



National
Qualifications
2019

2019 Accounting

Higher

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 **state** questions, candidates must list 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 item or fact.

- (f) 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.

- (g) For **analyse** questions, candidates must demonstrate their ability to identify, describe and explain relevant parts and the relationships between the parts and/or the whole. Candidates must be able to draw out and relate any implications.

Up to the total mark allocation for this question

- award **1 mark** for each relevant point of analysis
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

Marking instructions for each question

Section 1

Question		Expected response	Max mark	Additional guidance																																													
1.	(a)	<p>Job Cost Statement for Job 99 ✓</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Direct Materials</td> <td></td> <td></td> </tr> <tr> <td>Material X (5,000 kg @ £10 per kg)</td> <td style="text-align: right;">50,000 ✓*</td> <td></td> </tr> <tr> <td>Material Y (2,500 kg @ £8 per kg)</td> <td style="text-align: right;">20,000 (1)</td> <td></td> </tr> <tr> <td>Material Z (1,000 kg @ £30 per kg)</td> <td style="text-align: right;"><u>30,000 (1)*</u></td> <td style="text-align: right;">100,000</td> </tr> <tr> <td>Direct Labour</td> <td></td> <td></td> </tr> <tr> <td>Dept A (24,000 x (3/6) @ £12)</td> <td style="text-align: right;">144,000 (1)</td> <td></td> </tr> <tr> <td>Dept B (24,000 hrs x (2/6) @£8)</td> <td style="text-align: right;">64,000 (1)</td> <td></td> </tr> <tr> <td>Dept C 24,000 x (1/6) @ £10)</td> <td style="text-align: right;"><u>40,000 (1)</u></td> <td style="text-align: right;"><u>248,000</u></td> </tr> <tr> <td>PRIME COST ✓</td> <td></td> <td style="text-align: right;">348,000</td> </tr> <tr> <td>Overheads</td> <td></td> <td></td> </tr> <tr> <td>24,000 hrs x £3 per hour</td> <td></td> <td style="text-align: right;"><u>72,000 (1)</u></td> </tr> <tr> <td>TOTAL COST</td> <td></td> <td style="text-align: right;">420,000</td> </tr> <tr> <td>Profit margin (420,000/70) x 30</td> <td></td> <td style="text-align: right;"><u>180,000 (2)</u></td> </tr> <tr> <td>SELLING PRICE ✓</td> <td></td> <td style="text-align: right;"><u><u>600,000</u></u></td> </tr> </tbody> </table> <p>Heading, labels and arithmetic (1)</p>		£	£	Direct Materials			Material X (5,000 kg @ £10 per kg)	50,000 ✓*		Material Y (2,500 kg @ £8 per kg)	20,000 (1)		Material Z (1,000 kg @ £30 per kg)	<u>30,000 (1)*</u>	100,000	Direct Labour			Dept A (24,000 x (3/6) @ £12)	144,000 (1)		Dept B (24,000 hrs x (2/6) @£8)	64,000 (1)		Dept C 24,000 x (1/6) @ £10)	<u>40,000 (1)</u>	<u>248,000</u>	PRIME COST ✓		348,000	Overheads			24,000 hrs x £3 per hour		<u>72,000 (1)</u>	TOTAL COST		420,000	Profit margin (420,000/70) x 30		<u>180,000 (2)</u>	SELLING PRICE ✓		<u><u>600,000</u></u>	9	<p>*1 mark for X and Z 1 mark for Y</p> <p>If machine hours included, maximum 1 mark awarded for correct labour figures.</p> <p>If VAT added before margin, award maximum 1 mark for profit margin. If VAT shown after profit margin - ignore.</p>
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Question		Expected response							Max mark	Additional guidance		
(b)	(i)	Overhead Analysis Statement/Sheet ✓							16			
		Overhead	Basis	Total	Dept A £	Dept B £	Dept C £	Dept D £			Dept E £	Marks
		Indirect labour	Allocated	£81,800	£30,000	£13,100	£18,700	£12,300			£7,700	1 (line)
		Depreciation of machinery	Value	£72,000	18,000	16,000	24,000	8,000			6,000	(3)
		Heat and light	Area	£104,000	40,000	20,000	34,000	6,000			4,000	(3)
		Factory admin	Employees	£9,000	4,000	1,600	2,400	400			600	(3)
		Machinery running costs	Mach Hrs	£150,000	54,000	51,000	36,000	6,000			3,000	(3)
		Rent and rates	Area	£26,000	10,000	5,000	8,500	1,500			1,000	(3)
		Total Departmental Overheads		£442,800	£156,000	£106,700	£123,600	£34,200	£22,300	✓		
	(ii)	Dept D	Dir Lab Hr		15,000	7,200	10,800	(34,200)	1,200	(3)	3	If 1 arithmetic error award 2 marks, if 2 errors award 1 mark, if 3 or more errors award 0 marks in any one line.
					£171,000	£113,900	£134,400	-	£23,500			
	(iii)	Dept E	Dir Mch Hr		9,000	8,500	6,000		(23,500)	(2)	3	
		Total Production Dept Overheads			£180,000	£122,400	£140,400			✓		
	Correctly headed up statement, arithmetic totals for department overheads in (b)(i) and production department overheads in (b)(ii) & (iii)									(1)		

