



National
Qualifications
2026

2026 Accounting

Higher

Question Paper Finalised Marking Instructions

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General marking principles for Higher Accounting

Always apply these general principles. Use them in conjunction with the specific marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a candidate response does not seem to be covered by either the principles or specific marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (c) Always follow through consequentiality subsequent to a calculative error and give credit for any errors in subsequent calculations or working.
- (d) Mark scored out or erased working which has not been replaced, where still legible. However, if the scored out or erased working has been replaced, mark only the work which has not been scored out.
- (e) For **describe** questions, 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

- award **1 mark** for each relevant factual point
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate

- (f) For **identify** questions, candidates must name a number of relevant items or facts. These must relate to the context of the question and do not need to be in any particular order.

Up to the total mark allocation for this question

- award **1 mark** for each relevant identification

- (g) For **outline** questions, 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

- award **1 mark** for each accurate statement

Question 1					Max Mark	18	Additional Guidance	
(a) (i)	Income Statement of Kenmore Enterprises plc for the year ended 31 December Year 5							
		£000		£000		£000		
	Sales Revenue					1,114	✓	
	Less Sales Revenue Returns					18	1	
	Net Sales Revenue					1,096		
	Less Cost of Sales							
	Opening Inventory			72	✓			
	Add Purchases	510	✓					
	Less Purchases Returns	12	✓	498	1			1 mark for Purchases and Purchases Returns
				570				
	Add Carriage In			4	1			
				574				
	Less Closing Inventory			66	1			1 mark for Opening and Closing Inventories
				508				
	Add Warehouse Electricity			4	1			
	Cost of Sales					512		
	GROSS PROFIT ✓					584		
	Less Expenses							
	Advertising (60-18)			42	1			
	Administration Expenses			84	✓			
	Wages			134	1			1 mark for Administration Expenses and Wages
	Net Discounts			22	1			
	Electricity (80-4)			76	1			
	Debenture Finance Cost (240 x 10%)			24	1			
	Depreciation on Showroom Fittings (220 x 10%)			22	✓			
	Depreciation on Motor Vehicles			24	1	428		1 mark for both Depreciation figures
						156		
	Add Other Income							
	Dividends on Investments			12	1			
	Decrease in Provision for Doubtful Debts (16-12)			4	1	16		
	Profit for Year before tax ✓					172		
	Less Corporation Tax @ 25%					43	1	
	Profit for the Year after tax					129		
	Add Unappropriated Profit					20	1	
						149		
	Less							
	Ordinary Dividend Paid			36	1			
	Goodwill Written Down			25	1	61		
	Unappropriated Profit for the Year ✓					88		
	Headings, labels, arithmetic and no extraneous (1)							

Question 1					Max Mark	20	Additional Guidance				
(a) (ii)	Statement of Financial Position of Kenmore Enterprises plc as at 31 December Year 5 ✓										
		£000		£000		£000					
	Non-Current Assets ✓	<u>At Cost</u>		<u>Agg Depn</u>		<u>NBV</u>					
	Property	214		-56		270	1	Non-Current Asset items must include all 3 figures to gain award			
	Showroom Fittings	220		82		138	1				
	Motor Vehicles	150		54		96	1				
		584		80		504					
	Intangible Assets:										
	Investments					210	1	Investments and Goodwill must be shown below tangible Non-Current Assets to gain award			
	Goodwill (72-25)					47	1				
						761		Investments and Goodwill values should only be shown in the last financial column			
	Current Assets ✓										
	Closing Inventory			66	✓						
	Cash and Cash Equivalents			78	1			Award 1 mark for correct Closing Inventory and Cash and Cash Equivalents			
	Trade Receivables	200	✓								
	Less Provision for Doubtful Debts	12	✓	188	1						
	Dividends Receivable			12	✓						
	Advertising Receivable			18	1			Award 1 mark for correct Dividends Receivable and Advertising Receivable			
				362							
	Current Liabilities ✓										
	Trade Payables	130									
	Carriage In Payable	4									
	Debenture Finance Cost Payable	24									
	VAT	106									
	Corporation Tax Payable	43	4	307				Award 4 marks for all 5 correct, 3 marks for 4 correct, 2 marks for 3 correct and 1 mark for 2 correct			
	Working Equity					55					
	Net Assets Employed					816					
	Less Non-Current Liabilities ✓										
	10% Debentures					240	1				
	Net Assets					576					
	Equity										
	360,000 Ordinary Shares at £1 (300 (1) + 60 (1))					360		If number of shares or share price missing, award 1 mark Accept Bonus Shares as separate entry			
	Reserves										
	Revaluation Reserve			56	1						
	Unappropriated Profit			88	1						
	Share Premium (150-18-60)			72	2	216		Award 1 mark for each adjustment to Share Premium If Share Premium 132, 90, 108 or 192 award 1 mark			
						576					
	Headings, labels, arithmetic and no extraneous (1)										

