



National  
Qualifications  
2024

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# 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	ADDITIONAL GUIDANCE			
	October		November		December					
	£		£		£					
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					
<b>Unappropriated Profit ✓</b>					<b>33</b>					

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														
<b>Non-Current Assets</b> ✓																		
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														
<b>Current Assets</b> ✓																		
Closing Inventory			42			1 mark for Closing Inventory and Rent Receivable												
Trade Receivables	60																	
less Provision for Doubtful Debts	6		54	1														
Cash and Cash Equivalents (125-12)			113	1														
Rent Receivable			4	1														
			213															
<b>Current Liabilities</b> ✓																		
Trade Payables	43					3 marks for all Current Liabilities correct 2 marks for 3 correct 1 mark for 2 correct 0 marks if one or none correct												
Administration Expenses Payable	3																	
VAT	65																	
Corporation Tax Payable	25	3	136															
WORKING EQUITY				77														
NET ASSETS EMPLOYED				733														
<b>Less Non-Current Liabilities</b> ✓																		
10% Debentures				50	1													
				683														
<b>Equity</b>																		
408,000 Ordinary Shares £1 each			408	✓		Value or number of shares missing only award 1 mark Accept Bonus Shares as separate entry but <u>must be directly</u> above or below ordinary shares If Ordinary Shares 400,000 and Preference Shares 200,000, award 1 mark max												
200,000 6% Preference Shares £1 each			200	2	608													
<b>Reserves</b>																		
Unappropriated Profit			33	✓		1 mark for Unappropriated Profit and Revaluation Reserve If Share Premium is 30, 38, 52 or 82 award 1 mark If Preliminary Expenses are entered award 1 mark max for Share Premium												
Revaluation Reserve			20	1														
Share Premium Reserve (60-30-8)			22	2	75													
				683														
<b>Headings, labels, arithmetic and no extraneous across both statements (1)</b>																		

2.B (a)		Current Account Heslop ✓			MAX MARKS	7	ADDITIONAL GUIDANCE												
Date	Details	Dr	Cr	Balance	✓														
01-Jan	Opening Balance			13,500	Dr	1													
31-Dec	Share of Profit		32,000	18,500	Cr	1													
31-Dec	Interest on Equity		8,000	26,500	Cr	1													
31-Dec	Salary		22,000	48,500	Cr	1													
31-Dec	Interest on Loan		1,500	50,000	Cr	1													
31-Dec	Drawings	26,000		24,000	Cr	1													
31-Dec	Interest on Drawings	2,600		21,400	Cr	1													
<b>(b) (i) Profit or Loss on Revaluation</b>				£		MAX MARKS	5												
	Property - increase in value			35,000		✓													
	Inventory - increase in value			3,000		1													
	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															
<b>Share of Profit on Revaluation</b>																			
Deshpande	2/3 of £33,000	22,000	✓																
Heslop	1/3 of £33,000	11,000	1																
<b>(b) (ii) Profit Sharing Ratio</b>						MAX MARKS	1												
Morrison	25% (leaving 75% for original partners)		✓																
Deshpande	2/3 of 75%	50%	✓																
Heslop	1/3 of 75%	25%	1																
<b>(b) (iii) Equity Account Balances</b>						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	7,500	0		1													
	Less Goodwill Written Off	-11,250	-5,625	-5,625		1													
	Closing Balance	225,750	112,875	94,375															
<b>Opening and closing balances, arithmetic and no extraneous (1)</b>																			
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	✓	ADDITIONAL GUIDANCE
	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. (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]**