



National
Qualifications
2024

2024 Accounting

Higher

Question Paper Finalised Marking Instructions

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General marking principles for Higher Accounting

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) Always follow through consequentiality subsequent to a calculative error and give credit for any errors in subsequent calculations or working.
- (d) Mark scored out or erased working which has not been replaced, where still legible. However, if the scored out or erased working has been replaced, mark only the work which has not been scored out.
- (e) For **describe** questions, 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

- award **1 mark** for each relevant factual point
 - award **1 mark** for any further development of a relevant point, including exemplification when appropriate
- (f) For **identify** questions, candidates must name a number of relevant items or facts. These must relate to the context of the question and do not need to be in any particular order.

Up to the total mark allocation for this question

- award **1 mark** for each relevant identification
- (g) For **outline** questions, 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

- award **1 mark** for each accurate statement

1. (a)	Production Budget for July to December Year 5 ✓									MAX MARK	5				
		July		August	September	October	November	December		ADDITIONAL GUIDANCE					
	Cash Sales	2,600		2,800	3,000	3,200	3,400	3,600	1	1 mark for heading and Cash and Credit Sales rows					
	Credit Sales	13,000		14,800	16,600	11,200	9,600	15,000							
	Sales	15,600		17,600	19,600	14,400	13,000	18,600							
	Less Opening Inventory	520 *		560	600	640	680	700	1	1 mark for both highlighted rows					
		15,080		17,040	19,000	13,760	12,320	17,900							
	Add Closing Inventory	560		600	640	680	700	700	*1	1 mark for correct July Opening and December Closing Inventory					
	Production	15,640		17,640	19,640	14,440	13,020	18,600	2	2 marks for <u>deducting</u> Opening Inventory AND <u>adding</u> Closing Inventory					
										If only Opening or Closing Inventory included and treated correctly, award 1 mark for consequential Production units					

1. (b)	Cash Budget for 3 months October to December ✓					MAX MARK	32			
		October		November		December	ADDITIONAL GUIDANCE			
		£		£		£				
	Opening Balance ✓	60,000 ✓		570,680		957,630				
	Add Receipts ✓									
	Cash sales	160,000 1		170,000 ✓		180,000 1	1 mark for October, 1 mark for November and December			
	Credit sales (1 month)	597,600 1		403,200 1		345,600 1				
	Credit sales (2 months)	140,600 1		157,700 1		106,400 1	If bad debts are shown DNA credit sales 2 months			
	Share issue	50,000 1		0		0				
	Share premium	25,000 1		0		0				
	Sale of Machinery					29,000 2	All or nothing			
	Total Receipts	973,200		730,900		661,000				
	Less Payments ✓									
	Materials (25%)	36,100 1		32,550 1		46,500 1				
	Materials (75%)	147,300 1		108,300 1		97,650 1				
	Labour	86,640 1		78,120 1		111,600 1				
	Bonus	11,280 1		880 1		0				
	Variable costs	72,200 1		65,100 1		93,000 1				
	Fixed costs	59,000		59,000		59,000 1				
	Machinery deposit	50,000 1		0		0	DNA if Purchase Cost of Machinery of £200,000 is also shown			
	Machinery instalment	0		0		30,000 1				
	Dividend (5%)	0		0		2,500 1	If £75,000 for total dividend, award 1 mark for £50,000 dividend implied			
	Dividend (10%)	0		0		50,000 1				
	Total Payments	462,520		343,950		490,250				
	Closing Balance ✓	570,680		957,630		1,128,380				
	Headings, labels, arithmetic, Opening and Closing Balances shown				(1)					

1. (c) **Other than preparing budgets, describe the role of a management accountant.**
- Provides management with information to enable decision-making.
 - Responsible for the collection, processing and classification of costs.
 - Supplies data to make the most efficient use of limiting factors.
 - Accountable for the planning and control of production costs.
 - Manages cost accounting systems and determines which system is most appropriate.
 - Prepares break-even statements.
 - Prepares overhead analysis statements.

