H

Higher
Coursework
Assessment Task

2019 Accounting Assignment

Higher

Finalised Marking Instructions

Marking instructions

In line with SQA's normal practice, the following marking instructions for the Higher Accounting assignment are addressed to the marker. They will also be helpful if you are preparing candidates for course assessment.

Candidates' evidence is submitted to SQA for external marking.

General marking principles

Always apply these general principles. Use them in conjunction with the detailed/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 detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.

c Candidates gain marks for showing workings and demonstrating that they have followed accounting processes, even when they present incorrect figures.

d **Treatment of errors**

The specific marking instructions provide guidance on the treatment of errors such as extraneous items, arithmetical errors and consequential errors.

e **Layouts**

The specific marking instructions provide layouts for illustrative purposes only. Do not penalise candidates for using appropriate alternative layouts.

f **Consequential errors**

You must take into account consequential errors. Candidates must receive marks for following the correct accounting processes and using the correct spreadsheet formulae.

g **+/− rule**

You should check both statements before awarding marks for correct entry of Trial Balance items, as they can only appear once.

h **Formulae**

Candidates may use a variety of different formulae to solve problems and provide the information needed in the spreadsheet. Award marks where a formula provides the correct answer. The formula in the specific marking instructions is not the only way to achieve the correct answer.

i **Printouts**

Each task clearly provides printing requirements. Where a printout for a task is missing, award marks for the correct information on any available alternative printout.

Marking instructions for each task.

Task 1 (a) - solution						Max mark	Additional guidance
Task 1 - Italian Cuisine				**CODE**	**MARKS**	**25**	Business name not essential, but if shown must be 'Italian Cuisine' not 'Accurate Accounts' to gain heading award
Income Statement for year ended 31 December Year 3✓							
	£000	£000	£000				
Sales Revenue			620	A			
Less Sales Returns			80	A	1		
Net Sales			540				
Less Cost of Sales							
Opening Inventory		40		B			
Add Purchases	250			C			
Less Purchases Returns	14	236		C	1		
		276					Accept Warehouse Expenses anywhere in Cost of Sales section if correct effect
Less Closing Inventory		20		B	1		
		256					
Add Warehouse Expenses		4			1		
Cost of Sales			260				
Gross Profit ✓			280				
Less Expenses							If expenses shown as add and added, award marks gained and divide by 2 (max 4)
General Expenses		5		D			
Staff Salaries		80		D			
Discount Allowed		2	*	D	1		
Rates (3 + 1)		4			1		
Selling Expenses (12 – 2)		10			1		
Depreciation of Motor Vehicles (50 x 10%)		5			1		
Depreciation of Equipment (60 – 15) x 20%		9			1		*If shown as Discount (Net) of 1 in Income award marks for D & E if appropriate
Advertising (10 + 10)		20			1		
Loan Finance Charges (120 x 5%)/2		3	138		1		
			142				

Task 1 (a) - solution					Max mark	Additional guidance
Add Other Income						If income shown as less and deducted award marks gained and divide by 2 (max 1 - unless discounts net shown then max 2)
Reduction in Provision for Doubtful Debts 4 - (20 x 5%)	3			1		
Discount Received	3 *		E			
Rent Received	6	12	E	1		
Profit for the Year ✓		154				
Add Interest on Drawings						
Zecchino (20 x 10%)	2		F			
Martone (30 x 10%)	3	5	F	1*		
		159				
Less Salary (Martone)		15		1*		
		144				*If wrong effect do not award mark
Less Interest on Equity						
Zecchino (200 x 8%)	16		G			
Martone (100 x 8%)	8	24	G	1*		
		120				
Profit Share						
Zecchino (120 x 2/3)	80		H			
Martone (120 x 1/3)	40	120	H	1		
Heading, labels, arithmetic and no extraneous items				1		
				18 marks		

