Higher
Coursework
Assessment Task

Higher Accounting Assignment Assessment task

This assignment is worth 60 marks.

You have 2 hours and 30 minutes to complete this assessment, excluding printing time.

All printing must be completed either during or immediately after the assessment.

In this assessment, you have to work through a series of tasks in the order presented.

You may use a calculator.

You must use the e-file supplied by SQA to complete Task 2 using spreadsheet software. **This file must not be adapted, for example adding or deleting columns or rows, or changing print settings.**
You may use the e-file supplied by SQA to complete Task 4 using word-processing software.
E-files provided for this assessment are:

- **Task 2 File** — this is a spreadsheet file with **one** worksheet
- **Task 4 File** — this is a word-processing file

Make sure you display your name, Scottish Candidate Number and task clearly on each printout or page you submit.

Posh Pine plc is a company based in Edinburgh. It manufactures and sells custom-made furniture on both a wholesale and retail basis.

You have recently taken up the position of trainee accountant and work alongside Mr Alan Jenson, Senior Accountant. Mr Jenson needs your help to complete the tasks outlined below.

Task	Description	Marks
1	Using information taken from the Accounts of Posh Pine Plc, prepare a **Manufacturing Account** and an **Income Statement to determine Profit for the Year (after tax)** for the year ended 31 December Year 3. You can complete task 1 as a handwritten task or using spreadsheet software.	30
2	Prepare an Overhead Analysis Statement to ♦ calculate a factory-wide overhead absorption rate ♦ apportion overheads to departments ♦ re-apportion service department overheads to production departments ♦ calculate department overhead recovery rates ♦ calculate the under-absorption or over-absorption of production department overheads **You must complete task 2 parts (a)-(e) using the template provided and submit printouts as evidence.** **Print one copy of your spreadsheet in value view and one copy in formula view.**	14
3	Prepare a Job Cost Statement for Job XYZ1 using ♦ departmental overhead rates ♦ a factory-wide overhead rate to calculate **total cost**, **profit margin** and **selling price**. You can complete task 3 as a handwritten task or using spreadsheet software.	12
4	Prepare a short report for Mr Jenson. You can complete task 4 as a handwritten task or using word-processing software.	4
Total marks		**60**

Task 1

The following information relates to Posh Pine plc for the year ended 31 December Year 3.

Select the items necessary to prepare the **Manufacturing Account** and **Income Statement**, to determine **Profit for the Year (after tax)**.

	£000
Factory Machinery at cost	550
Office Furniture and Fixtures at cost	350
Inventories at 1 January Year 3:	
Raw Materials	150
Work-in-Progress	148
Finished Goods	145
Purchases of Raw Materials	804
Purchases Returns of Raw Materials	28
Factory Supervisor's Salary	30
Carriage In on Raw Materials	22
Wages	300
Sales Revenue	2,900
Royalties	40
Purchases of Finished Goods	90
Rent and Rates	220
Indirect Factory Power	120
Heat and Light	50
Factory Maintenance	40
Discount Received	3
Bad Debts	11
Administration and Selling Expenses	290
Insurance of Factory Machinery and Office Furniture and Fittings	30
Provision for Doubtful Debts	15
Purchases Returns of Finished Goods	10
Provision for Depreciation:	
Factory Machinery	150
Office Furniture and Fittings	85
Discount Allowed	7
Trade Receivables	60

Notes

(a) Inventories at 31 December Year 3

	£000
Raw Materials	58
Work-in-Progress	126
Finished Goods	150

(b) On 31 December Year 3

Rent and Rates receivable £20,000
Indirect Factory Power payable £5,000

(c) Expenses are to be allocated as follows

Rent and Rates 75% to factory, 25% to Administration
Heat and Light 80% to factory, 20% to Administration

(d) Factory maintenance has been paid for the 16 months ending 30 April Year 4.

(e) Insurance is to be split as follows

Factory Machinery $^{2}/_{3}$
Office Furniture and Fixtures $^{1}/_{3}$

(f) The Provision for Doubtful Debts is to be adjusted to 5% of Trade Receivables.

(g) Depreciation for the year is to be provided for as follows

Factory Machinery 25%, using the reducing balance method
Office Furniture and Fixtures — 10% on cost

(h) Wages are to be shared

- 60% Manufacturing
- 20% Indirect Wages
- 10% Warehouse
- 10% Administration

(i) Finished Goods are transferred to the warehouse at an estimated wholesale value of £1,800,000.

(j) Corporation Tax is payable at the rate of 25%.