MAX MARK

3

ADDITIONAL GUIDANCE

1 mark per valid point (max 3)

2.A (a)	Income Statement of Kinnaird plc for the year ended 31 December Year 3 ✓						MAX MARKS	4		
		£000		£000		£000	ADDITIONAL GUIDANCE			
	Profit for the Year after tax					75	✓	1 mark for Profit for the Year after tax and Unappropriated Profit		
	add Unappropriated Profit					34	1			
						109				
	less									
	Ordinary Dividend Paid			54	1					
	Preference Dividend Paid (£200,000 x 6%)			12	1					
	Goodwill Written Down			10	1	76				
	Unappropriated Profit ✓					33				

2.A (b)	Statement of Financial Position of Kinnaird plc as at 31 December Year 3 P					MAX MARKS	17											
		At Cost		Agg Depn	Net Book Value	ADDITIONAL GUIDANCE												
		£000		£000	£000													
	Non-Current Assets ✓																	
	Property	300		-20	320	1	All 3 figures must be shown for each Non-Current Asset to gain marks											
	Office Equipment	120		24	96	1												
	Motor Vehicles	250		40	210	1												
		670		44	626													
	Goodwill (40-10)				30	1	Goodwill must be shown below Non-Current Assets to gain mark											
					656													
	Current Assets ✓																	
	Closing Inventory			42	✓													
	Trade Receivables	60																
	less Provision for Doubtful Debts	6		54	1													
	Cash and Cash Equivalents (125-12)			113	1													
	Rent Receivable			4	1		1 mark for Closing Inventory and Rent Receivable											
				213														
	Current Liabilities ✓																	
	Trade Payables	43	}				3 marks for all Current Liabilities correct											
	Administration Expenses Payable	3					2 marks for 3 correct											
	VAT	65					1 mark for 2 correct											
	Corporation Tax Payable	25		136			0 marks if one or none correct											
	WORKING EQUITY				77													
	NET ASSETS EMPLOYED				733													
	Less Non-Current Liabilities ✓																	
	10% Debentures				50	1												
					683													
	Equity						Value or number of shares missing only award 1 mark											
	408,000 Ordinary Shares £1 each			408	✓		Accept Bonus Shares as separate entry but <u>must be directly</u> above or below ordinary shares											
	200,000 6% Preference Shares £1 each			200	2		If Ordinary Shares 400,000 and Preference Shares 200,000, award 1 mark max											
	Reserves																	
	Unappropriated Profit			33	✓													
	Revaluation Reserve			20	1		1 mark for Unappropriated Profit and Revaluation Reserve											
	Share Premium Reserve (60-30-8)			22	2		If Share Premium is 30, 38, 52 or 82 award 1 mark											
					683		If Preliminary Expenses are entered award 1 mark max for Share Premium											
	Headings, labels, arithmetic and no extraneous across both statements (1)																	