Question		Expected response	Max mark	Additional guidance																																				
(c)	(i)	<p>Overhead absorption rates</p> <p>Dept A - £180,000/50,000 = £3.60 per labour hour (1)</p> <p>Dept B - £122,400/34,000 = £3.60 per machine hour (1)</p> <p>Dept C - £140,400/36,000 = £3.90 per labour hour (1)</p>	3	If £ missing, do not award first mark only.																																				
	(ii)	<table border="1"> <thead> <tr> <th></th> <th>A</th> <th></th> <th>B</th> <th></th> <th>C</th> <th></th> <th>TOTAL</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>Overheads applied (dept rates)</td> <td>£43,200</td> <td>(1)</td> <td>£45,360</td> <td>(1)</td> <td>£15,600</td> <td>(1)</td> <td>£104,160</td> <td></td> </tr> <tr> <td>Factory-wide basis</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>£72,000</td> <td>(1)</td> </tr> <tr> <td>Increase *</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>£32,160</td> <td>(1)</td> </tr> </tbody> </table>		A		B		C		TOTAL	Marks	Overheads applied (dept rates)	£43,200	(1)	£45,360	(1)	£15,600	(1)	£104,160		Factory-wide basis							£72,000	(1)	Increase *							£32,160	(1)	5	* Increase or decrease must be indicated to gain final mark.
	A		B		C		TOTAL	Marks																																
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(d)		If overheads are underabsorbed, then profits will be reduced. (as the selling price charged to customers may not cover all of the costs incurred by the business during the year) (1)	1																																					

Question		Expected response					Max mark	Additional guidance
2. PART A							9	<p>If hours worked out for each product but not totalled, or if an arithmetic error award 1 mark.</p> <p>If an arithmetic error award 1 mark.</p>
(a)	(i)	Year 10	<i>Product A</i>	<i>Product B</i>	<i>Product C</i>			
		Machine hours per unit	3	4	2			
		Current sales demand	1,000	4,000	3,500			
		Total machine hours	3,000	16,000	7,000	26,000 (2)		
	(ii)	Contribution per unit	<i>Product A</i>	<i>Product B</i>	<i>Product C</i>	Total		
		Selling Price	£120	£90	£106			
		Less Variable Costs -						
		Materials	£15	£9	£12 (1)			
		Labour	£36	£12	£36 (1)			
		Variable Overheads	£15	£5	£15 (1)			
			£66	£26	£63			
		Contribution per unit	£54	£64	£43 (1)			
	(iii)	Total Contribution	£54,000	£256,000	£150,500	£460,500 (2)		
		Less Fixed Costs				£70,000 (1)		
		Profit				£390,500		

