



National
Qualifications
2023

2023 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 **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 **justify** questions, candidates must give good reasons to support suggestions or explain the reason(s) for or against the issue raised in the question. A development point can be given.

Up to the total mark allocation for this question

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

- (h) 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

- (i) 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

1. (a) (i)

Income Statement of Barnaby and Collins for the year ended 31 December Year 8 ✓			
	£000		£000
Gross Profit			142 ✓
Less Expenses			
Rates	25 ✓		
Promotion Expenses	17 (1)		
Loss on Sale of Equipment	4 (2)		
Depreciation of Equipment (160-40) (1) x 20% (1)	24		
Depreciation of Delivery Vans	11 (1)		
Interest on Loan - Barnaby (40*5%/2)	1 (1)		82
			60
Add Other Income			
Decrease in Provision for Doubtful Debts	6 (1)		
Discount (Net)	10 (1)		16
Profit for the Year ✓			76
Add Interest on Drawings:			
Barnaby (15%*20)	3 ✓		
Collins (15%*40)	6 (1)		9
			85
Less Interest on Equity:			
Barnaby (120 x 10%)	12 ✓		
Collins (360 x 10%)	36 (1)		
Less Salary - Barnaby	29 (1)		77
RESIDUAL PROFIT			8
Share of Residual Profit:			
Barnaby (120/480) (1/4)	2 ✓		
Collins (360/480) (3/4)	6 (1)		8
Headings, labels, arithmetic and no extraneous	(1)		

MAX MARK

14

ADDITIONAL GUIDANCE

1 mark for Gross Profit and depreciation of Delivery Vans

1 mark for Rates and Promotion Expenses

Loss on Sale of Equipment:

Cost	40,000
Depn to date (40,000 x 20% x 2)	16,000
	<u>24,000</u>

Amount received from sale 20,000

Loss on sale 4,000 (2 marks all or nothing)

If Interest on Drawings, Interest on Equity or Salary not treated correctly, do not award marks

1. (a) (ii)

Current Account - Barnaby					Current Account - Collins					
Date	Details	Debit	Credit	Balance	Date	Details	Debit	Credit	Balance	
		£	£	£			£	£	£	
1 January	Opening balance			15	Dr	1 January	Opening balance		20	Cr
31 December	Interest on Equity		12	3	Dr	31 December	Interest on Equity	36	56	Cr
31 December	Share of Profit		2	1	Dr	31 December	Share of Profit	6	62	Cr
31 December	Salary		29	28	Cr	31 December	Interest on Loan	1	63	Cr
31 December	Drawings	20		8	Cr	31 December	Drawings	40	23	Cr
31 December	Interest on Drawings	3		5	Cr	31 December	Interest on Drawings	6	17	Cr

MAX MARK 6

ADDITIONAL GUIDANCE

1 mark for headings and opening balances

1 mark for both partners' entries

1 mark for Salary and Interest on Loan

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)

1. (a) (iii)

Statement of Financial Position of Barnaby and Collins as at 31 December Year 8 ✓				
	At Cost		Agg Depn	Net Book Value
	£000		£000	£000
Non-Current Assets ✓				
Property	310		-30	340 (1)
Equipment	120 (1)		32 (1)	88
Delivery Vans	80		47	33 (1)
	510		49	461
Investments				33 (1)
				494
Current Assets ✓				
Closing Inventory			20 ✓	
Trade Receivables	80 ✓			
Less Provision for Doubtful Debts	8 ✓		72 (1)	
Cash and Cash Equivalents (61 (1)+20 (1))			81	
			173	
Current Liabilities ✓				
Trade Payables	89 ✓			
VAT	6 (1)		95	
WORKING EQUITY				78
NET ASSETS EMPLOYED				572
Non-Current Liabilities ✓				
Loan - Collins				40 (1)
NET ASSETS				532
EQUITY:				
Equity Accounts -				
Barnaby			120 ✓	
Collins			360 (1)	480
Current Accounts -				
Barnaby			5 ✓	
Collins			17 (1)	22
Reserves:				
Revaluation Reserve				30 (1)
				532
Headings, labels, arithmetic and no extraneous (1)				

ADDITIONAL GUIDANCE

MAX MARK 14

Equipment at cost	160
Less Equipment sold (at cost)	40
Adjusted at cost value	120
Prov for Depn of Equip @ 1 Jan Year 8	24
Less Depn on Equipment sold	16
Adjusted Prov for Depn	8
Plus Depn for this year	24
Agg Depn @ 31 Dec Year 8	32

If sale of equipment ignored, award aggregate depreciation of 56 consequentially (160/56/104)

