Higher
Coursework
Assessment Task

2020 Accounting Assignment

Higher

Marking Instructions

These marking instructions are prepared by examination teams for use by SQA appointed markers when marking external course assessments.

Please note, as we were not able to carry out live marking in 2020, these marking instructions are not presented in a final state and have not been referenced against candidate responses.

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 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 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.

Task 1 Solution

						ADDITIONAL GUIDANCE		
						Max Mark - 30		
Posh Pine Plc								
Manufacturing Account for Year Ended 31 December Year 3 ✓								
	£000	£000	£000					
Opening Inventory of Raw Materials			150	A				
Add Purchases of Raw Materials		804		B				
Add Carriage In on Raw Materials		22		B				
		826						
Less Purchases Returns of Raw Materials		28	798	B	1			
			948					
Less Closing Inventory of Raw Materials			58	A	1			
COST OF RAW MATERIALS CONSUMED ✓			890					
Add Direct Costs								
Direct Manufacturing Wages (300*60%)		180			1			
Royalties		40	220	C				
PRIME COST ✓			1,110					
Factory Overheads								
Factory Supervisors Salaries		30		C	1			
Indirect Wages (300*20%)		60			1			
Rent and Rates (220-20)*75%		150			1	If Factory Overheads shown as less and deducted, award marks gained and divide by 2 (max 5)		
Indirect Factory Power (120+5)		125			1			
Heat and Light (50*80%)		40			1			
Factory Maintenance (40/16)*12		30			2			
Insurance (30*2/3)		20			1			
Depreciation of Factory Machinery (500-100)*25%		100	555		1			
			1,665					
Add Opening Inventory Work in Progress			148	D				
			1,813					
Less Closing Inventory Work in Progress			126	D	1			
Factory Cost of Production ✓			1,687					
Profit on Manufacture ✓			113	E				
Market Value of Finished Goods ✓			1,800	E	1			
Heading/labels✓/arithmetic/no extraneous				HLAE	1			
						15 marks		
						ADDITIONAL GUIDANCE		
Posh Pine Plc								
Income Statement for Year Ended 31 December Year 3 ✓								
	£000	£000	£000					
Sales Revenue			2,900	F				
Less Cost of Sales								
Opening Inventory of Finished Goods		145		G		* Accept Factory Cost of Production if Market Value not shown in the Manufacturing Account		
Add Market Value of Finished Goods		1,800	*	F	1			
Purchases of Finished Goods	90			J				
Less Purchases Returns of Finished Goods	10	80		J	1			
		2,025						
Less Closing Inventory of Finished Goods		150		G	1			
		1,875				Accept Warehouse Wages anywhere in Cost of Sales section if correct effect.		
Add Warehouse Wages (300*10%)		30	1,905		1			
Gross Profit ✓			995					
Add Profit on Manufacture			113		1			
			1,108					
Less Expenses						If expenses shown as add and added, award marks gained and divide by 2 (max 3)		
Rent and Rates (220-20) * 25%		50			1			
Heat and Light (50*20%)		10			1			
Bad Debts		11		K				
Administration and Selling Expenses		290		K	1			
Insurance (30*1/3)		10			1			
Administration Wages (300*10%)		30			1			
Depreciation of Office Furniture and Fittings (350*10%)		35			1			
Discount Allowed		7	443	L				
			665					
Add Other Income								
Discount Received		3		L	1			
Decrease in Provision for Doubtful Debts (15-3)		12	15		1			
Profit for the Year before Tax			680					
Corporation Tax 25%			170		1			
Profit for the Year after Tax ✓			510					
Heading/labels✓/arithmetic/no extraneous				HLAE	1			
						15 marks		