2.B (a)	Current Account Heslop ✓						MAX MARKS	7										
	Date	Details	Dr	Cr	Balance	✓			ADDITIONAL GUIDANCE									
	01-Jan	Opening Balance			13,500	Dr	1		1 mark for headings and Opening Balance									
	31-Dec	Share of Profit		32,000	18,500	Cr	1		If running balance incorrect, do not award mark for headings and Opening Balance or next available mark									
	31-Dec	Interest on Equity		8,000	26,500	Cr	1		If not shown as a ledger account, do not award headings and Opening Balance mark or next available mark									
	31-Dec	Salary		22,000	48,500	Cr	1		If Current Account shown as complete reversal, award marks gained and divide by 2 (max 4)									
	31-Dec	Interest on Loan		1,500	50,000	Cr	1		If headed as Current Account , but includes an entry for Equity, do not award Interest on Equity mark									
	31-Dec	Drawings	26,000		24,000	Cr	1		If headed as Equity Account and Equity shown as Opening Balance, award marks gained and divide by 2 (max 4)									
	31-Dec	Interest on Drawings	2,600		21,400	Cr	1		If Loan is included, do not award Interest on Loan mark									
(b) (i)	Profit or Loss on Revaluation				£		MAX MARKS	5										
		Property - increase in value			35,000		✓											
		Inventory - increase in value			3,000		1		1 mark for Property and Inventory increase									
		Machinery - decrease in value			- 4,500		1											
		Provision for Bad Debts - decrease			1,000		1											
		Revaluation Expenses			- 1,500		1											
		Profit on revaluation			33,000													
	Share of Profit on Revaluation																	
	Deshpande	2/3 of £33,000	22,000	✓					1 mark for both share of profit calculations provided no arithmetic error in Profit on Revaluation total									
	Heslop	1/3 of £33,000	11,000	1														
(b) (ii)	Profit Sharing Ratio						MAX MARKS	1										
	Morrison	25% (leaving 75% for original partners)		✓														
	Deshpande	2/3 of 75%	50%	✓														
	Heslop	1/3 of 75%	25%	1														
(b) (iii)	Equity Account Balances						MAX MARKS	4										
			Deshpande	Heslop	Morrison													
		Opening Balance	200,000	100,000	100,000													
		Add Share of Revaluation	22,000	11,000	0		1											
		Add Share of Goodwill	15,000	7500	0		1											
		Less Goodwill Written Off	-11,250	-5,625	-5,625		1											
		Closing Balance	225,750	112,875	94,375													
	Opening and closing balances, arithmetic and no extraneous (1)																	
	DNA above mark if Current Account balances are included																	

2.B (c) Outline 2 advantages to Deshpande and Heslop of admitting Morrison as a new partner.

MAX MARK

2

ADDITIONAL GUIDANCE

1 mark per valid point (max 2)

It will lead to increased equity invested in the business.

The new partner may have expertise in a different area of the business.

The new partner may bring fresh ideas to the partnership.

It will help to spread the workload in the business.

It will help to spread the risk in the business.

3. PART A												MAX MARK	7	ADDITIONAL GUIDANCE							
INVENTORY RECORD CARD FOR MATERIAL Z ✓													Heading must include 'Inventory Record Card' <u>and</u> the item of inventory (Material Z). The business name is <u>not</u> required.								
		Receipts			Issues			Balance			✓	If any column is not included, award marks gained and divide by 2, (max 4)									
Date	Details	Qty	Price	Value	Qty	Price	Value	Qty	Price	Value	✓										
01-Mar	Opening balance							200	10.00	2,000.00	*1	*1 mark for correct headings and opening balance									
05-Mar	Purchases	120	12.40	1,488.00				320	10.90	3,488.00	1 line										
10-Mar	Issue				120	10.90	1,308.00	200	10.90	2,180.00	1 line										
15-Mar	Returns				50	12.40	620.00	150	10.40	1,560.00	1 line										
23-Mar	Purchases	250	13.60	3,400.00				400	12.40	4,960.00	1 line										
26-Mar	Issue				320	12.40	3,968.00	80	12.40	992.00	1 line										
28-Mar	Purchases	100	13.75	1,375.00				180	13.15	2,367.00	1 line										