1 mark for Closing Inventory and Cash and Cash Equivalents of 61

1 mark for Trade Receivables less Provision for Doubtful Debts

1 mark for Cash and Cash Equivalents adjustment of 20

1 mark for Trade Payables and VAT

1. (b) (i)	Profit or Loss on Revaluation			
	Delivery Vans - decrease in value		- 15,000	(1)
	Equipment - increase in value		10,000	(1)
	Revaluation Expenses		- 7,000	(1)
	LOSS ON REVALUATION		- 12,000	
	<u>Share of Loss on Revaluation:</u>			
	Barnaby (1/4 x - 12,000)	- 3,000	✓	
	Collins (3/4 x - 12,000)	- 9,000	(1)	- 12,000

MAX MARK 4
ADDITIONAL GUIDANCE

1 mark for both share of loss calculations

1. (b) (ii)	Fletcher	20%	✓	
	Barnaby (80% x 120/480)	20%	✓	
	Collins (80% x 360/480)	60%	(1)	

MAX MARK 1
 1 mark for all 3 percentages

1. (c) **Disadvantages of admitting a new partner.**
 There may be an increase in disagreements/disputes.
 It leads to a reduced share of profits.
 The actions of the new partner are binding on the original partners.
 It may lead to slower decision making.

MAX MARK 1
 1 mark for any suitable disadvantage

2. PART A

Overhead Analysis Sheet ✓						
2.A (a)	Base	Total	Dept X		Dept Y	Dept Z
Indirect Labour	Allocated	32,000	£8,320		£7,680	£16,000
Supervision	No of employees	20,000	£10,000		£8,000	£2,000
Rent and Rates	Area	48,000	£24,000		£16,000	£8,000
Power Costs	Kw Hours	16,000	£8,000		£6,000	£2,000
Insurance of Machinery	Value of Machinery	5,000	£2,600		£2,000	£400
Heat and Light	Area	8,400	£4,200		£2,800	£1,400
Admin Costs	No of employees	£40,000	£20,000		£16,000	£4,000
		£169,400	£77,120		£58,480	£33,800

MAX MARK 7

ADDITIONAL GUIDANCE

1 mark for heading and Indirect Labour

If Direct Materials are included, do not award first available mark

If arithmetic error in departmental totals, do not award first available mark in 2.A (a)

2.A (b)	Reapportionment of Dept Z	Area		£20,280 (1)	£13,520 (1)
	Total Overheads			£97,400	£72,000

MAX MARK 2

2.A (c)	Dept X		Dept Y	
	Total Overheads	£97,400	Total Overheads	£72,000
	Direct Materials	£243,500	No of Machine Hours	16,000
	Overhead Absorption Rate	40% (1)	Overhead Absorption Rate	£4.50 per machine hour (1)

MAX MARK 2

If % or £ not shown, do not award 1 mark

2.A (d)	Direct Materials	£256,000	Machine Hours	14,000
	Overhead Recovery Rate	40%	Overhead Recovery Rate	£4.50
	Overheads Absorbed	£102,400 (1)	Overheads Absorbed	£63,000 (1)
	Actual Overheads	£96,000	Actual Overheads	£68,000
		£6,400 (1)		-£5,000 (1)
		Over absorbed		Under absorbed

MAX MARK 4

1 mark for each overhead variance calculation and identification of over/under absorption

If overheads absorbed figure not based on overhead absorption rates calculated in 2.A (c), do not award marks

- 2.A (e) (i) Describe why some overhead costs can be allocated to departments, while others require to be apportioned to departments.
 Allocation of a cost occurs when overheads can easily be identified and traced to a specific department. (1)
 Apportionment of a cost occurs when the cost relates to the business as a whole, rather than individual departments. (1)

MAX MARK 2

- 2.A (e) (ii) Other methods of absorbing overheads.
 Rate per direct labour hour
 Rate per unit produced
 Rate as a percentage of direct labour
 Rate as a percentage of prime cost

MAX MARK 2

1 mark per correctly identified method
 Do not award factory-wide absorption rate

2. PART B

2.B (a) (i)

	A		B		C		Total
Selling Price		£114		£105		£110	
Raw Materials	£20		£25		£15		
Labour	£40		£22		£48		
Variable Overhead	£12	£72	£8	£55	£8	£71	
Contribution per Unit		£42 (1)		£50 (1)		£39 (1)	

(1 for line)
(1 for line)

MAX MARK 5
ADDITIONAL GUIDANCE

If incorrect figures used for variable overheads, do not award first Contribution per Unit mark

2.B (a) (ii)

Number of Units		4,855		5,560		4,260	
Total Contribution		£203,910 ✓		£278,000 ✓		£166,140 ✓	£648,050 (1)
Less Fixed Costs							£165,000 ✓
Profit							£483,050 (1)

