



National  
Qualifications

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# Accounting

# Assignment

# Assessment task: Baa Humbug

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This is the assessment task for the assignment Component of National 5 Accounting Course assessment.

It must be read in conjunction with the general assessment information for this Component of Course assessment.

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Valid for session 2015/16 only

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You must keep it in a secure place until it is used.**

This edition: February 2016 (version 1.0)

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# Introduction

This is the assessment task for National 5 Accounting assignment.

This assignment is worth 50 marks out of the total of 150 marks for the Course assessment. The Course will be graded A-D.

Marks for all Course Components are added up to give a total Course assessment mark which is then used as the basis for grading decisions.

This is one of two Components of Course assessment. The other Component is a question paper.

This document gives Marking Instructions for assessors for the assignment Component of this Course and instructions for candidates.

It must be read in conjunction with the general assessment information for this Component of Course assessment.

The assessment instructions for candidates are provided in Appendix 1 and must be detached and given to the candidate.

The assessment task will be set and externally marked by SQA and conducted in centres under the conditions specified by SQA.

## Equality and inclusion

This Course assessment has been designed to ensure that there are no unnecessary barriers to assessment. Assessments have been designed to promote equal opportunities while maintaining the integrity of the qualification.

For guidance on assessment arrangements for disabled candidates and/or those with additional support needs, please follow the link to the assessment arrangements web page: [www.sqa.org.uk/sqa/14977.html](http://www.sqa.org.uk/sqa/14977.html)

Guidance on inclusive approaches to delivery and assessment in this Course is provided in the *Course Support Notes*.



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## Baa Humbug

# Instructions for candidates

This assessment applies to the assignment for National 5 Accounting.

This assignment is worth 50 marks out of the total of 150 marks for the Course assessment. The Course will be graded A-D.

The assignment assesses the following skills, knowledge and understanding:

- ◆ making appropriate use of spreadsheets to complete the assignment
- ◆ entering data with accuracy
- ◆ selecting and using appropriate formulae, formatting and printing functions to present information
- ◆ accurately completing all accounting work related to the context of the assignment

Your assessor will let you know how the assessment will be carried out and any required conditions.

# Assignment task



You are an experienced Accounts Assistant working for Ness Ltd, a small firm of chartered accountants based in Inverness. You report to the Senior Financial Accountant, Martin MacDonald.

You have been assigned a number of tasks to complete for one of your clients, Baa Humbug, owned by Soha Masood. Baa Humbug is a manufacturer of boiled sweets with a Scottish twist. **Complete each task in the order shown using the spreadsheet file Humbug.**

Ensure your name appears on all work printed and any formulae shown are fully visible.

Task		Printouts	Marks available	Completed (P)
1	Trial Balance	◆ Value view	7	
2a	Income Statement	◆ Value view ◆ Formula view	11 2	
2b	Statement of Financial Position	◆ Value view ◆ Formula view	13 2	
3	Ratio Calculations	◆ Value view ◆ Formula view	5 4	
4	Ratio Report	◆ Value view	6	
Total marks			50	

### Ratio formulae – new terminology

Ratio	Formula
<b>Profitability ratios:</b>	
Return on equity employed	$\frac{\text{Profit for the year}}{\text{Opening equity}} \times 100 = \%$
Gross profit ratio	$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \%$
Profit for the year ratio	$\frac{\text{Profit for the year}}{\text{Sales revenue}} \times 100 = \%$
<b>Liquidity ratios:</b>	
Current ratio	Current assets : current liabilities Answer should be expressed as a ratio, eg 2.35:1
Acid test ratio	Current assets – closing inventory : current liabilities Answer should be expressed as a ratio, eg 1.27:1
<b>Efficiency ratios:</b>	
Rate of inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory}} = \text{times}$
Expenses ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$
Trade payables period	$\frac{\text{Average trade payables}}{\text{Credit purchases}} \times 365 = \text{days}$ <b>NB</b> – Where only one figure is given for trade payables, this will be taken as the average.
Trade receivables period	$\frac{\text{Average trade receivables}}{\text{Credit sales}} \times 365 = \text{days}$ <b>NB</b> – Where only one figure is given for trade receivables, this will be taken as the average.
Non-current asset turnover	$\frac{\text{Sales revenue}}{\text{Non-current assets at net book value}}$ Answers should be expressed as a ratio, eg 0.75:1