Task 2

Posh Pine plc currently recovers factory overheads on a factory-wide basis, based on the percentage of prime cost. Mr Jenson has informed you that all overheads in Year 4 are expected to remain the same as in Year 3.

(a) Using the spreadsheet template provided (Task 2 File) and the relevant information from your answer to task 1, calculate the factory-wide overhead recovery rate for Year 4.

Posh Pine plc has 3 production departments: Cutting, Assembly and Polishing, and one service department: Cleaning. It is considering introducing a system of departmental overhead recovery rates and Mr Jenson has provided you with the following information.

	Cutting	Assembly	Polishing	Cleaning	Total
Labour Hours	10,000	5,000	4,000	1,000	20,000
Number of Employees	4	5	4	2	15
Value of Machinery	£200,000	£200,000	£100,000	-	£500,000
Machine Hours	4,000	1,000	10,000	-	15,000
Area (m^2)	150	100	200	50	500
Indirect Wages	£25,500	£18,000	£7,500	£9,000	£60,000
Kilowatt Hours (kW Hrs)	10,500	7,000	5,500	2,000	25,000
Direct Materials	£300,000	£100,000	£150,000	£50,000	£600,000

(b) Using the relevant information from task 1, prepare an Overhead Analysis Statement for **Year 4**.

(c) Re-apportion the service department overheads to the production departments, based on the area (m^2).

Production department overheads are recovered as follows

- Cutting — Labour Hours
- Assembly — Labour Hours
- Polishing — Machine Hours

(d) Calculate the overhead recovery rate for each production department.

(e) If at the end of Year 4 figures are as follows

	Cutting	Assembly	Polishing
Actual Overheads	£260,000	£130,000	£187,500
Machine Hours	4,500	800	10,500
Labour Hours	12,000	4,000	4,500

(i) Calculate the difference between overheads absorbed and actual overheads for each production department.

(ii) Indicate whether overheads have been ‘over’ or ‘under’ absorbed.

	A	B	C	D	E	F	G	H
1	**Task 2(a)**							
2	**FACTORY-WIDE OVERHEAD RECOVERY RATE**							
3	Factory Overheads	d						
4	Prime Cost	d						
5	Percentage of Prime Cost	f						
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	d		d	f	f	f	f
21	d	d	f	d	f	f	f	f
22	d	d	f	d	f	f	f	f
23	d	d	f	d	f	f	f	f
24	d	d	f	d	f	f	f	f
25	d	d	f	d	f	f	f	f
26	d	d	f	d	f	f	f	
27	d	d	f	d	f	f	f	
28	Total Department Overheads			f	f	f	f	f
29	Service Department Overheads Reapportioned							
30	d	d	f	f	f	f	f	
31	Total Production Department Overheads				f	f	f	
32	**Task 2(d)**							
33	Departmental Recovery Rates				f	f	f	
34					Per labour hour	Per labour hour	Per machine hour	
35	**Task 2(e)**							
36	Actual Factory Overheads				d	d	d	
37	Machine Hours				d	d	d	
38	Labour Hours				d	d	d	
39	Overheads Absorbed				f	f	f	
40	Amount of overheads under-or over-absorbed				f	f	f	
41	Overheads UNDER or OVER Absorbed				f	f	f	

Copy of e-file: Task 2 File

Task 3

Posh Pine plc has been asked to quote a price to produce a dining table and 6 chairs, Job XYZ1.

Direct Materials

- wood — 8 metres per table and 2 metres per chair: each metre costs £8
- fabric for chairs — 1 metre of fabric is required to cover 2 chairs: £14 per metre
- upholstery padding for chairs — 0.5 kg per chair. Upholstery padding is provided in rolls of 10 kg: £120 per roll.

	Cutting	Assembly	Polishing
Machine Hours	5	2	4
Labour Hours	8	10	12
Labour Hour Rate	£25	£14	£10

Direct expenses are expected to total £302.

Profit margin is set at 20%.

(a) Using the information above and the departmental overhead recovery rates calculated in task 2(d), prepare a Job Cost Statement for Job XYZ1.

(b) Re-calculate the total cost of Job XYZ1 if the factory-wide overhead recovery rate calculated in task 2(a) had been applied.

Task 4

Prepare a short report for Mr Jenson.

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

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

Note: you can use Task 4 File to complete this task.

Copy of e-file: Task 4 File

Report

To: Mr Jenson

From: Your name

Date: Today's

Subject: THEORY QUESTIONS

[END OF ASSIGNMENT]