National
Qualifications
2017

2017 Accounting

Higher

Finalised Marking Instructions

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

<table>
<tr><th colspan="3">Question</th><th>Expected answer(s)</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td>1.</td><td>(a)</td><td></td><td>Overhead analysis statement ✓
<table>
<tr><th>Overhead</th><th>Rate</th><th>Dept A
£</th><th>Dept B
£</th><th>Dept C
£</th><th>Dept D
£</th><th>Dept E
£</th><th>Marks</th></tr>
<tr><td>Indirect wages</td><td>Allocated</td><td>60,000</td><td>27,400</td><td>21,250</td><td>26,000</td><td>9,700</td><td>(1)</td></tr>
<tr><td>Insurance of property</td><td>£23,000/11,500
£2/sq m</td><td>8,000</td><td>4,000</td><td>2,000</td><td>3,000</td><td>6,000</td><td>(2)</td></tr>
<tr><td>Supervisor's salary</td><td>£30,000/100
£300 per employee</td><td>9,000</td><td>7,200</td><td>6,000</td><td>3,000</td><td>4,800</td><td>(2)</td></tr>
<tr><td>Rent and rates</td><td>£166,750/11,500
£14·50/sq m</td><td>58,000</td><td>29,000</td><td>14,500</td><td>21,750</td><td>43,500</td><td>(2)</td></tr>
<tr><td>Power</td><td>£34,600/3,460
£10/kwh</td><td>16,200</td><td>2,400</td><td>2,000</td><td>6,000</td><td>8,000</td><td>(2)</td></tr>
<tr><td>Depreciation of P&M</td><td>£56,000/£280,000
20% of asset value</td><td>30,000</td><td>8,000</td><td>2,000</td><td>4,000</td><td>12,000</td><td>(2)</td></tr>
<tr><td colspan="2">TOTAL DEPARTMENT OVERHEADS</td><td>181,200</td><td>78,000</td><td>47,750</td><td>63,750</td><td>84,000</td><td>✓</td></tr>
</table></td><td>11</td><td>If Direct Labour included as well as Indirect Wages, award 0 marks for Indirect Wages.

If 1 arithmetic error award 1 mark. More than 1 arithmetic error award 0 marks.

If incorrect basis is used then award 0 marks for line.</td></tr>
</table>

<table>
<tr><th colspan="3">Question</th><th>Expected answer(s)</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td></td><td>(b)</td><td></td><td>
<table>
<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>
</td><td>2</td><td>If 1 arithmetic error award 1 mark. More than 1 arithmetic error award 0 marks.</td></tr>
<tr><td></td><td>(c)</td><td></td><td>
<table>
<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>
1 mark for correctly headed up statement, arithmetic totals for department overheads in (a) and production department overheads in (c). (1)
</td><td>3</td><td>If 1 arithmetic error award 1 mark. More than 1 arithmetic error award 0 marks.</td></tr>
<tr><td></td><td>(d)</td><td></td><td>Overhead absorption rates

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)</td><td>4</td><td>If £/% missing, lose first mark only.</td></tr>
<tr><td></td><td>(e)</td><td></td><td>
<table>
<tr><td></td><td>Dept A</td><td>Dept B</td><td>Dept C</td></tr>
<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>
</table>
</td><td>6</td><td>Award marks for over/under absorption only if clearly stated.</td></tr>
</table>

Question			Expected answer(s)			Max mark	Additional guidance
	(f)		**Job cost statement - CC006** ✓			11	
			Direct Material:				
			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		
			Direct Labour				∞ Only award mark to direct labour if there is no calc using m/c hours.
			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		
			Direct Expenses		239 (1)		
			Prime Cost ✓		5,431		
			Overheads				Award **1 mark** for direct expenses recorded before prime cost and prime cost **label**.
			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		
			Cost of Job		6,000		
			Profit margin (6,000/75) x 25		2,000 (1)		
			Selling price ✓		**8,000** (*1)		
			*** 1 mark** for correctly headed up statement, selling price label and arithmetic				
	(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)*
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			8,400		8,400	(1)
Total Payments	362,300		242,000		242,000	
Closing Balance ✓	9,100		58,900		104,700	

Heading including time period, labels, opening and closing balances and arithmetic 1 mark

* 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).

Question			Expected answer(s)	Max mark	Additional guidance
	(b)		• 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 *less* or no indication, award marks where possible and divide by 2. If labelled *profit on manufacture* and negative figure shown, ACCEPT.

	£000	£000	£000
Opening Inventory of Raw Materials		80	
Purchase of Raw Materials	600		
Carriage on Raw Materials	20 (1)	620	
		700	
Closing Inventory of Raw Materials		30 (1)	
COST OF RAW MATERIAL CONSUMED ✓		**670**	
Add Direct Costs			
Production wages (520+10)	530 (1)		
Royalties	48 (1)	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)		6 (2)	
			137
			1,385
Opening Inventory of work in progress			60
			1,445
Closing Inventory of work in progress			54 (1)
FACTORY COST OF PRODUCTION✓			**1,391**
Loss on manufacture			(11)
Market Value of goods completed			1,380 (1)

Question			Expected answer(s)	Max mark	Additional guidance
			Income Statement for year ended 31 December Year 2 ✓		* If no market value used in manufacturing account, accept factory cost of production.

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 **(1)**	59	
			1,415
GROSS PROFIT ✓			385

1 mark for headings, labels, arithmetic and no extraneous

NOTES

1. Insurance – £27,000 – £2,000 = £25,000
Apportioned: Factory – £25,000 × 60% = £15,000; C.O.S – £25,000 × 20% = £5,000

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

3. Depreciation of Factory Machinery:

Net book value of assets = £100,000 – £40,000 = £60,000
Depreciation charged for Year 3 = £60,000 × 10% = £6,000

	(b)		Profit on manufacture is added to Gross Profit **OR** Loss on manufacture is deducted from Gross Profit.	**1**	

Question			Expected answer(s)								Max mark	Additional guidance
4	(a)										9	
				Product A		**Product B**		**Product C**		**Total**		If 1 arithmetic error award **1 mark**. More than 1 arithmetic error, award **0 marks**.
		(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			If hours worked out for each product but not totalled, award **1 mark**.
			Less variable costs									
			Materials	6		10		7				
			Labour	6		6		12				
			Overheads	4	16	2	18	4	23			
			Contribution per unit		£9	**(1)**	£32	**(1)**	£25	**(1)**		
		(iii)	Contribution per unit		£9		£32		£25			
			Production		8,000	**(1)**	5,000	**(1)**	3,500	**(1)**		
			Total contribution		£72,000		£160,000		£87,500	£319,500		
			Less fixed overheads							£200,000	**(1)**	
			Total Profit							**£119,500**		

Question			Expected answer(s)	Max mark	Additional guidance
	(b)	(i)	**Product A** / **Product B** / **Product C** / **Total** CPU: £9 / £32 / £25 (1) /Machine hours per unit: 3 / 4 / 10 (1) 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	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**.
		(ii)	Total contribution (Units x CPU): 64,800 / 144,000 / 55,050 — 263,850 (2) Less fixed costs: 210,000 (1) Total Profit: **£53,850**		
	(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]