MAX MARK 2

1 mark for Fixed Costs and Profit

2.B (a) (iii)

	A		B		C		Total
Total Raw Materials:							
Raw Materials per unit	4		5		3		
Number of units	4,855		5,560		4,260		
Total Raw Materials (kg)	19,420		27,800		12,780		60,000 (2)

MAX MARK 2

All or nothing

2. PART B

2.B (b) (i)

	A		B		C		
Year 2 Raw Materials Available							51,000 (1)
Existing Contribution per Unit	£42.00		£50.00		£39.00		
Less Increase in Raw Materials Costs	£2.00		£2.50		£1.50		
New Contribution per unit	£40.00 (1)		£47.50 (1)		£37.50 (1)		
Number of kg	4		5		3		
Contribution per kg	£10.00		£9.50		£12.50 (2)		
ORDER OF PRIORITY	2		3		1		
Allocation of Raw Materials	No of kg	Total kg	Balance	Units			
Raw Materials Available			51,000				
Allocate Product C	3	12,780	38,220	4,260 ✓			
Allocate Product A	4	19,420	18,800	4,855 (1)			
Units Possible of Product B	5	18,800	0	3,760 (1)			
2.B (b) (ii)	Profit Maximisation Statement	A	B	C		Total	
	Units produced	4,855	3,760	4,260			
	Contribution per unit	£40.00	£47.50	£37.50			
	Total Contribution	£194,200 ✓	£178,600 ✓	£159,750 ✓		£532,550 (1)	
	Less Fixed Costs (add £10,000)					£175,000 ✓	
	TOTAL PROFIT					£357,550 (1)	

MAX MARK 8

ADDITIONAL GUIDANCE

If new Contribution per Unit has not been calculated, therefore Contribution per kg, order of priority and quantity of each product to be produced is based on original Contribution per Unit figures, max 5 marks

Award 2 marks for all 3 correct, 1 mark for any 2 correct
Do not award if contribution per labour hour is calculated

1 mark for Product C and Product A allocations

MAX MARK 2

2. PART B

2.B (c)

Factor when deciding to accept or reject a Special Order.

- Does it increase or decrease the profit?
- Is there spare capacity in the factory?
- Is the contribution for the special order higher than the item with the lowest contribution per limiting factor?
- Does the Special Order make a contribution to Fixed Costs?
- Does the spare capacity need to be used for normal production?
- Could accepting the special order lead to an increase in future regular contracts?

MAX MARK 2

Any one point for 1 mark

3. (a)

STEVENSON MANUFACTURING PLC			
Manufacturing Account for the year ended 31 December Year 5 ✓			
	£000		£000
Opening Inventory of Raw Materials			60 ✓
add Purchase of Raw Materials			110 (1)
			170
less Closing Inventory of Raw Materials			52 (1)
Cost of Raw Materials Consumed ✓			118
add Direct Costs			
Production Wages	50 ✓		
Royalties	30 (1)		80
Prime Cost ✓			198
add Factory Overheads			
Rent ((140/14*12) (1) x 50% (1))	60		
Factory Repairs	20 ✓		
Factory Cleaning	15 (1)		
Insurance ((25+5) (1) x 2/3 (1))	20		
Salaries (120 x 3/5)	72 (1)		
Heating & Lighting (80 x 3/4)	60 (1)		
Depreciation: Factory Machinery (150 - 30) x 20%	24 (1)		271
			469
add Opening Inventory of work in progress			78 ✓
			547
less Closing inventory of work in progress			60 (1)
Factory Cost of Production ✓			487
Profit on Manufacture			113 (1)
Market Value of Finished Goods			600

MAX MARK

13

ADDITIONAL GUIDANCE

1 mark for Opening and Closing Inventory of Raw Materials

If direct costs or factory overheads are deducted but indicated as added, treat as arithmetical error

1 mark for Factory Repairs and Factory Cleaning

If factory overheads are subtracted, award marks where possible and do not award Profit on Manufacture

1 mark for both opening and closing inventories of work in progress

3. (b)

Income Statement for the year ended 31 December Year 5 ✓			
	£000		£000
Sales Revenue			900 ✓
less Sales Returns			30 (1)
Net Sales Revenue			870
Less Cost of Sales			
Opening Inventory of Finished Goods		20 ✓	
add Purchases of Finished Goods		50 ✓	
add Carriage In of Finished Goods		15 (1)	
		85	
add Market Value of Finished Goods		600 (1)	
		685	
less Closing Inventory of Finished Goods		18 (1)	
		667	
add Warehouse Heating and Lighting (80 x 1/4)		20 (1)	
Cost of Sales			687
Gross Profit ✓			183
Headings, labels, arithmetic and no extraneous across both statements (1)			

MAX MARK 6

ADDITIONAL GUIDANCE

If any item repeated across both statements, do not award in correct statement

1 mark for Purchases and Carriage In

If Factory Cost of Production is included instead of Market Value, award 1 mark consequentially, provided it is the final figure shown in the Manufacturing Account

1 mark for opening and closing inventory of finished goods

3. (c) **Work-in Progress**

Goods that are only part complete (at the beginning or end of the accounting period).