Question 1		Max Mark	2	Additional Guidance					
(b)	Outline non-financial performance indicators a business may use to evaluate performance.								
	Employee relations			Accept any other appropriate response					
	Environmental policies			Maximum 1 mark for reference to customer service					
	Ethical position								
	Launch of new products								
	Changes in methods of production								
	Staff changes, absenteeism and turnover								
	Customer satisfaction levels								

Question 2										Max Mark	6	Additional Guidance							
PART A																			
INVENTORY RECORD CARD - MATERIAL XEN				✓	✓							Heading must include 'Inventory Record Card' <u>and</u> the item of inventory material Xen. The business name is not required.							
Date	Details	Receipts			Issues			Balance			✓								
		Qty	Price	Value	Qty	Price	Value	Qty	Price	Value	✓								
01-May	Opening Balance							400	£5.50	£2,200.00	*1	* 1 mark for correct headings and opening balance							
03-May	Purchases	400	£5.60	£2,240.00				800	£5.55	£4,440.00	1	1 mark per row							
07-May	Issues				200	£5.55	£1,110.00	600	£5.55	£3,330.00	1	If any column eg Date or Details, is not included, award marks gained and divide by 2 (max 3)							
15-May	Purchases	300	£6.00	£1,800.00				900	£5.70	£5,130.00	1								
21-May	Returns				150	£5.60	£840.00	750	£5.72	£4,290.00	1								
26-May	Issues				200	£5.72	£1,144.00	550	£5.72	£3,146.00	1								

Question 2							Max Mark	2	Additional Guidance				
PART C													
(a) (i)	Machine hours worked in Year 2	Basic		Standard		Superior							
	Machine hours per unit	2 hours		4 hours		5 hours							
	Units produced and sold	5,000		10,000		3,000							
	Total machine hours	10,000		40,000		15,000	65,000	2	Award 1 mark if not totalled.				
							Max Mark	5					
(a) (ii)	Unit Contribution												
	Selling price		£80		£115		£150						
	Less Variable costs												
	Material cost	£30		£55		£66			If incorrect figures used for materials, DNA first CPU mark				
	Labour	£24		£24		£36		1 for line					
	Variable overheads	£4	£58	£8	£87	£18	£120	1 for line	1 mark awarded for Variable overheads per unit (£4, £8, £18)				
	Contribution per unit		£22	1	£28	1	£30	1					
							Max Mark	2					
(a) (iii)	Total Profit - Year 2												
	Contribution per unit	£22		£28		£30							
	Units produced and sold	5,000		10,000		3,000							
	Total Contribution	£110,000		£280,000		£90,000	£480,000	1 for line					
	Less Fixed Costs						£300,000	✓					
	Total Profit						£180,000	1					