3.B (a) (i)	PROCESS 2 ACCOUNT FOR CHEMICAL K5R ✓												✓	MAX MARK	8	
		Dr				Cr				Balance			✓	ADDITIONAL GUIDANCE		
		QTY	CPU	£		QTY	CPU	£		QTY	CPU	£	✓			
	Transfer from Process 1	750	13.50	10,125.00	1					750	13.50	10,125.00				
	Additional Materials	250	14.00	3,500.00	1					1000		13,625.00				
	Labour			5,500.00	2*							19,125.00				
	Fixed Overheads			2,875.00								22,000.00				
	Variable Overheads			2,500.00								24,500.00				
	Normal Loss					50	4.00	200.00	1	950		24,300.00				
	Closing Work-in Progress					200		1,800.00	1	750	30.00	22,500.00				
	Transfer to Finished Output					705	30.00	** 21,150.00	2**	45	30.00	1,350.00				
	Abnormal Loss					45	30.00	** 1,350.00	***	0		0.00				
	If complete reversal, award half marks															
	Accept Input and Output as alternative to Dr and Cr															
	If any data is entered in Dr Qty column other than transfer from previous process and materials, do not award mark															
	* Award 2 marks for 3 correct and one mark for 2 correct															
	** If CPU is calculated correctly and applied to both Finished Goods and Abnormal Loss award (2) but if Balance arithmetically incorrect, award (1)															
3. B (a) (ii)	ABNORMAL LOSS ACCOUNT ✓													MAX MARK	4	
		Dr				Cr				Balance			✓			
		QTY	CPU	£		QTY	CPU	£		QTY	CPU	£	✓			
	From Process 2	45	30.00	1,350.00	1***					45	30.00	1,350.00				
	Cash & Cash Equivalents					45	4.00	180.00	1			1,170.00				
	Income Statement							1,170.00	1			0.00				
	Account Names, Headings and Running Balance across both accounts (1)															
	If nomenclature error, do not award mark on first occasion															
	*** consequential on abnormal loss calculated in process 2 account															
3. (b)	Outline one possible cause of an abnormal loss.													MAX MARK	1	
	The use of faulty/outdated machinery.															
	The use of faulty materials.															
	Unskilled or untrained staff in production process.															
	DNA theft															

4. (a) (i)						MAX MARK	2			
		ARGYLL PLC			ATHOLL PLC					
	Equity Gearing Ratio	(£300,000+£100,000)			(£250,000+£150,000)					
		£800,000			£600,000					
		£400,000			£400,000					
		£800,000			£600,000					
		0.5 :1	1		0.67 :1	1			Ratio must be shown :1	
(a) (ii)	Atholl plc (1) will give the best return in times of high profit as it has a higher gearing ratio. (1)					MAX MARK	2			
(b) (i)	Argyll plc	£				MAX MARK	2			
	Profit for the Year before Tax and Finance Cost	650,000								
	Less Debenture Finance Cost (100,000 x 8%)	8,000	1	If Debenture Finance Cost and Corporation Tax dealt with in the incorrect order, award 1 mark for Debenture Finance Cost if shown as £8,000 and treated correctly						
		642,000								
	Less Corporation Tax (642,000 x 25%)	160,500	✓	If Debenture Finance Cost is omitted, award Corporation Tax 1 mark consequentially if treated correctly						
	Profit for the Year after Tax and Finance Cost	481,500	1							
(b) (ii)	Less Preference Dividend (300,000 x 6%)	18,000	1			MAX MARK	2			
	Profit available for Ordinary Shareholders	463,500								
	Less Retained Profit (463,500 x 60%)	278,100	✓							
	Dividend available for Ordinary Shareholders	185,400	1							
		Argyll plc				MAX MARK	2			
(c) (i)	Ordinary Dividend per share	£185,400		1						
		800,000								
		£0.23	1							
(c) (ii)	Dividend Yield	£0.23		x 100	1	MAX MARK	2			
		£1.35								
		17.04%	1		Accept 17.17%					
(c) (iii)	Dividend Cover	(£481,500 - £18,000)		1		MAX MARK	2			
		£185,400								
		2.5 times	1							
(c) (iv)	Earnings per share	(£481,500 - £18,000)		1		MAX MARK	2			
		800,000								
		£0.58	1							
(c) (v)	Price Earnings Ratio	£1.35		1		MAX MARK	2			
		£0.58								
		2.33 times	1							
Candidates must use £, % or times appropriately in order to gain second mark. If omitted or incorrect, DNA 2nd mark each time.										

4. (d) Describe 2 limitations of Ratio Analysis

It is difficult to find competitors of the exact same type and size to make valid comparisons.
The information is historical, so is not relevant to the current or future position.
Ratios do not take into account external factors.

MAX MARK

2

ADDITIONAL GUIDANCE

1 mark per valid point (max 2)

[END OF MARKING INSTRUCTIONS]