



National
Qualifications

Accounting Assignment Assessment task

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

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

Valid for session 2016/17 only

This assessment is given to centres in strictest confidence. You must keep it in a secure place.

This edition: February 2017 (version 1.0)

The information in this publication may be reproduced to support SQA qualifications. This publication must not be reproduced for commercial or trade purposes. **This material is for use by assessors.**

© Scottish Qualifications Authority 2017

Introduction

This is the assessment task for the Higher 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 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 and should be detached and given to the candidate.

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

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



National
Qualifications

Accounting Assignment

Pet Kingdom

This edition: February 2017 (version 1.0)

The information in this publication may be reproduced to support SQA qualifications. This publication must not be reproduced for commercial or trade purposes. **This material is for use by assessors.**

© Scottish Qualifications Authority 2017

Instructions for candidates

This assessment applies to the assignment for Higher Accounting.

This *assignment* is worth 50 marks. The Course will be graded A–D.

It assesses the following skills, knowledge and understanding:

- ◆ selecting appropriate data
- ◆ making appropriate use of spreadsheets
- ◆ completing calculations with accuracy
- ◆ comparing and analysing a range of accounting information
- ◆ making decisions based on the analysis
- ◆ preparing a report outlining reasons for the decisions taken

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

In this assessment, you will:

- ◆ work through a series of tasks which will test the skills, knowledge and understanding listed above
- ◆ complete the tasks in the order presented
- ◆ be allowed three hours to complete the assignment
- ◆ include your name on all printouts

Assignment task

You have just taken up the position of trainee accountant and are currently undertaking work for Pet Kingdom, a successful partnership owned by partners Nial Naqvi and Zain Siddiqui. Pet Kingdom is based in Edinburgh and specialises in selling animal food and other products for domestic pets. You are required to complete the tasks outlined below.

| Task | Description | Marks |
|--------------------|---|-----------------|
| 1 | <p>Using information taken from the accounts of Pet Kingdom prepare:</p> <p>a) an Income Statement for the year ended 31 December 2016.</p> <p>b) updated Current Accounts for Naqvi and Siddiqui at 31 December 2016.</p> <p>c) a Statement of Financial Position as at 31 December 2016.</p> <p>Task 1 can be completed as a handwritten task or completed using spreadsheet software.</p> | 26 marks |
| 2 | <p>Prepare Process Accounts</p> <p>Task 2 can be completed as a handwritten task or completed using spreadsheet software.</p> | 12 marks |
| 3 | <p>Prepare investment appraisal statements and prepare a short report.</p> <p>Task 3 (a-b) <u>must</u> be completed using spreadsheet software and printouts submitted as evidence.</p> <p>Task 3 (c) must be completed using the template provided.</p> <p><i>You should pay particular attention to the printing instructions associated with Task 3.</i></p> | 12 marks |
| Total marks | | 50 marks |

Task 1

You have been provided with the following information taken from the accounts of Pet Kingdom. Using this information and the additional information provided, prepare an Income Statement, updated current accounts (for each partner) and a Statement of Financial Position for 2016.

Pet Kingdom

Trial Balance as at 31 December 2016

| | £000 | £000 |
|--|--------------|--------------|
| Equity Accounts: | | |
| Naqvi | | 200 |
| Siddiqui | | 100 |
| Current Accounts: | | |
| Naqvi | 30 | |
| Siddiqui | | 60 |
| Sales Revenue | | 540 |
| Purchases Returns | | 6 |
| Sales Returns | 15 | |
| Purchases | 210 | |
| General Expenses | 24 | |
| Inventory at 1 January 2016 | 40 | |
| Staff Salaries | 90 | |
| Trade Receivables | 120 | |
| Trade Payables | | 75 |
| Provision for Doubtful Debts at 1 January 2016 | | 7 |
| Cash and Cash Equivalents | | 25 |
| Property | 300 | |
| Motor Vehicles (at cost) | 80 | |
| Equipment (at cost) | 160 | |
| Provision for Depreciation at 1 January 2016 | | |
| Motor Vehicles | | 10 |
| Equipment | | 20 |
| Discounts | 8 | 10 |
| Loan - Naqvi | | 80 |
| VAT | | 34 |
| Drawings: | | |
| Naqvi | 40 | |
| Siddiqui | 50 | |
| | <u>1,167</u> | <u>1,167</u> |

Notes at 31 December 2016

1. Closing inventory £50,000 with a market value of £55,000.
2. The Provision for Doubtful Debts at 31 December 2016 has to be adjusted to 10% of Trade Receivables.
3. General Expenses receivable £4,000.
4. Bonus to be paid on Staff Salaries £10,000.
5. Property has been professionally revalued at £320,000.
6. Provide for depreciation for the year as follows:
 - a. Motor Vehicles 10% on cost
 - b. Equipment 20% on the diminished balance
7. The loan from Naqvi was taken out on 1 October 2016. Finance charges are paid at 5% per annum.

The Partnership Agreement states:

- a. Siddiqui will be paid an annual salary of £24,000;
- b. Interest on equity will be paid at 6% per annum;
- c. Interest will be charged on drawings at the rate of 10% per annum;
- d. Residual Profits/Losses are to be shared in the ratio of equity invested.