Question 2						Max Mark	4	Additional Guidance			
PART C		Basic		Standard		Superior					
(b) (i)	Contribution per unit	£22		£28		£30					
	Increase in price of Superior					£20					
						£50	1	1 mark for Superior contribution			
	Machine hours per unit	2		4		5					
	Contribution per machine hour	£11	1	£7	1	£10	1				
	Order of priority	1		3		2					
	Demand - Year 3	5,250		10,500		3,150					
							Max Mark	4			
(b) (ii)		Machine hours per unit		Machine hours allocated		Hours remaining	Units				
	Machine hours available - Year 3					61,750					
	Allocation to Basic (5,250*2)	2		10,500		51,250	5,250	1	Only award marks if order of priority is based on contribution per machine hour		
	Allocation to Superior (3,150*5)	5		15,750		35,500	3,150	1			
	Allocation to Standard (35,500/4)	4		35,500	1	0	8,875	1			
							Max Mark	2			
(b) (iii)		Basic		Standard		Superior	Total				
	Units produced	5,250		8,875		3,150					
	Contribution per unit	£22		£28		£50					
	Total Contribution	£115,500		£248,500		£157,500	£521,500	1 for line			
	Less Fixed Costs						£330,000	✓			
	Total Profit						£191,500	1			

Question 2						Max Mark	3	Additional Guidance					
PART C													
(c)	Total Machine Hours	61,750											
	Standard (10,000 units x 4 hours)	40,000											
		21,750											
	Basic (5,250 units x 2 hours)	10,500											
	Hours left for Superior	11,250	hours										
	Superior (11,250 hours/5 hours)	2,250	units										
		Basic		Standard		Superior		Total					
	Units produced	5,250		10,000		2,250			Candidates must adjust units produced for both products in order to gain decrease in profit mark				
	Contribution per unit	£22		£28		£50							
	Total Contribution	£115,500		£280,000	1	£112,500	1	£508,000					
	Less Fixed Costs							£330,000					
	Total Profit							£178,000					
	Previous Profit	£191,500											
	Less New Profit	£178,000											
	Decrease in Profit	£13,500	1						Decrease or Increase must be stated to gain award				
	ALTERNATIVE METHOD												
	Change to Standard (increase)												
	10,000 units - 8,875 units = 1,125 units	1,125 units x £28 = £31,500			1								
	(4,500 hours are required)												
	<u>Change to Superior (decrease)</u>												
	4,500 hours/5 = 900 units	900 units x £50 = £45,000			1								
	Change to overall profit - year 3	£191,500 + £31,500 - £45,000 =			£178,000								
					£13,500	decrease	1		Decrease or Increase must be stated to gain award				

Question 3			Max Mark	17	Additional Guidance									
(a)	Manufacturing Account for Anwar Plc for the Year Ended 31 December Year 4 ✓													
		£		£										
	Opening Inventory of Raw Materials			110 ✓										
	Purchase of Raw Materials	265 ✓												
	Purchase Returns of Raw Materials	16 1		249		1 mark for Purchase and Purchase Returns of Raw Materials								
				359										
	Carriage In on Raw Materials			2 ✓*										
				361										
	Closing Inventory of Raw Materials			80 1		1 mark for Opening and Closing Inventory of Raw Materials								
	COST OF RAW MATERIALS CONSUMED ✓			281										
	Add Direct Costs					If Direct Costs or Factory Overheads are deducted but indicated as added, treat as arithmetical error								
	Manufacturing Wages (160*1.05)	168 1												
	Royalties	12 1*		180		*1 mark for Carriage In on Raw Materials and Royalties								
	PRIME COST ✓			461										
	Add Factory Overheads													
	General Factory Expenses	11 ✓												
	Indirect Factory Power	14 1				1 mark for General Factory Expenses and Indirect Factory Power								
	Factory Indirect Wages (80*1.05)	84 1												
	Rates (45/15*12)*75%	27 2				1 mark for 36; 1 mark for multiplying by 3/4								
	Factory Cleaning (18-3)	15 1												
	Heat and Light (30*70%)	21 1												
	Insurance (20*80%)	16 1												
	Depreciation of Factory Machinery (480-120)*15%	54 1												
	Depreciation of Motor Vehicles (120-40=80*15%)*1/4	3 2		245		1 mark for 12; 1 mark for multiplying by 1/4. Award 1 mark for 9								
				706		If Direct Costs or Factory Overheads are deducted, award marks where possible and do not award Profit on Manufacture								
	Add Opening Inventory of Work-in-Progress			68 ✓										
				774										
	Less Closing Inventory of Work-in-Progress			24 1		1 mark for Opening and Closing Inventory of Work-in-Progress								
	FACTORY COST OF PRODUCTION ✓			750										
	Profit on Manufacture			200 1		If Profit on Manufacture is labelled but is negative still award the mark								
	MARKET VALUE OF FINISHED GOODS ✓			950										
	Headings, labels, arithmetic and no extraneous (1)													
					Max Mark	1								
(b)	Cost per Unit (CPU) = £750,000/50,000 units = £15 (1)													
					Max Mark	2								
(c)	Factory Overheads													
	Factory overheads are costs incurred in the running of the factory and not the actual making of the product. (1)					Accept any other appropriate description.								
	Work-in-Progress													
	Work-in-progress refers to partly finished products/goods. (1)													