Task 2 Solution - Value View

	A	B	C	D	E	F	G	H	I	J
1	**Task 2 (a)**									**ADDITIONAL GUIDANCE**
2	**FACTORY-WIDE OVERHEAD RECOVERY RATE**									**Max mark - 2**
3	Factory Overheads	£555,000	✓							
4	Prime Cost	£1,110,000	1							
5	Percentage of Prime Cost	50%								
6										
7	**Task 2 (b) and (c)**									
8	**COST CENTRE INFORMATION**									
9				Total	Cutting	Assembly	Polishing	Cleaning		
10	Labour Hours			20,000	10,000	5,000	4,000	1,000		
11	Number of Employees			15	4	5	4	2		
12	Value of Machinery			£500,000	£200,000	£200,000	£100,000	0		
13	Machine Hours			15,000	4,000	1,000	10,000	0		
14	Area (m^2)			500	150	100	200	50		
15	Indirect Wages			£60,000	£25,500	£18,000	£7,500	£9,000		
16	Kilowatt Hours (kW Hrs)			25,000	10,500	7,000	5,500	2,000		
17	Direct Materials			£600,000	£300,000	£100,000	£150,000	£50,000		
18										
19	Name of Factory Overhead	Basis of Apportionment	Rate	Total	Cutting	Assembly	Polishing	Cleaning		
20	Indirect Wages	***Allocated***		***£60,000***	£25,500	£18,000	£7,500	£9,000		
21	Factory Supervisors Salaries	***No of Employees***	£2,000.00	***£30,000***	£8,000	£10,000	£8,000	£4,000		
22	Rent and Rates	***Area***	£300.00	***£150,000***	£45,000	£30,000	£60,000	£15,000		
23	Indirect Factory Power	***kW Hrs***	£5.00	***£125,000***	£52,500	£35,000	£27,500	£10,000		
24	Heat and Light	***Area***	£80.00	***£40,000***	£12,000	£8,000	£16,000	£4,000		
25	Factory Maintenance	***Area***	£60.00	***£30,000***	£9,000	£6,000	£12,000	£3,000		
26	Insurance	***Value of Machinery***	£0.04	***£20,000***	£8,000	£8,000	£4,000			
27	Depreciation of Factory Machinery	***Value of Machinery***	£0.20	***£100,000***	£40,000	£40,000	£20,000			
28	Total Department Overheads			£555,000	£200,000	£155,000	£155,000	£45,000		
29	Service Department Overheads Reapportioned									
30	***Cleaning***	***Area***	£100.00	£45,000	£15,000	£10,000	£20,000			
31	Total Production Department Overheads				£215,000	£165,000	£175,000			
32	**Task 2 (d)**									
33	Departmental Recovery Rates				£21.50	£33.00	£17.50			
34					Per labour hour	Per labour hour	Per machine hour			
35	**Task 2 (e)**									
36	Actual Overheads				***£260,000***	***£130,000***	***£187,500***			Award 1 mark for all data entries italicised
37	Machine Hours				***4,500***	***800***	***10,500***			
38	Labour Hours				***12,000***	***4,000***	***4,500***		1	
39	Overheads Absorbed				£258,000	£132,000	£183,750			
40	Amount of overheads under- or over- absorbed				-£2,000	£2,000	-£3,750			
41	Overheads UNDER or OVER Absorbed				Under	Over	Under			
42										**2 marks**

