H

National
Qualifications
2026

2026 Accounting

Higher

Question Paper Finalised Marking Instructions

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

Qualifications Scotland
Teisteanasan Alba

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						Max Mark	18	Additional Guidance
(a) (i)	**Income Statement of Kenmore Enterprises plc for the year ended 31 December Year 5** ✓							
		£000		£000		£000		
	Sales Revenue					1,114	✓	
	Less Sales Revenue Returns					18	1	
	Net Sales Revenue					1,096		
	Less Cost of Sales							
	Opening Inventory			72	✓			
	Add Purchases	510	✓					
	Less Purchases Returns	12	✓	498	1			1 mark for Purchases and Purchases Returns
				570				
	Add Carriage In			4	1			
				574				
	Less Closing Inventory			66	1			1 mark for Opening and Closing Inventories
				508				
	Add Warehouse Electricity			4	1			
	Cost of Sales					512		
	GROSS PROFIT ✓					584		
	Less Expenses							
	Advertising (60-18)			42	1			
	Administration Expenses			84	✓			
	Wages			134	1			1 mark for Administration Expenses and Wages
	Net Discounts			22	1			
	Electricity (80-4)			76	1			
	Debenture Finance Cost (240 x 10%)			24	1			
	Depreciation on Showroom Fittings (220 x 10%)			22	✓			
	Depreciation on Motor Vehicles			24	1	428		1 mark for both Depreciation figures
						156		
	Add Other Income							
	Dividends on Investments			12	1			
	Decrease in Provision for Doubtful Debts (16-12)			4	1	16		
	Profit for Year before tax ✓					172		
	Less Corporation Tax @ 25%					43	1	
	Profit for the Year after tax					129		
	Add Unappropriated Profit					20	1	
						149		
	Less							
	Ordinary Dividend Paid			36	1			
	Goodwill Written Down			25	1	61		
	Unappropriated Profit for the Year ✓					88		
	Headings, labels, arithmetic and no extraneous (1)							

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Question 1						Max Mark	20	Additional Guidance
(a) (ii)	**Statement of Financial Position of Kenmore Enterprises plc as at 31 December Year 5** ✓							
		£000		£000		£000		
	Non-Current Assets✓	At Cost		Agg Depn		NBV		
	Property	214		-56		270	1	Non-Current Asset items must include all 3 figures to gain award
	Showroom Fittings	220		82		138	1	
	Motor Vehicles	150		54		96	1	
		584		80		504		
	Intangible Assets:							
	Investments					210	1	Investments and Goodwill must be shown below tangible Non-Current Assets to gain award
	Goodwill (72-25)					47	1	
						761		Investments and Goodwill values should only be shown in the last financial column
	Current Assets ✓							
	Closing Inventory			66	✓			
	Cash and Cash Equivalents			78	1			Award 1 mark for correct Closing Inventory and Cash and Cash Equivalents
	Trade Receivables	200	✓					
	Less Provision for Doubtful Debts	12	✓	188	1			
	Dividends Receivable			12	✓			
	Advertising Receivable			18	1			Award 1 mark for correct Dividends Receivable and Advertising Receivable
				362				
	Current Liabilities ✓							
	Trade Payables	130						
	Carriage In Payable	4						
	Debenture Finance Cost Payable	24						
	VAT	106						
	Corporation Tax Payable	43	4	307				Award 4 marks for all 5 correct, 3 marks for 4 correct, 2 marks for 3 correct and 1 mark for 2 correct
	Working Equity					55		
	Net Assets Employed					816		
	Less Non-Current Liabilities ✓							
	10% Debentures					240	1	
	Net Assets					576		
	Equity							
	360,000 Ordinary Shares at £1 (300 (1) + 60 (1))					360		If number of shares or share price missing, award 1 mark
								Accept Bonus Shares as separate entry
	Reserves							
	Revaluation Reserve			56	1			
	Unappropriated Profit			88	1			
	Share Premium (150-18-60)			72	2	216		Award 1 mark for each adjustment to Share Premium
						576		If Share Premium 132, 90, 108 or 192 award 1 mark
	Headings, labels, arithmetic and no extraneous (1)							

Question 1		Max Mark	2	Additional Guidance
(b)	**Outline non-financial performance indicators a business may use to evaluate performance.**			
	Employee relations			Accept any other appropriate response
	Environmental policies			Maximum 1 mark for reference to customer service
	Ethical position			
	Launch of new products			
	Changes in methods of production			
	Staff changes, absenteeism and turnover			
	Customer satisfaction levels			