<table>
<tr><th>Task 1 (b) - solution</th><th>Max mark</th><th>Additional guidance</th></tr>
<tr><td>
<table>
<tr><td colspan="5">Current Account - Zecchino ✓</td><td>CODE</td><td>MARKS</td></tr>
<tr><td>Date</td><td>Details</td><td>£000 Dr</td><td>£000 Cr</td><td>£000 Balance</td><td></td><td></td></tr>
<tr><td>31 Dec</td><td>Balance</td><td>50</td><td></td><td>-50</td><td>J</td><td></td></tr>
<tr><td>31 Dec</td><td>Interest on Equity</td><td></td><td>16</td><td>-34</td><td>K</td><td></td></tr>
<tr><td>31 Dec</td><td>Share of Profit</td><td></td><td>80</td><td>46</td><td>L</td><td></td></tr>
<tr><td>31 Dec</td><td>Interest on Loan</td><td></td><td>3</td><td>49</td><td>M</td><td></td></tr>
<tr><td>31 Dec</td><td>Interest on Drawings</td><td>2</td><td></td><td>47</td><td>N</td><td></td></tr>
<tr><td>31 Dec</td><td>Drawings</td><td>20</td><td></td><td>27</td><td>P</td><td></td></tr>
</table>
<table>
<tr><td colspan="7">Current Account - Martone ✓</td></tr>
<tr><td>Date</td><td>Details</td><td>£000 Dr</td><td>£000 Cr</td><td>£000 Balance</td><td></td><td></td></tr>
<tr><td>31 Dec</td><td>Balance</td><td></td><td>30</td><td>30</td><td>J</td><td>1</td></tr>
<tr><td>31 Dec</td><td>Interest on Equity</td><td></td><td>8</td><td>38</td><td>K</td><td>1</td></tr>
<tr><td>31 Dec</td><td>Share of Profit</td><td></td><td>40</td><td>78</td><td>L</td><td>1</td></tr>
<tr><td>31 Dec</td><td>Salary</td><td></td><td>15</td><td>93</td><td>M</td><td>1</td></tr>
<tr><td>31 Dec</td><td>Interest on Drawings</td><td>3</td><td></td><td>90</td><td>N</td><td>1</td></tr>
<tr><td>31 Dec</td><td>Drawings</td><td>30</td><td></td><td>60</td><td>P</td><td>1</td></tr>
<tr><td colspan="6">Headings (Current Account with name, DR/CR shown on at least one account in correct order), layout, arithmetic and no extraneous items (both accounts)</td><td>1</td></tr>
<tr><td colspan="6"></td><td>7 Marks</td></tr>
</table>
</td><td></td><td>If Current Account shown as complete reversal, or not shown as a Current Account, award marks gained and divide by 2 (max 3 if figures correct)
If opening balance correct and all other items reversed only award opening balances mark</td></tr>
</table>

Task 2 (a) & (b) - solution - value view									Max mark	Additional guidance
	A	B	C	D	E	F	G		15	
1	**Italian Cuisine**							MARKS		
2	**Sales Budget for January to June Year 4**									
3		Jan	Feb	Mar	Apr	May	June			
4	Opening Inventory	560*	880	1200	1000	900	900	* 1		*Award 1 mark to Jan figure only
5	Purchases	2,800	4,400	6,000	5,000	4,500	4,500			
6		3,360	5,280	7,200	6,000	5,400	5,400			
7	Closing Inventory	880	1200	1000	900	900	800	1		Award 1 mark for remaining opening and all closing inventories
8	Sales	2,480	4,080	6,200	5,100	4,500	4,600	1		
9										
10										
11	Retail (Cash) Selling Price (per unit)	***£10·00***								
12	Purchase Price (per unit)	***£5·00***								
13	Selling Expenses	***£0·50***								
14	Bonus (per unit)	***£2·00***								
15										***Award 1 mark for all 5 data entries shown in bold*
16										
17	**Italian Cuisine**									
18	**Cash Budget for January - April Year 4**									
19		March	April	May						
20	Opening Balance	***£80,000***	£105,518	£71,717				1		
21										If template has been adjusted, or printing instructions not followed, do not award data entry mark
22	**Receipts**									
23	Retail Cash Sales	£24,800	£20,400	£18,000						
24	Credit Sales - 1 month	£16,524	£25,110	£20,655						
25	Credit Sales - 2 months	£3,534	£5,814	£8,835						
26	Loan - Martone	£30,000								
27	**Total Receipts**	£74,858	£51,324	£47,490				4 Marks		

Task 2 (a) & (b) - solution - value view	Max mark	Additional guidance

	A	B	C	D
29	**Payments**			
30	Purchases (Deposit)	£3,000	£2,500	£2,250
31	Purchases (Balance)	£19,800	£27,000	£22,500
32	Fixed Costs	£500	£500	£500
33	New Fittings	£24,000	£48,000	£48,000
34	Selling Expenses	£2,040	£3,100	£2,550
35	Sales Bonus	£0	£2,400	£200
36	Finance Charges - Zecchino		£1,500	
37	Finance Charges - Martone		£125	£125
38	**Total Payments**	£49,340	£85,125	£76,125
39				
40	Closing Balance	£105,518	£71,717	£43,082

