



National  
Qualifications  
2025

---

# **2025 Accounting**

## **Higher**

### **Question Paper Finalised Marking Instructions**

© Scottish Qualifications Authority 2025

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

The information in this document may be reproduced in support of SQA qualifications only on a non-commercial basis. If it is reproduced, SQA must be clearly acknowledged as the source. If it is to be reproduced for any other purpose, written permission must be obtained from [permissions@sqa.org.uk](mailto:permissions@sqa.org.uk).



## 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

Question 1							Additional guidance					
(a) (i)	Overhead Analysis Statement ✓										Max mark	11
	Overheads	Basis	Total	Department X	Department Y	Department Z	Department C					
	Indirect Labour	Allocated	£132,510	£52,600	£38,790	£35,570	£5,550	1	Award mark for heading and Indirect Labour line			
	Supervision	No. of employees	£22,050	£9,800	£7,840	£1,960	£2,450	2	If Total column omitted do not award (DNA) first available mark			
	Machinery Depreciation	Value of machinery	£51,000	£22,400	£16,800	£8,600	£3,200	2	If one arithmetic error, award 1 mark			
	Rent	Area	£49,700	£25,560	£10,650	£6,390	£7,100	2	If Direct Materials are included, do not			
	Power	KW hours	£17,500	£10,000	£5,000	£1,000	£1,500	2	award first available mark			
	Administration	No. of employees	£45,000	£20,000	£16,000	£4,000	£5,000	2				
	Total Departmental Overheads		£317,760	£140,360	£95,080	£57,520	£24,800					
(a) (ii)	Re-apportionment of Department C	Employees	£24,800	£12,400	£9,920	2,480		2	If one arithmetic error, award 1 mark			
				£152,760	£105,000	£60,000						
	Re-apportionment of Department Z	Direct Material	£60,000	£45,000	£15,000			1				
	Production Department Overheads			£197,760	£120,000			1	Award 1 mark for final total and arithmetic			
(b)	Overhead recovery rates											
	Department X - Total overheads	£197,760										
	Direct machine hours	82,400 hours =	£2.40	per machine hour	1				If £ or % not shown, max 1 mark			
	Department Y - Total overheads	x 100	£120,000	x 100 =	50%	of direct	1					
	Direct materials		£240,000			material cost						
(c)		Dept X		Dept Y								
	Actual Machine Hours	78,500	Actual Material Costs	£245,000					If overheads absorbed figure not based on			
	x Overhead Recovery Rate	£2.40		50%					overhead absorption rates calculated in (b),			
	Overhead Charged	£188,400	1	£122,500	1				do not award marks			
	Less Actual Overhead	£195,120		£119,300								
		-£6,720	✓	£3,200	✓				1 mark for each overhead variance			
		under-absorbed	1	over-absorbed	1				calculation and identification of over/under			
									absorption			

Question 1 (continued)													
						Additional Guidance						Max Mark	12
(d)	Job Cost Statement - Quotation DERQ005 ✓												
		£		£									
	Direct Material:												
	Dept X - 2,100 kilos @ £15.50 per kilo	32,550	1										
	Material Y - (2,100/3.5) @ £28 per kilo	16,800	2			All or nothing							
	Additional material - (49,350 x 0.04)	1,974	1	51,324									
	Direct Labour					If machine hours included, maximum 1 mark awarded for correct labour figures							
	Dept X - 120 hours @ £18 per hour	2,160	1										
	Dept Y - 100 labour hours @ £22 per hour	2,200	✓										
	Dept Y - 25 labour hours @ £33 per hour	825	1	5,185		1 mark for both Dept Y Calculations							
	Direct Expenses			2,091	✓								
	PRIME COST ✓			58,600	1	1 mark for Direct Expenses, Prime Cost label and total							
	Overheads												
	Dept X - 100 machine hours @ £2.40 per hour	240	1										
	Dept Y - £16,800 x 50%	8,400	1	8,640									
	Total Cost			67,240									
	Profit Margin (67,240/80) x 20			16,810	2	All or nothing							
	Selling Price/Quote to Customer ✓			84,050	1	1 mark for correct heading, label and arithmetic							
(e)	New Overheads estimate											Max Mark	3
	£317,760 x 125% = 397,200					2 All or nothing							
	OAR = £397,200/20,000 units = £19.86 per unit					1							

Question 1 (continued)				Additional Guidance				Max Mark	2
(f) (i)	Overheads are allocated if they are traceable to specific departments.	1							
	Overheads are apportioned if they relate to the business as a whole.	1							
(f) (ii)	Use of formulae aids accuracy			Any 2, 1 mark each				Max Mark	2
	Use of formulae aids replication								
	Can show the effects of 'what if' scenarios								
	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								
	DNA Reduced human error unless linked to use of formulae								

