



Higher  
Coursework  
Assessment Task



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# 2019 Accounting Assignment

## Higher

### Finalised Marking Instructions

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

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## 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	
<b>Task 1 - Italian Cuisine</b>					<b>25</b>	Business name not essential, but if shown must be 'Italian Cuisine' not 'Accurate Accounts' to gain heading award	
<b>Income Statement for year ended 31 December Year 3 ✓</b>							
	£000	£000	£000	<b>CODE</b>			<b>MARKS</b>
Sales Revenue			620	A			
Less Sales Returns			80	A			1
Net Sales			<u>540</u>				
<b>Less Cost of Sales</b>							
Opening Inventory		40		B			
Add Purchases	250			C			
Less Purchases Returns	<u>14</u>	236		C			1
		<u>276</u>					
Less Closing Inventory		20		B			1
		<u>256</u>					
Add Warehouse Expenses		4					1
<b>Cost of Sales</b>			<u>260</u>				
<b>Gross Profit ✓</b>			<u>280</u>				
<b>Less Expenses</b>							
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		
Advertising (10 + 10)		20			1		
Loan Finance Charges (120 x 5%)/2		3	138		1		
			<u>142</u>				

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

Task 1 (b) - solution						Max mark	Additional guidance
<b>Current Account - Zecchino ✓</b>							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
		£000	£000	£000	CODE	MARKS	
<b>Date</b>	<b>Details</b>	<b>Dr</b>	<b>Cr</b>	<b>Balance</b>			
31 Dec	Balance	50		-50	J		
31 Dec	Interest on Equity		16	-34	K		
31 Dec	Share of Profit		80	46	L		
31 Dec	Interest on Loan		3	49	M		
31 Dec	Interest on Drawings	2		47	N		
31 Dec	Drawings	20		27	P		
<b>Current Account - Martone ✓</b>							
		£000	£000	£000			
<b>Date</b>	<b>Details</b>	<b>Dr</b>	<b>Cr</b>	<b>Balance</b>			
31 Dec	Balance		30	30	J	1	
31 Dec	Interest on Equity		8	38	K	1	
31 Dec	Share of Profit		40	78	L	1	
31 Dec	Salary		15	93	M	1	
31 Dec	Interest on Drawings	3		90	N	1	
31 Dec	Drawings	30		60	P	1	
Headings (Current Account with name, DR/CR shown on at least one account in correct order), layout, arithmetic and no extraneous items (both accounts)						1	
						7 Marks	

Task 2 (a) & (b) - solution - value view							Max mark	Additional guidance			
	A	B	C	D	E	F	G				
1	<b>Italian Cuisine</b>							<b>MARKS</b>	15		
2	<b>Sales Budget for January to June Year 4</b>										
3		Jan	Feb	Mar	Apr	May	June				
4	Opening Inventory	560*	880	1200	1000	900	900				* 1
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
8	Sales	2,480	4,080	6,200	5,100	4,500	4,600				1
9											
10											
11	Retail (Cash) Selling Price (per unit)	<b>£10-00</b>									
12	Purchase Price (per unit)	<b>£5-00</b>									
13	Selling Expenses	<b>£0-50</b>									
14	Bonus (per unit)	<b>£2-00</b>									
15											
16											
17	<b>Italian Cuisine</b>										
18	<b>Cash Budget for January - April Year 4</b>										
19		March	April	May							
20	Opening Balance	<b>£80,000</b>	£105,518	£71,717				1			
21											
22	<b>Receipts</b>										
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	<b>Total Receipts</b>	<b>£74,858</b>	<b>£51,324</b>	<b>£47,490</b>				<b>4 Marks</b>			

Task 2 (a) & (b) - solution - value view					Max mark	Additional guidance
	A	B	C	D		
29	<b>Payments</b>					
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	<b>Total Payments</b>	<u>£49,340</u>	<u>£85,125</u>	<u>£76,125</u>		
39						
40	Closing Balance	<u>£105,518</u>	<u>£71,717</u>	<u>£43,082</u>		

Task 2 (a) & (b) - solution - formula view				Max mark	Additional guidance
<b>Italian Cuisine Cash Budget for March - May Year 4</b>					
	Mar	Apr	May		
Opening Balance	80000	=B40 ✓	=C40 ✓		
<b>Receipts</b>					
Retail Cash Sales	=D8*40%*\$B\$11	=E8*40%*\$B\$11	=F8*40%*\$B\$11	1	Absolute cell references must be used where applicable, and replication must be evident to gain marks  Total Receipts and Payments must have autosum formulae to gain ticked items award
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	
<b>Total Receipts</b>	=SUM(B23:B26) ✓	=SUM(C23:C26) ✓	=SUM(D23:D26) ✓		
<b>Payments</b>					
Purchases (Deposit)	=D5*10%*\$B\$12	=E5*10%*\$B\$12	=F5*10%*\$B\$12	1	
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	1	
New Fittings	=120000/5	=120000/5*2 or B33*2	=120000/5*2 or C33		
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		1	
Finance Charges – Martone		=\$B\$26*5%/12	=\$B\$26*5%/12 or C37		
<b>Total Payments</b>	=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	If Project B Depreciation is £8,000, do not award either depreciation marks as scrap value has been ignored	
		<b>Project A</b>			<b>Project B</b>				
Initial Investment		£30,000			£40,000				
Less residual/scrap value		£6,000			£8,000				
		<u>£24,000</u>			<u>£32,000</u>				
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					£7,000	£6,400	£600		
Total Profits		£38,500		1	£25,500		1		
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		
							10 Marks	If % missing do not award first mark	

Task 3 (c) - solution				Max mark	Additional guidance
<b>Payback</b>					
	<b>Project A</b>			<b>Project B</b>	
Year 1	£21,000	£21,000	] 1	£17,500	£17,500
Year 2	£17,500	£38,500		£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 year 188 days (or 553 days)		1		2 years 313 days (or 1,043 days)	
				6 Marks	
					If decimal shown, no 'days' shown, or days rounded down do not award first mark

## Task 3d

File Name: T3WP (Solution)

# Report

To: Italian Cuisine  
From: Your Name  
Date: Today's  
Subject: INVESTMENT APPRAISAL

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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]