Question 2											Max Mark	6	Additional Guidance
PART A													
INVENTORY RECORD CARD - MATERIAL XEN				✓	✓								Heading must include 'Inventory Record Card' and the item of inventory material Xen. The business name is not required.
Date	Details	Receipts			Issues			Balance				✓	
		Qty	Price	Value	Qty	Price	Value	Qty	Price	Value		✓	
01-May	Opening Balance							400	£5.50	£2,200.00		*1	* 1 **mark** for correct headings and opening balance
03-May	Purchases	400	£5.60	£2,240.00				800	£5.55	£4,440.00		1	1 **mark** per row
07-May	Issues				200	£5.55	£1,110.00	600	£5.55	£3,330.00		1	If any column eg Date or Details, is not included, award marks gained and divide by 2 (max 3)
15-May	Purchases	300	£6.00	£1,800.00				900	£5.70	£5,130.00		1	
21-May	Returns				150	£5.60	£840.00	750	£5.72	£4,290.00		1	
26-May	Issues				200	£5.72	£1,144.00	550	£5.72	£3,146.00		1	

Question 2

PART B

Max Mark 8

(a) **PROCESS 2 ACCOUNT FOR LLC3** ✓

	Input Qty	Input CPU	Input £		Output Qty	Output CPU	Output £		Balance Qty	Balance CPU	Balance £		Additional Guidance
	Input				**Output**				**Balance**			✓	Accept Dr and Cr as alternative to Input and Output, provided Qty, CPU, £
	Qty	**CPU**	**£**		**Qty**	**CPU**	**£**		**Qty**	**CPU**	**£**	✓	shown for each category
Transfer from Process 1	4,000	15.00	60,000	✓					4,000	15.00	60,000		If any data is entered in Input Qty column other than transfer from Process 1
Material Alpha	8,000	4.00	32,000	1					12,000		92,000		and materials, DNA mark
Labour			6,000	1*					12,000		98,000		* Transfer from Process 1 and Labour - award 1 mark
Variable Overheads			2,600	1					12,000		100,600		
Fixed Overheads			19,600	1					12,000		120,200		If complete reversal, award half marks
Normal Loss					600	5.00	3,000	1	11,400		117,200		
Closing Work-in-Progress					1,400		7,200	1	10,000	11.00	110,000		
Transfer to Warehouse					9,800	11.00	107,800	2	200	11.00	2,200		If CPU is calculated correctly and applied to both Transfer to Warehouse and
Abnormal Loss					200	11.00	2,200		0		0		Abnormal Loss, award (2) but if balance arithmetically incorrect award (1)

Max Mark 4

(b) **ABNORMAL LOSS ACCOUNT** ✓

	Input Qty	Input CPU	Input £		Output Qty	Output CPU	Output £		Balance Qty	Balance CPU	Balance £		Additional Guidance
	Input				**Output**				**Balance**			✓	
	Qty	**CPU**	**£**		**Qty**	**CPU**	**£**		**Qty**	**CPU**	**£**	✓	
Process 2	200	11.00	2,200	*1					200	11	2,200		* consequential on abnormal loss calculated in
Cash and Cash Equivalents					200	5.00	1,000	1			1,200		Process 2 Account
Income Statement							1,200	1			0		If nomenclature error, DNA mark on first occasion

Account Names, Headings and Running Balance across both accounts **(1)**

Question 2							Max Mark	2	**Additional Guidance**
PART C									
(a) (i)	**Machine hours worked in Year 2**	**Basic**		**Standard**		**Superior**			
	Machine hours per unit	2 hours		4 hours		5 hours			
	Units produced and sold	5,000		10,000		3,000			
	Total machine hours	10,000		40,000		15,000	**65,000**	2	Award 1 mark if not totalled.
							Max Mark	5	
(a) (ii)	**Unit Contribution**								
	Selling price		£80		£115		£150		
	Less Variable costs								
	Material cost	£30		£55		£66			If incorrect figures used for materials, DNA first CPU mark
	Labour	£24		£24		£36		1 for line	
	Variable overheads	£4	£58	£8	£87	£18	£120	1 for line	1 mark awarded for Variable overheads per unit (£4, £8, £18)
	Contribution per unit		**£22**	1	**£28**	1	**£30**	1	
							Max Mark	2	
(a) (iii)	**Total Profit - Year 2**								
	Contribution per unit	£22		£28		£30			
	Units produced and sold	5,000		10,000		3,000			
	Total Contribution	£110,000		£280,000		£90,000	£480,000	1 for line	
	Less Fixed Costs						£300,000	✓	
	Total Profit						£180,000	1	