Task 2 (a) & (b) - solution - formula view					Max mark	Additional guidance
Italian Cuisine Cash Budget for March - May Year 4						Absolute cell references must be used where applicable, and replication must be evident to gain marks
	Mar	Apr	May			
Opening Balance	80000	=B40 ✓	=C40 ✓			
Receipts						
Retail Cash Sales	=D8*40%*$B$11	=E8*40%*$B$11	=F8*40%*$B$11	1		
Credit Sales – 1 month	=C8*60%*75%*$B$11*90%	=D8*60%*75%*$B$11*90%	=E8*60%*75%*$B$11*90%	1		
Credit Sales – 2 months	=B8*60%*25%*$B$11*95%	=C8*60%*25%*$B$11*95%	=D8*60%*25%*$B$11*95%	1		
Loan - Martone	=120000/4			1		
Total Receipts	=SUM(B23:B26) ✓	=SUM(C23:C26) ✓	=SUM(D23:D26) ✓			
Payments						
Purchases (Deposit)	=D5*10%*$B$12	=E5*10%*$B$12	=F5*10%*$B$12	1		Total Receipts and Payments must have autosum formulae to gain ticked items award
Purchases (Balance)	=C5*90%*$B$12	=D5*90%*$B$12	=E5*90%*$B$12	1		
Fixed Costs	500	=$B$32 **or** B32	=$B$32 **or** C32			
New Fittings	=120000/5	=120000/5*2 **or** B33*2	=120000/5*2 **or** C33	1		
Selling Expenses	=C8*$B$13	=D8*$B$13	=E8*$B$13	1		
Sales Bonus	=IF(C8>5000,(C8-5000)*$B$14,0)	=IF(D8>5000,(D8-5000)*$B$14,0)	=IF(E8>5000,(E8-5000)*$B$14,0)	1		
Finance Charges – Zecchino		=120000*5%/4				
Finance Charges – Martone		=$B$26*5%/12	=$B$26*5%/12 **or** C37	1		
Total Payments	=SUM(B30:B37) ✓	=SUM(C30:C37) ✓	=SUM(D30:D37) ✓			
Closing Balance	=B20+B27-B38 ✓	=C20+C27-C38 ✓	=D20+D27-D38 ✓	1		
				11 Marks		

Task 3 (a) & (b) - solution									Max mark	Additional guidance
Profits earned from each project									20	
		Project A			**Project B**					
Initial Investment		£30,000			£40,000					If Project B Depreciation is £8,000, do not award either depreciation marks as scrap value has been ignored
Less residual/scrap value		£6,000			£8,000					
		£24,000			£32,000					
Lifetime of investment in years		4			5					
Annual Depreciation		£6,000	2		£6,400	2				
Profit Earned										
Year 1	£21,000	£6,000	£15,000		£17,500	£6,400	£11,100			
Year 2	£17,500	£6,000	£11,500		£13,500	£6,400	£7,100			
Year 3	£14,000	£6,000	£8,000		£10,500	£6,400	£4,100			
Year 4	£10,000	£6,000	£4,000		£9,000	£6,400	£2,600			
Year 5				1	£7,000	£6,400	£600	1		
Total Profits			£38,500				£25,500			
Average Profits			£9,625	1			£5,100	1		
Average Profits / Initial Investment x 100			£9,625	x 100			£5,100	x 100		
			£30,000				£40,000			
			32·08%	1			12·75%	1		If % missing do not award first mark
								10 Marks		

Task 3 (c) - solution							Max mark	Additional guidance
Payback								
	Project A			**Project B**				
Year 1	£21,000	£21,000		£17,500	£17,500			
Year 2	£17,500	£38,500	1	£13,500	£31,000			
Year 3	£14,000			£10,500	£41,500	1		
Year 4	£10,000			£9,000				
Year 5				£7,000				
1 year = £21,000 - need another £9,000				2 years = £31,000 - need another £9,000				
£9,000/£17,500 x 365 days			1	£9,000/£10,500 x 365 days		1		
1 year 188 days (or 553 days)			1	2 years 313 days (or 1,043 days)		1		If decimal shown, no ‘days’ shown, or days rounded down do not award first mark
						6 Marks		

Task 3d

File Name: T3WP (Solution)

Report

To: Italian Cuisine

From: Your Name

Date: Today's

Subject: **INVESTMENT APPRAISAL**

Italian Cuisine should implement Project A as the Accounting Rate of Return is higher (1) (Project A is 32·08% whereas Project B is 12·75%) /the Payback period is shorter (1) (Project A is 1 year and 188 days whereas Project B is 2 years and 313 days).

Note: The recommendation (and reason) will be consequential on calculations carried out in Task 3.

Maximum 1 Mark

Advantages of the Payback Method

1. Very easy to calculate **and** understand
2. Easy comparison can be made between mutually exclusive projects
3. May encourage growth by favouring projects providing a quick return
4. Reduces the time during which liquid funds may be at risk
5. Considers net cash inflows rather than profits

Disadvantages of the Payback Method

1. Ignores net cash inflows after payback period
2. Calculating/estimating timing of net cash flows may be difficult
3. Ignores profitability
4. Ignores the time value of money (inflation)

Note: Maximum 2 marks if only advantages or disadvantages shown

Maximum 3 marks
4 Marks

[END OF MARKING INSTRUCTIONS]