Question 2					Additional Guidance		Max Mark	6
(a) (i) Income Statement of McLeod and Akram for the year ended 31 December Year 4 ✓								
		£000		£000				
	Profit for the Year (adjusted) 151 - (5% x 160 x 9/12)			145	1			
	<u>Add Interest on Drawings</u>					If Interest on Drawings, Interest on Equity or Salary not treated correctly, do not award marks		
	McLeod (15% x 40)	6	✓					
	Akram (15% x 60)	9	1	15				
				160				
	<u>Less Interest on Equity</u>							
	McLeod (10% x 200)	20	✓					
	Akram (10% x 300)	30	1	50				
	Less Salary - Akram			55	1			
	RESIDUAL PROFIT			55				
	<u>Share of residual profit</u>							
	McLeod (200/500*55)	22	✓					
	Akram (300/500*55)	33	1	55				
	Heading, arithmetic and no extraneous (1)							

Question 2 (continued)																				
(a) (ii)	Current Account - McLeod			✓					Current Account - Akram			✓					Max Mark	6		
	Date	Details	Debit		Credit		Balance	✓		Date	Details	Debit		Credit		Balance	✓			
	01-Jan	Opening Balance					15 Cr	✓		01-Jan	Opening Balance					18 Dr		1		
	31-Dec	Interest on equity			20 ✓		35 Cr			31-Dec	Interest on equity			30 1		12 Cr				
	31-Dec	Share of profit			22 ✓		57 Cr			31-Dec	Share of Profit			33 1		45 Cr				
	31-Dec	Interest on loan			6 ✓		63 Cr			31-Dec	Salary			55 1		100 Cr				
	31-Dec	Drawings	40 ✓				23 Cr			31-Dec	Drawings	60 1				40 Cr				
	31-Dec	Interest on drawings	6 ✓				17 Cr			31-Dec	Interest on drawings	9 1				31 Cr				
	Additional Guidance																			
	1 mark for headings and Opening Balance																			
	If running balance incorrect, do not award mark for headings and Opening Balance or next available mark																			
	If not shown as a ledger account, do not award headings and Opening Balance mark or next available mark																			
	If Current Account shown as complete reversal, award marks gained and divide by 2 (max 3)																			
	If headed as Current Account, but includes an entry for Equity, do not award Interest on Equity mark																			
	If headed as Equity Account and Equity shown as Opening Balance, award marks gained and divide by 2 (max 3)																			
	If Loan is included, do not award Interest on Loan/Salary mark																			

Question 2 (continued)				Additional Guidance				Max Mark		12	
(a) (iii) Statement of Financial Position of McLeod and Akram as at 31 December Year 4 ✓											
		At Cost	Agg Depn	NBV							
	Non-Current Assets ✓	£000	£000	£000							
	Property	450	-50	500	1						
	Equipment	80	26	54	1						
	Vehicles	40	20	20	1						
		570	-4	574							
	Investments			60	1	Investments must be shown below Non-Current Assets and only shown in NBV column to gain award					
				634							
	Current Assets ✓										
	Closing Inventory		55	✓		1 mark for Closing Inventory and Cash and Cash Equivalents					
	Trade Receivables	66	✓			1 mark for Trade Receivables less Provision for Doubtful Debts					
	Less Provision for doubtful debts	3	✓	63	1	If Provision for Doubtful Debts is deducted, but not from Trade Receivables, DNA mark					
	Cash and Cash Equivalents		86	1							
			204								
	Current Liabilities ✓										
	Trade Payables	77	✓								
	VAT	3	1	80		1 mark for Trade Payables and VAT					
	WORKING EQUITY			124							
	NET ASSETS EMPLOYED			758							
	Non-Current Liabilities ✓										
	Loan - McLeod			160	1						
	NET ASSETS			598							
	EQUITY										
	Equity Accounts -										
	McLeod		200	✓							
	Akram		300	1	500						
	Current Accounts -										
	McLeod		17	✓							
	Akram		31	1	48						
	Reserves										
	Revaluation Reserve			50	1						
				598							
	Headings, labels, arithmetic and no extraneous (1)										



Question 2 (continued)				Additional Guidance			
(b) (i)	<b>Profit or Loss on Revaluation</b>					<b>Max Mark</b>	<b>6</b>
	Equipment - increase in value	15,000	1	If Property Revaluation is included, DNA first available mark			
	Vehicles - decrease in value	- 22,000	1				
	Inventory - decrease in value	- 8,000	1				
	Revaluation expenses	- 4,000	1				
	Increase in provision for doubtful debts	- 1,000	1				
	LOSS ON REVALUATION	- 20,000					
	Share of loss on revaluation:						
	McLeod (2/5)	- 8,000	✓				
	Akram (3/5)	- 12,000	1				
		- 20,000					
(b) (ii)	Chan	25%	✓			<b>Max Mark</b>	<b>1</b>
	McLeod (200/500 x 75%)	30%	✓				
	Akram (300/500 x 75%)	45%	1				
(b) (iii)	<b>Updated Equity Account Balances</b>					<b>Max Mark</b>	<b>7</b>
		<b>McLeod</b>	<b>Akram</b>	<b>Chan</b>			
	Opening Balance	200,000	300,000	250,000			
	Share on loss of revaluation	- 8,000	- 12,000		1		
	Goodwill	20,000	30,000		2		
	Goodwill written off	- 15,000	- 22,500	- 12,500	2		
	Transfer Current Accounts	19,000	- 25,000		1		
	Closing Balance	216,000	270,500	237,500			
	<b>Opening and closing balances, arithmetic and no extraneous (1)</b>						
(c)	More expertise or specialised knowledge					<b>Max Mark</b>	<b>2</b>
	Workload can be shared						
	May allow expansion of the business						
	Eliminates competition when skills and resources are combined						
	More ideas brought to the business						
	DNA greater equity invested as given in the question						