Question 4										Max Mark	5	Additional Guidance		
(a)	PROJECT 1					PROJECT 2								
	Initial Investment	£500,000				Initial Investment	£200,000							
	Depreciation	20%	100,000	1		Depreciation	(£200,000-£15,000) (1) / 5 years	£37,000	1					
	YEAR	CASH INFLOW	DEPRECIATION	PROFIT		YEAR	CASH INFLOW	DEPRECIATION	PROFIT					
	1	£300,000	£100,000	£200,000	1	1	£40,000	£37,000	£3,000	1				
	2	£150,000	£100,000	£50,000		2	£45,000	£37,000	£8,000					
	3	£200,000	£100,000	£100,000		3	£65,000	£37,000	£28,000					
	4	£120,000	£100,000	£20,000		4	£80,000	£37,000	£43,000					
	5	£105,000	£100,000	£5,000		5	£85,000	£37,000	£48,000					
	TOTAL PROFIT			£375,000		TOTAL PROFIT			£130,000					
	AVERAGE PROFIT	(375,000/5)		£75,000		AVERAGE PROFIT	(130,000/5)		£26,000					
										Max Mark	4			
(b) (i)	ACCOUNTING RATE OF RETURN													
	Average Profit		£75,000 1	x 100 =	15% 1	£26,000 1	x 100 =	13%	1	If arithmetic error in average profit calculation or % calculation, award 1 mark.				
	Original Investment		£500,000			£200,000								
(b) (ii)	PAYBACK									Max Mark	6			
	Initial Investment	£500,000				Initial Investment	£200,000							
	YEAR	CASH INFLOW	CUMULATIVE CASH FLOW			YEAR	CASH INFLOW	CUMULATIVE CASH FLOW						
	1	£300,000	£300,000			1	£40,000	£40,000						
	2	£150,000	£450,000			2	£45,000	£85,000						
	3	£200,000	£650,000			3	£65,000	£150,000						
	4	£120,000	£770,000			4	£80,000	£230,000						
	5	£105,000	£875,000			5	£85,000	£315,000						
	£500,000-£450,000 = £50,000					£200,000-£150,000 = £50,000								
	2 years and	£50,000 1		91.25		3 years and	£50,000 1		228.125					
		£200,000 1 x 365 =					£80,000 1 x 365 =							
	2 years 92 days 1					3 years 229 days 1				Days must be rounded up to award the final 2 marks.				
										Max Mark	2			
(c)	Project 1 (1) is the most attractive investment as it gives both a higher ARR and faster/shorter Payback. (1)											Consequential from part (b).		