Question		Expected response					Max mark	Additional guidance
(b)	(i)	Year 11					9	If no attempt to use limiting factor then award marks for correct hours (i) and fixed costs and profit (iii). If 1 error award 1 mark .
		Capacity at Year 10 80%	26,000	hours				
		100% capacity (26,000/80 x 100)	32,500	hours	(1)			
			Product A	Product B	Product C			
	(ii)	Contribution per unit	£54·00	£64·00	£43·00			
		Machine hours per unit	3	4	2			
		Contribution per machine hour	£18·00	£16·00	£21·50 (2)			
		Order of Priority	2	3	1			
		Allocation of machine hours:	Qty	Hrs per unit	Total	Hours remaining		
		Hours available at full capacity				32,500		
		Allocate Product C	5,000	2	10,000	22,500		
		Allocate Product A	4,000 (1)	3	12,000	10,500		
		Possible production of Product B (10,500/4)	2,625 (2)	4	10,500			
			Product A	Product B	Product C	Total		
	(iii)	Contribution per unit	£54	£64	£43			
		Number of units	4,000	2,625	5,000			
		Total Contribution	£216,000	£168,000	£215,000	£599,000 (2)*		
		Less Fixed Costs				£80,500		
	(iv)	Profit				<u>£518,500</u> (1)		

Question		Expected response					Max mark	Additional guidance	
(c)	Year 12 Proposal							6	If no attempt to use limiting factor in (b) then award marks for revised contribution per unit and total contribution for Product A and the fixed costs and profit - maximum 3 marks.
	Product A								
	Revised Contribution per unit		£51 (1)						
	Revised Contribution per m/hr		£17						
	Order of Priority		C, A, B						
	Allocation of machine hours		Qty	Hrs per unit	Total	Hours remaining			
	Hours available at full capacity					32,500			
	Allocate Product C		5,000	2	10,000	22,500			
	Allocate Product A		4,400	3	13,200	9,300			
	Possible production of Product B (9300/4)		2,325	(2)	4				
			Product A	Product B	Product C	Total			
	Contribution per unit		£51	£64	£43				
	Number of units		4,400	2,325	5,000				
	Total Contribution		£224,400 (1)	£148,800 (1)	£215,000	£588,200			
	Less Fixed Costs					£80,500			
Profit					<u>£507,700</u> (1)				

Question	Expected response	Max mark	Additional guidance																																																												
	<p>ALTERNATIVE SOLUTIONS</p> <p>1</p> <table border="1"> <tr> <td>Product A new Contribution</td> <td>£51</td> <td></td> <td>(1)</td> </tr> <tr> <td>Contribution per machine hour</td> <td>£17</td> <td></td> <td></td> </tr> <tr> <td>Additional Contribution for 400 units of A</td> <td>400 x £51 or *1,200 x £17</td> <td>20,400</td> <td>(1)</td> </tr> <tr> <td>Reduction in Contribution from 4,000 units of A</td> <td>4000 x (54-51)</td> <td>12,000</td> <td>(1)</td> </tr> <tr> <td>Reduction in Contribution from B</td> <td>*1,200 (1) hours x £16 or 300 units x £64</td> <td>19,200</td> <td>(1)</td> </tr> <tr> <td>Original Profit</td> <td></td> <td>518,500</td> <td></td> </tr> <tr> <td>Reduction</td> <td>(+20,400-12,000-19,200)</td> <td>10,800</td> <td></td> </tr> <tr> <td>Revised Profit</td> <td></td> <td>507,700</td> <td>(1)</td> </tr> </table> <p>2</p> <table border="1"> <tr> <td>Product A new Contribution</td> <td>£51</td> <td></td> <td>(1)</td> </tr> <tr> <td>Loss of Contribution from Product A</td> <td>4000 units x £54</td> <td>216,000</td> <td>(1)</td> </tr> <tr> <td>Increase in Contribution from revised Product A</td> <td>4400 units x £51</td> <td>224,000</td> <td>(1)</td> </tr> <tr> <td>Reduction in Contribution from B</td> <td>1,200 (1) hours x £16 or 300 units x £64</td> <td>19,200</td> <td>(1)</td> </tr> <tr> <td>Original Profit</td> <td></td> <td>518,500</td> <td></td> </tr> <tr> <td>Reduction</td> <td>(-216,000+224,000-19,200)</td> <td>10,800</td> <td></td> </tr> <tr> <td>Revised Profit</td> <td></td> <td>507,700</td> <td>(1)</td> </tr> </table>	Product A new Contribution	£51		(1)	Contribution per machine hour	£17			Additional Contribution for 400 units of A	400 x £51 or *1,200 x £17	20,400	(1)	Reduction in Contribution from 4,000 units of A	4000 x (54-51)	12,000	(1)	Reduction in Contribution from B	*1,200 (1) hours x £16 or 300 units x £64	19,200	(1)	Original Profit		518,500		Reduction	(+20,400-12,000-19,200)	10,800		Revised Profit		507,700	(1)	Product A new Contribution	£51		(1)	Loss of Contribution from Product A	4000 units x £54	216,000	(1)	Increase in Contribution from revised Product A	4400 units x £51	224,000	(1)	Reduction in Contribution from B	1,200 (1) hours x £16 or 300 units x £64	19,200	(1)	Original Profit		518,500		Reduction	(-216,000+224,000-19,200)	10,800		Revised Profit		507,700	(1)		
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(d)	Advise Newben plc not to implement the proposal in Year 12 as the profit would be lower. (1)	1																																																													

