p> <p>@ must be labelled.</p> <p>** 1 mark for calculation of July, one mark for replication (Aug and Sept). Award final mark where under/over absorption is clearly shown for all 3. Accept separate line stating under or over or use of () or - symbol within calculations.</p>
	July £		August £	September £																																																												
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	(e)	<ul style="list-style-type: none"> • Easier to understand • Useful for management and pricing policies • Unit cost does not vary with level of activity as with absorption of fixed costs • Adjustment for over/under absorption of fixed costs is unnecessary • Contribution is a good basis for short-term decision making eg what product mix to produce, whether to accept a special order, make or buy decisions 	3	1 mark per valid justification.																																																												

Section 2

Question		Expected answer(s)					Max mark	Additional guidance																																																						
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	(c) (i)	<p>IRR Glasgow:</p> $12\% + \frac{3,977}{5,209} \times 4 = 15.05$ <p>(1) (1) (1)</p> <p>IRR Edinburgh:</p> $12\% + \frac{4,377}{6,203} \times 4 = 14.82\% \quad (1)$	4	<p>Watch for consequentiality from part (a) and (b).</p> <p>Candidate may do Edinburgh IRR first.</p> <p>If candidate only does one IRR correctly and has errors in the other, then award 3 marks to the correct one, regardless of the order in which they were done.</p>
	(ii)	<p>Recommendation</p> <p>Choose Glasgow Project as IRR is greater. (1)</p>	1	<p>Must justify recommendation for mark to be awarded.</p>

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[END OF MARKING INSTRUCTIONS]