Task 2 Solution - Formula View

	A	B	C	D	E	F	G	H	I	J
1	**Task 2 (a)**									ADDITIONAL
2	**FACTORY-WIDE OVERHEAD RECOVERY RATE**									GUIDANCE
3	Factory Overheads	555000							1	Max mark - 12
4	Prime Cost	1110000								
5	Percentage of Prime Cost	=B3/B4	1							
6										
7	**Task 2 (b) and (c)**									
8	**COST CENTRE INFORMATION**									
9				Total	Cutting	Assembly	Polishing	Cleaning		
10	Labour Hours			=SUM(E10:H10)	10000	5000	4000	1000		
11	Number of Workers			=SUM(E11:H11)	4	5	4	2		
12	Value of Machinery			=SUM(E12:H12)	200000	200000	100000	0		
13	Machine Hours			=SUM(E13:H13)	4000	1000	10000	0		
14	Area (m^2)			=SUM(E14:H14)	150	100	200	50		
15	Indirect Wages			=SUM(E15:H15)	25500	18000	7500	9000		
16	Kilowatt Hours (kW Hrs)			=SUM(E16:H16)	10500	7000	5500	2000		
17	Direct Materials			=SUM(E17:H17)	300000	100000	150000	50000		
18										
19	Name of Factory Overhead	Basis of Apportionment	Rate	Total	Cutting	Assembly	Polishing	Cleaning		
20	Indirect Wages	Allocated		60000	=E15	=F15	=G15	=H15		
21	Factory Supervisors Salaries	No of employees	=D21/D11	30000	=$C$21*E11	=$C$21*F11	=$C$21*G11	=$C$21*H11		
22	Rent and Rates	Area	=D22/D14	150000	=$C$22*E14	=$C$22*F14	=$C$22*G14	=$C$22*H14		
23	Indirect Factory Power	kW Hrs	=D23/D16	125000	=$C$23*E16	=$C$23*F16	=$C$23*G16	=$C$23*H16		Award 1 mark for any 2 pairs of correct rows (max 4)
24	Heat and Light	Area	=D24/D14	40000	=$C$24*E14	=$C$24*F14	=$C$24*G14	=$C$24*H14		
25	Factory Maintenance	Area	=D25/D14	30000	=$C$25*E14	=$C$25*F14	=$C$25*G14	=$C$25*H14		
26	Insurance	Value of Machinery	=D26/D12	20000	=$C$26*E12	=$C$26*F12	=$C$26*G12			
27	Depreciation of Factory Machinery	Value of Machinery	=D27/D12	100000	=$C$27*E12	=$C$27*F12	=$C$27*G12			
28	Total Department Overheads			=SUM(D20:D27)	=SUM(E20:E27)	=SUM(F20:F27)	=SUM(G20:G27)	=SUM(H20:H27)		
29	Service Department Overheads Reapportioned								1	
30	Cleaning	Area	=D30/(D14-H14)	=H28	=$C$30*E14	=$C$30*F14	=$C$30*G14	1		
31	Total Production Department Overheads				=E28+E30	=F28+F30	=G28+G30			
32	**Task 2 (d)**				1		1			
33	Departmental Recovery Rates				=E31/E10	=F31/F10	=G31/G13			
34					Per labour hour	Per labour hour	Per machine hour			
35	**Task 2 (e)**									
36	Actual Overheads				260000	130000	187500			
37	Machine Hours				4500	800	10500			
38	Labour Hours				12000	4000	4500			
39	Overheads Absorbed				=E38*E33	=F38*F33	=G37*G33	1		
40	Amount of overheads under- or over- absorbed				=E39-E36	=F39-F36	=G39-G36	1		
41	Overheads UNDER or OVER Absorbed				=IF(E39<E36,"Under","Over")	=IF(F39<F36,"Under","Over")	=IF(G39<G36,"Under","Over")	1		
42										
43										12 marks

Task 3 Solution

Task 3 (a)					ADDITIONAL GUIDANCE
					Max mark - 12
JOB COST STATEMENT FOR JOB XYZ 1 ✓					
	£		£		
DIRECT MATERIALS					
Wood (8+(2*6))*8	160	1			
Fabric (14/2*6)	42	1			
Upholstery padding (120/10*0.5*6)	36	1	238		
DIRECT LABOUR					
Cutting (8*25)	200				Only award mark to direct labour if there is no calculation for the payment of direct machine hours
Assembly (10*14)	140	1			
Polishing (12*10)	120		460		
Direct Expenses			302	1	
PRIME COST ✓			1,000		
ADD OVERHEADS					
Cutting (£21.50*8)	172	1			
Assembly (£33*10)	330	1			
Polishing (£17.50*4)	70	1	572		
Total Cost ✓			1,572		
Profit ✓ (1572/80*20)			393	1	
Quote for Job ✓			1,965		
Heading/labels✓/arithmetic and total figure			**HLA**	1	
Task 3 (b)					
Prime Cost			1,000		
Add Overheads			500	2	
Total Cost of Job			1,500		

Task 4 Solution

(a) Outline the main benefits of using departmental overhead recovery rates, rather than factory wide overhead recovery rate. (max 2 marks)

- Each cost centre/department can apply the most relevant overhead absorption rate. (1)
- Departmental overhead recovery rate can lead to a more accurate recovery of overhead costs. (1)
- Rising costs and inefficiencies are more easily detected when departmental rates are used. (1)

(b) Describe why some overhead costs can be allocated to departments, while others require to be apportioned to departments. (max 2 marks)

- Allocation of a cost occurs when a cost can easily be identified and charged to a department. (1)
- Apportionment of a cost occurs when the cost relates to the business as a whole, rather than individual departments. (1)