Question		Expected response									Max mark	Additional guidance			
2. PART B											9	<p>If complete reversal or not shown as an account, award half marks.</p> <p>If nomenclature error, do not award 1 mark maximum on first occasion.</p> <p>If any quantity is entered other than materials, do not award mark.</p> <p>Normal loss must be based on input material quantity.</p> <p>If CPU is calculated correctly and applied to both Finished Goods and Abnormal Loss but Balance is incorrect, award 1 mark.</p>			
(a)	(i)	<u>Mixing Process Account ✓</u>													
		Details	INPUTS			OUTPUTS			BALANCE						
			Qty	CPU	£	Qty	CPU	£	Qty	CPU			£		
		Materials from Refining	4,000	£5	£20,000	(1)			4,000	£5.00			£20,000		
		Additional Materials	2,000	£2	£4,000	(2)			6,000	£4.00			£24,000		
		Labour			£36,000	(1)			6,000	£10.00			£60,000		
		Variable Overheads			£15,000				6,000	£12.50			£75,000		
		Fixed Overheads			£6,000	(1)			6,000	£13.50			£81,000		
		Normal Loss					300	£4.00	£1,200	(1)			5,700	£14.00	£79,800
		Closing Work-in-progress					500	£3.60	£1,800	(1)			5,200	£15.00	£78,000
		Transfer to Stores					5,000	£15.00*	£75,000	*(2)	200	£15.00	£3,000		
		Abnormal Loss					200	£15.00*	£3,000	**	0	0	£0		

Question		Expected response								Max mark	Additional guidance		
	(ii)	<u>Abnormal Loss Account</u> ✓								3			
		Details	INPUTS			OUTPUTS			BALANCE				
			Qty	CPU	£	Qty	CPU	£	Qty			CPU	£
		Transfer from Mixing	200	£15	£3,000	** (1)			200			£15	£3,000
		Cash and Cash Equiv				200	£4.00	£800					£2,200
		Income Statement						£2,200	(1) 0			0	£0
		Account names, running balance and no arithmetical errors in balance column. (1)											
(b)	(i)	Process Costing consists of a succession of continuous operations or processes. (1) Each process represents a different stage of manufacture. (1) The output of one process becomes the input of another. (1) This continues until the units are complete and are transferred to a Finished Goods account. (1)								1			
	(ii)	Normal loss is anticipated whereas Abnormal loss is unexpected. (1) Normal loss is valued at 0 or scrap value whereas Abnormal loss is valued at the good output value. (1) Normal loss cannot be avoided whereas Abnormal loss is a loss which is over and above the normal loss. (1)								2			

Question			Expected response				Max mark	Additional guidance	
3.	(a)	(i)	Manufacturing Account for Year Ended 31 December Year 3 ✓				13	<p>If direct costs or factory overheads deducted but indicated as add, treat as arithmetical error.</p> <p>If factory overheads indicated less or no indication and subtracted, award marks where possible and divide by 2.</p> <p>2 marks for all 4 factory costs. If one cost incorrect or missing award 1 mark. 2 or more costs missing or incorrect no marks.</p> <p>If labelled profit on manufacture and negative figure shown, ACCEPT.</p>	
				£000		£000			
			Opening inventory of raw materials			80			✓
			Purchase of raw materials	200	✓				
			Carriage in on raw materials	3	(1)	203			
						283			
			Closing inventory of raw materials			60			(1)
			COST OF RAW MATERIALS CONSUMED ✓			223			
			Add Direct Costs						
			Production wages	120	(1)				
			Royalties	5	(1)	125			
			PRIME COST ✓			348			
			Add Factory Overheads						
			Rates ((33 + 7) x 80%)	32	(1)				
			Management salaries (60 x 75%)	45	(1)				
			Factory indirect labour	111					
			Factory (indirect) power	10					
			Repairs to factory machinery	14					
			Factory heat and light	23	(2)				
			Depreciation of factory machinery (630 - 200) x 20%	86	(1)				
			Factory cleaning (30/15 x 12)	24	(1)	345			
						693			
			Opening inventory of work in progress			45			✓
						738			
			Closing inventory of work in progress			15	(1)		
			FACTORY COST OF PRODUCTION ✓			723			
			Profit on manufacture			277			
			MARKET VALUE OF FINISHED GOODS ✓			1,000	(1)		
			Heading, labels, arithmetic (1)						