Question 2							Max Mark	4	**Additional Guidance**
PART C		**Basic**		**Standard**		**Superior**			
(b) (i)	Contribution per unit	£22		£28		£30			
	Increase in price of Superior					£20			
						£50	1		1 mark for Superior contribution
	Machine hours per unit	2		4		5			
	Contribution per machine hour	£11	1	£7	1	£10	1		
	Order of priority	1		3		2			
	Demand - Year 3	5,250		10,500		3,150			
							Max Mark	4	
(b) (ii)		**Machine hours per unit**		**Machine hours allocated**		**Hours remaining**	**Units**		
	Machine hours available - Year 3					61,750			
	Allocation to Basic (5,250*2)	2		10,500		51,250	5,250	1	Only award marks if order of priority is based on contribution per machine hour
	Allocation to Superior (3,150*5)	5		15,750		35,500	3,150	1	
	Allocation to Standard (35,500/4)	4		35,500	1	0	8,875	1	
							Max Mark	2	
(b) (iii)		**Basic**		**Standard**		**Superior**	**Total**		
	Units produced	5,250		8,875		3,150			
	Contribution per unit	£22		£28		£50			
	Total Contribution	£115,500		£248,500		£157,500	£521,500	1 for line	
	Less Fixed Costs						£330,000	✓	
	Total Profit						£191,500	1	

Question 2						Max Mark	3		**Additional Guidance**	
PART C										
(c)	Total Machine Hours	61,750								
	Standard (10,000 units x 4 hours)	40,000								
		21,750								
	Basic (5,250 units x 2 hours)	10,500								
	Hours left for Superior	11,250	hours							
	Superior (11,250 hours/5 hours)	2,250	units							
		Basic		**Standard**		**Superior**		**Total**		
	Units produced	5,250		10,000		2,250			Candidates must adjust units produced for both products in order to gain decrease in profit mark	
	Contribution per unit	£22		£28		£50				
	Total Contribution	£115,500		£280,000	1	£112,500	1	£508,000		
	Less Fixed Costs							£330,000		
	Total Profit							£178,000		
	Previous Profit	£191,500								
	Less New Profit	£178,000								
	Decrease in Profit	£13,500	1						Decrease or Increase must be stated to gain award	
	ALTERNATIVE METHOD									
	Change to Standard (increase)									
	10,000 units - 8,875 units = 1,125 units	1,125 units x £28 = £31,500			1					
	(4,500 hours are required)									
	Change to Superior (decrease)									
	4,500 hours/5 = 900 units	900 units x £50 = £45,000			1					
	Change to overall profit - year 3	£191,500 + £31,500 - £45,000 =			£178,000					
					£13,500	decrease	1		Decrease or Increase must be stated to gain award	

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Question 3				Max Mark	17	Additional Guidance
(a)	**Manufacturing Account for Anwar Plc for the Year Ended 31 December Year 4** ✓					
		£		£		
	Opening Inventory of Raw Materials			110	✓	
	Purchase of Raw Materials	265	✓			
	Purchase Returns of Raw Materials	16	1	249		1 mark for Purchase and Purchase Returns of Raw Materials
				359		
	Carriage In on Raw Materials			2	✓*	
				361		
	Closing Inventory of Raw Materials			80	1	1 mark for Opening and Closing Inventory of Raw Materials
	COST OF RAW MATERIALS CONSUMED ✓			281		
	Add Direct Costs					If Direct Costs or Factory Overheads are deducted but indicated as added, treat as arithmetical error
	Manufacturing Wages (160*1.05)	168	1			
	Royalties	12	1*	180		*1 mark for Carriage In on Raw Materials and Royalties
	PRIME COST ✓			461		
	Add Factory Overheads					
	General Factory Expenses	11	✓			
	Indirect Factory Power	14	1			1 mark for General Factory Expenses and Indirect Factory Power
	Factory Indirect Wages (80*1.05)	84	1			
	Rates (45/15*12)*75%	27	2			1 mark for 36; 1 mark for multiplying by 3/4
	Factory Cleaning (18-3)	15	1			
	Heat and Light (30*70%)	21	1			
	Insurance (20*80%)	16	1			
	Depreciation of Factory Machinery (480-120)*15%	54	1			
	Depreciation of Motor Vehicles (120-40=80*15%)*1/4	3	2	245		1 mark for 12; 1 mark for multiplying by 1/4. Award 1 mark for 9
				706		If Direct Costs or Factory Overheads are deducted, award marks where possible and do not award Profit on Manufacture
	Add Opening Inventory of Work-in-Progress			68	✓	
				774		
	Less Closing Inventory of Work-in-Progress			24	1	1 mark for Opening and Closing Inventory of Work-in-Progress
	FACTORY COST OF PRODUCTION ✓			750		
	Profit on Manufacture			200	1	If Profit on Manufacture is labelled but is negative still award the mark
	MARKET VALUE OF FINISHED GOODS ✓			950		
	Headings, labels, arithmetic and no extraneous (1)					
				Max Mark	1	
(b)	Cost per Unit (CPU) = £750,000/50,000 units = £15 (1)					
				Max Mark	2	
(c)	**Factory Overheads**					
	Factory overheads are costs incurred in the running of the factory and not the actual making of the product. (1)					Accept any other appropriate description.
	Work-in-Progress					
	Work-in-progress refers to partly finished products/goods. (1)					