Task 2

During 2017 Pet Kingdom will produce dog biscuits to be sold to consumers from the Edinburgh store and other retailers across Scotland. The dog biscuits will be produced in 3 separate processes. Information relating to Process 1 and Process 2 is shown below:

Process 1

Process 1 will mix 2 materials - **dry ingredients** and **wet ingredients** in the ratio of 2:1 respectively. Pet Kingdom will use 500 kg of dry ingredients from its inventory at the end of 2016. This represents 7% of the value of inventory at 31 December 2016.

| | |
|---------------------------------|---------------------------|
| Dry Ingredients | ? |
| Wet Ingredients | as required at £10 per kg |
| Direct Labour | 50 hours |
| Labour Hour Rate | £6.00 |
| Variable Overheads | £500 |
| Fixed Overheads | 10% of Prime Cost |
| Normal losses | 6% of total input |
| Work in Progress | 100 kg valued at £1,200 |
| Output transferred to Process 2 | 570 kg |

All losses from Process 1 can be sold for £4 per kg.

Process 2

| | |
|---------------------------------|---------------------------|
| Transferred from Process 1 | 570 kg valued at ? |
| Additional materials | 130 kg costing £10 per kg |
| Direct Labour | 100 hours |
| Labour Hour Rate | £15 |
| Variable Overheads | 20% of Direct Labour Cost |
| Fixed Overheads | £3800 |
| Normal Loss | 10% of total input |
| Output transferred to Process 3 | 630 kg |

Normal Loss from Process 2 has no saleable value.

You are required to prepare the:

- a) Process 1 Account
- b) Process 2 Account
- c) Abnormal Loss Account

clearly showing Quantities, Costs per Unit and Values.

Task 3

Nial Naqvi and Zain Siddiqui are considering investing additional equity of £60,000 into Pet Kingdom to finance one of two mutually exclusive projects. Information relating to each project is shown below:

Project 1 - Purchase of new equipment for use in Process 2

Cost £60,000

Depreciation 20% of cost per annum

Projected cash inflow from Project 1:

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------|---------|---------|---------|--------|
| £30,000 | £25,000 | £20,000 | £18,000 | £9,000 |

Project 2 - Purchase of delivery vehicles to improve their distribution system

Cost £60,000

The delivery vehicles will be sold at the end of Year 5 for a residual value of £5,000.

Projected cash inflow from Project 2:

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------|---------|---------|---------|---------|
| £34,000 | £32,000 | £20,000 | £16,000 | £11,000 |

All of the above figures are estimates, so ALL formulae used must be able to accommodate changes.

You are required to:

- Calculate the Accounting Rate of Return for Project 1 and Project 2.
- Use appropriate formula to recommend which project should be selected.

On completion of the tasks (a-b) above, print one copy of your spreadsheet in value view and one copy in formulae view. Each printout MUST be on one page and show gridlines and row and column headings.

- Using the template provided, prepare a short report to:
 - Outline the reason for the preferred project;
 - Describe the advantages and disadvantages of the Accounting Rate of Return.

| | A | B | C | D | E | F | G | H | I |
|----|----------------------------------|--------------------|--|---------------|---|----------------------------|--------------------|--|---------------|
| 1 | INVESTMENT APPRAISAL | | | | | | | | |
| 2 | ACCOUNTING RATE OF RETURN | | | | | | | | |
| 3 | | | | | | | | | |
| 4 | PROJECT 1 | | NEW EQUIPMENT | | | PROJECT 2 | | NEW VEHICLES | |
| 5 | | | | | | | | | |
| 6 | Cost | | d | | | Cost | | d | |
| 7 | Depreciation Rate | | d | | | Residual Sale Value | | d | |
| 8 | | | | | | | | | |
| 9 | YEAR | CASH INFLOW | DEPN | PROFIT | | YEAR | CASH INFLOW | DEPN | PROFIT |
| 10 | Year 1 | £30,000 | f | f | | Year 1 | £34,000 | f | f |
| 11 | Year 2 | £25,000 | f | f | | Year 2 | £32,000 | f | f |
| 12 | Year 3 | £20,000 | f | f | | Year 3 | £20,000 | f | f |
| 13 | Year 4 | £18,000 | f | f | | Year 4 | £16,000 | f | f |
| 14 | Year 5 | £9,000 | f | f | | Year 5 | £11,000 | f | f |
| 15 | | | | | | | | | |
| 16 | | | Total Profit | f | | | | Total Profit | f |
| 17 | | | | | | | | | |
| 18 | | | Average Profit | f | | | | Average Profit | f |
| 19 | | | Annual Rate of Return as a % of original equity invested | f | | | | Annual Rate of Return as a % of original equity invested | f |
| 20 | RECOMMENDATION | | | f | | | | | |

Administrative information

Published: February 2017(version 1.0)

History of changes

| Version | Description of change | Authorised by | Date |
|---------|-----------------------|---------------|------|
| | | | |
| | | | |
| | | | |
| | | | |

Security and confidentiality

This document can be used by practitioners in SQA approved centres for the assessment of National Courses and not for any other purpose.

This document may only be downloaded from SQA's designated secure website by authorised personnel

Copyright

This document may be reproduced in whole or in part for assessment purposes provided that no profit is derived from reproduction and that, if reproduced in part, the source is acknowledged. If it needs to be reproduced for any purpose other than assessment, it is the centre's responsibility to obtain copyright clearance.

Re-use for alternative purposes without the necessary copyright clearance may constitute copyright infringement.

© Scottish Qualifications Authority 2017