Question 3 PART A											Additional Guidance						Max Mark	6
											Heading must include 'Inventory Record Card' <b>and</b> the item of inventory (ST200). The business name is not required.							
INVENTORY RECORD CARD FOR MATERIAL ST200 ✓																		
Date	Details	Receipts			Issues			Balance			✓	If any column is not included, award marks gained and divide by 2, (max 3)						
		Qty	Price	Value	Qty	Price	Value	Qty	Price	Value	✓							
01-Apr	Balance							600	£20.00	£12,000	1*	*1 mark for correct headings and opening balance						
03-Apr	Purchases	900	£20.50	£18,450				1500	£20.30	£30,450	1	1 mark per row						
10-Apr	Issues				300	£20.30	£6,090	1200	£20.30	£24,360	1							
15-Apr	Purchases	600	£21.50	£12,900				1800	£20.70	£37,260	1							
20-Apr	Issues				500	£20.70	£10,350	1300	£20.70	£26,910	1							
24-Apr	Returns				300	£20.50	£6,150	1000	£20.76	£20,760	1							

Question 3 PART B				Additional Guidance				Max Mark	12	
(a)	Service Cost Statement ✓									
	Drivers Wages:									
	Basic (48 * 35 * 50% * £18 * 3)			45,360	2	Award 1 mark if any single part of the calculation is missing/incorrect				
	Wages - holidays (4 * 35 * 50% * £18 * 3)			3,780	1					
	Wages - overtime (5 * 48 * 50% * (£18*1.5) * 3)			9,720	2	58,860	Award 1 mark if any single part of the calculation is missing/incorrect			
							If purchase of vans included, award 1 mark max for correct depreciation			
	Depreciation of service vans ((18000-3000)/3 years)*3			15,000	2	Award 1 mark if any single part of the calculation is missing/incorrect				
	Fuel (100 * 3 * 48)/8 * £1.45			2,610	2	Award 1 mark if any single part of the calculation is missing/incorrect				
	Vehicle Tax (£300 * 3)			900	✓					
	Maintenance and Repairs (£2,000 * 3)			6,000	1	1 mark for Vehicle Tax and Maintenance and Repairs				
	Insurance			1,200	✓					
	Office and Admin			1,830	1	1 mark for Insurance and Office and Admin				
	Annual Operating Cost ✓			86,400	1	1 mark for heading, label and arithmetic				
(b)	Number of services			800					Max Mark	1
	Cost per service (£86,400/800 services)			£108	1					
(c)	Add Profit (mark-up 25%)			£27					Max Mark	1
	Selling price			£135	1					

Question 4			Additional Guidance								
		<u>Rylands plc</u>		<u>Carrick plc</u>							
(a) (i)	Equity Gearing Ratio									Max Mark	2
	(Preference Shares + Debentures)	(400,000+200,000)/250,000		(150,000+100,000)/500,000							
	Ordinary Shares	2.4:1	1	0.5:1	1	Ratio must be shown :1					
(a) (ii)	Rylands plc (1) has the highest gearing ratio. (1) Increased profits will be shared amongst a smaller number of ordinary shareholders. Therefore, the dividend per ordinary share will be higher. (1)									Max Mark	2
(b) (i)	<u>Rylands plc</u>	£								Max Mark	2
	Profit for the Year	240,000		If Debenture Finance Cost and Corporation Tax dealt with in the incorrect order, award 1 mark for Debenture Finance Cost if shown as £20,000 and treated correctly							
	Less Debenture Finance Cost	20,000	1								
	Profit before Corporation Tax	220,000		If Debenture Finance Cost is omitted, award Corporation Tax 1 mark consequentially if treated correctly							
	Less Corporation Tax (25%)	55,000	✓								
	Profit after Corporation Tax	165,000	1								
(b) (ii)	Less Preference Dividend	20,000	1							Max Mark	2
	Profit available to Ordinary Shareholders	145,000	1								
(b) (iii)	Profit available to Ordinary Shareholders	145,000								Max Mark	2
	Dividend Paid (250,000 x £0.07)	17,500	1								
	Retained Profits	127,500	1								
(b) (iv)	Earnings per Share	145,000								Max Mark	1
		250,000									
		£0.58	1	If £, times or % is missing DNA mark on first occasion							
(b) (v)	Price/Earnings Ratio	£1.74								Max Mark	1
		£0.58									
		3 times	1								
(b) (vi)	Dividend Cover	(£145,000/£17,500)								Max Mark	1
		8.29 times	1								
(c)	Dividend Yield	(£0.16/£1.66)x100								Max Mark	1
		9.64%	1								