MAX MARK 1

4. PART A

MAX MARKS 3

4.A (a)

Depreciation (Initial Investment - Residual Value)/Number of Years	
(£400,000-£30,000)(1)/5 years	£74,000 (1)

ADDITIONAL GUIDANCE

1 mark for deduction, 1 mark for number of years and correct answer

YEAR	CASH FLOW	DEPRECIATION	PROFIT
1	£115,000	£74,000	£41,000
2	£104,000	£74,000	£30,000
3	£95,000	£74,000	£21,000
4	£90,000	£74,000	£16,000
5	£85,000	£74,000	£11,000
Total Profit			£119,000
Average Profit			£23,800

(1) FOR ALL

4.A (b) (i) ACCOUNTING RATE OF RETURN

MAX MARKS 3

	PROJECT X	PROJECT Y
1	£41,000	£34,000
2	£30,000	£26,000
3	£21,000	£19,000
4	£16,000	£12,000
5	£11,000	£4,000
Total Profit	£119,000	£95,000
Average Profit	£23,800	£19,000
	£400,000	£420,000
	5.95% ✓	4.52% (1)

x 100 (1)

1 mark for both percentages

4.A (b) (ii) PAYBACK

MAX MARKS 6

PROJECT X		£400,000
YEAR	CASH FLOW	CUMULATIVE CASH FLOW
1	£115,000	£115,000
2	£104,000	£219,000
3	£95,000	£314,000
4	£90,000	£404,000
5	£85,000	
£400,000 - £314,000 = £86,000		
3 years	£86,000	(1) x 365
	£90,000	(1)
	348.777778	
3 years 349 days	(1)	

PROJECT Y		£420,000
YEAR	CASH FLOW	CUMULATIVE CASH FLOW
1	£110,000	£110,000
2	£102,000	£212,000
3	£95,000	£307,000
4	£88,000	£395,000
5	£80,000	£475,000
£420,000 - £395,000 = £25,000		
4 years	£25,000	(1) x 365
	£80,000	(1)
	114.0625	
4 years 115 days	(1)	

ADDITIONAL GUIDANCE

Days must be rounded up to be awarded final 2 marks

4.A (c) Accounting Rate of Return

Advantages

- It is easy to understand and simple to calculate. (1)
- It draws attention to the overall profit. (1)
- It is compatible with a similar accounting ratio. (1)

Disadvantages

- Profit for the year can be subject to different variations. (1)
- The timings of the cash inflows are ignored (1) which ignores the time value of money. (1)
- No guidance is given as to what is a good acceptable rate of return. (1)
- The benefit of high profits in the early years is not accounted for. (1)
- Where time scales are different, this method is unreliable. (1)
- ARR is not suitable for comparing projects with different investment amounts. (1)

MAX MARKS 2
ADDITIONAL GUIDANCE
 1 mark for any advantage

1 mark for any disadvantage

4. PART B INVENTORY RECORD CARD - MATERIAL L8 (AVCO) ✓

DATE	DETAILS	RECEIPTS			ISSUES			BALANCE			
		QTY	PRICE	VALUE	QTY	PRICE	VALUE	QTY	PRICE	VALUE	
01-Apr	Opening Balance							250	£16.00	£4,000.00	*(1)
03-Apr	Purchases	200	£16.45	£3,290.00				450	£16.20	£7,290.00	(1)
09-Apr	Issue				300	£16.20	£4,860.00	150	£16.20	£2,430.00	(1)
14-Apr	Purchases	350	£16.60	£5,810.00				500	£16.48	£8,240.00	(1)
17-Apr	Issue				250	£16.48	£4,120.00	250	£16.48	£4,120.00	(1)
21-Apr	Return				100	£16.60	£1,660.00	150	£16.40	£2,460.00	(1)

MAX MARKS 6
ADDITIONAL GUIDANCE

- *1 mark for correct heading and opening balance.
- Heading must include 'Inventory Record Card' and the item of inventory (Material L8). The business name is not required.
- If the date or details column is not included or incorrect, do not award the first available mark.

[END OF MARKING INSTRUCTIONS]