Question 4									Max Mark	5	**Additional Guidance**
(a)	**PROJECT 1**					**PROJECT 2**					
	Initial Investment	£500,000				**Initial Investment**	£200,000				
	Depreciation	20%	100,000 1			**Depreciation**	(£200,000-£15,000) (1) /5 years		£37,000	1	
	YEAR	**CASH INFLOW**	**DEPRECIATION**	**PROFIT**		**YEAR**	**CASH INFLOW**	**DEPRECIATION**	**PROFIT**		
	1	£300,000	£100,000	£200,000		1	£40,000	£37,000	£3,000		
	2	£150,000	£100,000	£50,000		2	£45,000	£37,000	£8,000		
	3	£200,000	£100,000	£100,000	1	3	£65,000	£37,000	£28,000	1	
	4	£120,000	£100,000	£20,000		4	£80,000	£37,000	£43,000		
	5	£105,000	£100,000	£5,000		5	£85,000	£37,000	£48,000		
	TOTAL PROFIT			£375,000		TOTAL PROFIT			£130,000		
	AVERAGE PROFIT	(375,000/5)		£75,000		AVERAGE PROFIT	(130,000/5)		£26,000		
									Max Mark	4	
(b) (i)	**ACCOUNTING RATE OF RETURN**										
	Average Profit		£75,000 1	x 100 =	15% 1		£26,000 1	x 100 =	13%	1	If arithmetic error in average profit calculation or % calculation, award 1 mark.
	Original Investment		£500,000				£200,000				
(b) (ii)	**PAYBACK**								Max Mark	6	
	Initial Investment	£500,000				**Initial Investment**	£200,000				
	YEAR	**CASH INFLOW**	**CUMULATIVE CASH FLOW**			**YEAR**	**CASH INFLOW**	**CUMULATIVE CASH FLOW**			
	1	£300,000	£300,000			1	£40,000	£40,000			
	2	£150,000	£450,000			2	£45,000	£85,000			
	3	£200,000	£650,000			3	£65,000	£150,000			
	4	£120,000	£770,000			4	£80,000	£230,000			
	5	£105,000	£875,000			5	£85,000	£315,000			
	£500,000-£450,000 = £50,000					£200,000-£150,000 = £50,000					
	2 years and	£50,000	1	91.25		3 years and	£50,000	1	228.125		
		£200,000	1 x 365 =				£80,000	1 x 365 =			Days must be rounded up to award the final 2 marks.
	2 years 92 days	1				3 years 229 days	1				
									Max Mark	2	
(c)	Project 1 (1) is the most attractive investment as it gives both a higher ARR and faster/shorter Payback. (1)										Consequential from part (b).

Question 4		Max Mark	3	Additional Guidance
(d)	**Outline the advantages and disadvantages of the payback method of Investment Appraisal.**			
	Advantages			
	Simple to calculate **<u>and</u>** understand.			Candidates must outline at least one advantage and one disadvantage to gain full marks
	Allows comparison to be made between mutually exclusive projects.			
	May encourage growth by favouring projects providing a quick return.			
	Reduces the time during which liquid funds may be at risk.			
	Considers net cash inflows rather than profits.			
	Disadvantages			
	It ignores net cash inflow after the payback period.			
	Does not measure profitability, only cash flow.			
	Time value of money ignored.			
	Difficult to calculate net cash flows when they arise.			

[END OF MARKING INSTRUCTIONS]