### Ratio formulae – old terminology

Ratio	Formula
<b>Profitability ratios:</b>	
Return on capital employed	$\frac{\text{Net profit}}{\text{Opening capital}} \times 100 = \%$
Gross profit ratio	$\frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 = \%$
Net profit ratio	$\frac{\text{Net profit}}{\text{Sales revenue}} \times 100 = \%$
<b>Liquidity ratios:</b>	
Current ratio	Current assets : current liabilities Answer should be expressed as a ratio, eg 2.35:1
Acid test ratio	Current assets – closing stock : current liabilities Answer should be expressed as a ratio, eg 1.27:1
<b>Efficiency ratios:</b>	
Rate of stock turnover	$\frac{\text{Cost of goods sold}}{\text{Average stock}} = \text{times}$
Expenses ratio	$\frac{\text{Expenses}}{\text{Sales revenue}} \times 100 = \%$
Creditors' payment period	$\frac{\text{Average creditors}}{\text{Credit purchases}} \times 365 = \text{days}$ <b>NB</b> – Where only one figure is given for creditors, this will be taken as the average.
Debtors' collection period	$\frac{\text{Average debtors}}{\text{Credit sales}} \times 365 = \text{days}$ <b>NB</b> – Where only one figure is given for debtors, this will be taken as the average.
Fixed asset turnover	$\frac{\text{Sales revenue}}{\text{Fixed assets at net book value}}$ Answers should be expressed as a ratio, eg 0.75:1



## Task 1

The worksheet **Trial Balance** contains a partially completed trial balance for Baa Humbug as at 28 February Year 3. Some items have been missed out from the trial balance.

- Using correct accounting terminology, enter the following items on the correct side of the trial balance.
- Calculate and enter the figure for Equity (Capital) — there is no need to use a spreadsheet formula to calculate this figure.

Print **one** copy of the completed trial balance in value view.

Money owed to Baa Humbug from the sale of goods on credit.

£6,000

Anticipated loss in value of the Factory Machinery up to 28 February Year 2.

£800

Cash withdrawn from the business bank account for Soha's personal use.

£4,620

A reduction in the cost of goods purchased from our suppliers for paying within agreed credit terms.

£750

Tax charged on the sale and purchase of goods (amount owed to the Government).

£150

Cost of having our goods delivered from suppliers.

£500

## Task 2a

From the information in the updated trial balance and the notes below, prepare the Income Statement (Trading, Profit and Loss Account) of Baa Humbug for the year ended 28 February Year 3.

You should use the worksheet **Income Statement** and use spreadsheet formulae to make links to the appropriate figures in the Trial Balance worksheet.

Print **one** copy of the completed **Income Statement** in value view and formula view.

### NOTES

1. Closing inventory (Stock) — £2,750
2. Electricity owing — £250
3. Office expenses prepaid — £470
4. Create a provision for bad debts — 5% of trade receivables (Debtors')
5. Provide for depreciation for the year on the factory machinery — 10% on cost

## Task 2b

Now prepare the Statement of Financial Position (Balance Sheet) of Baa Humbug as at 28 February Year 3.

You should use the worksheet **Statement of Financial Position** and use spreadsheet formulae to make links to the appropriate figures in the Trial Balance and Income Statement worksheets.

Print **one** copy of the completed **Statement of Financial Position** in value view and formula view.

### Task 3

Soha Masood would like you to analyse the performance of her business. She has provided the following accounting ratio calculations for Year 2.

Using the worksheet **Ratios**, calculate the same accounting information for Year 3 (correct to two decimal places). Make appropriate links to the Trial Balance and/or data contained in the Financial Statements prepared for Year 3.

**NOTE: 50% of goods were sold on credit.**

Print **one** copy of the worksheet Ratios in value view and formula view.

#### RATIO CALCULATIONS FOR YEAR 2

- ◆ Profit for the Year Ratio – 18%
- ◆ Acid Test Ratio – 0.8:1
- ◆ Trade Receivables (Debtors') Collection Period – 32 days
- ◆ Average Inventory (Stock) – £3,650
- ◆ Rate of Inventory (Stock) Turnover – 24 times

### Task 4

Martin, your line manager, would like you to prepare a short report for Baa Humbug to highlight the performance of the business between Years 2 and 3. Using the **Report** and your ratio calculations:

- (a) Comment on the performance of the business over the 2 years using the following ratios:
- (i) Profit for the Year Ratio
  - (ii) Acid Test Ratio
  - (iii) Trade Receivables (Debtors') Collection Period.
- (b) Suggest one possible reason for the change in each of the ratios commented on in task 4 (a).

Print **one** copy of the completed report.

# Copyright acknowledgements

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# Administrative information

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## History of changes

Version	Description of change	Authorised by	Date

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