Question		Expected response					Max mark	Additional guidance																																																																							
	(ii)	<table border="1"> <thead> <tr> <th colspan="5">Income Statement for Year Ended 31 December Year 3 ✓</th> </tr> </thead> <tbody> <tr> <td>Sales revenue</td> <td></td> <td></td> <td></td> <td>1,950</td> <td>✓</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening Inventory of finished goods</td> <td></td> <td></td> <td>110</td> <td></td> <td>✓</td> </tr> <tr> <td>Add Market Value of finished goods</td> <td></td> <td></td> <td>1,000</td> <td></td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1,110</td> <td></td> <td></td> </tr> <tr> <td>Less Closing Inventory of finished goods</td> <td></td> <td></td> <td>90</td> <td></td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1,020</td> <td></td> <td></td> </tr> <tr> <td>Add: Warehouse expenses</td> <td>47</td> <td>(1)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Management salaries (60 x 10%)</td> <td>6</td> <td>(1)</td> <td>53</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>1,073</td> <td></td> </tr> <tr> <td>Gross Profit ✓</td> <td></td> <td></td> <td></td> <td>877</td> <td></td> </tr> </tbody> </table> <p>Heading, label, arithmetic (1) No extraneous items across both statements (1)</p>					Income Statement for Year Ended 31 December Year 3 ✓					Sales revenue				1,950	✓	Cost of sales						Opening Inventory of finished goods			110		✓	Add Market Value of finished goods			1,000		(1)				1,110			Less Closing Inventory of finished goods			90		(1)				1,020			Add: Warehouse expenses	47	(1)				Management salaries (60 x 10%)	6	(1)	53							1,073		Gross Profit ✓				877		6	<p>If no market value used in manufacturing account, accept factory cost of production.</p> <p>If any item repeated across both statements do not award in correct statement.</p>
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4.	(a)	(i)	<p>Cromer plc Income Statement for year ended 31 December Year 4 ✓</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Profit for Year after Tax</td> <td style="width: 10%; text-align: right;">90</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">✓</td> <td style="width: 10%;"></td> </tr> <tr> <td>Add Unappropriated Profit</td> <td style="text-align: right;">36</td> <td></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; text-align: right;">126</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="5">Less Appropriations</td> </tr> <tr> <td>Goodwill Written Down</td> <td style="text-align: right;">8</td> <td></td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td>Ordinary Dividend</td> <td style="text-align: right;">15</td> <td></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Preference Dividend</td> <td style="text-align: right;">24</td> <td></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; text-align: right;">47</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Unappropriated Profit ✓</td> <td></td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">79</td> </tr> </table>	Profit for Year after Tax	90		✓		Add Unappropriated Profit	36		(1)			126				Less Appropriations					Goodwill Written Down	8		✓		Ordinary Dividend	15		(1)		Preference Dividend	24		(1)			47				Unappropriated Profit ✓				79	3	
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If only 2, 1 mark. Only 1 - 0 marks.</p> <p>Trade Payables, Other Payables and Corporation Tax needed for 2 marks. If only 2, 1 mark. Only 1 - 0 marks.</p> <p>Value or number of shares missing award 1 mark maximum. If shares not shown first award 1 mark maximum.</p> <p>If Ordinary Shares 400 and Pref Shares 400 award 1 mark maximum.</p> <p>Accept Bonus Shares as separate entry immediately above or below Ordinary Shares.</p> <p>If Share Premium 140, 160, 90 or 100 award 1 mark.</p> <p>If Preliminary expenses entered do not award adjustment to Share Premium.</p>
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[END OF MARKING INSTRUCTIONS]