



National
Qualifications
2022

2022 Accounting

Advanced Higher

Finalised Marking Instructions

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General marking principles for Advanced Higher Accounting

Always apply these general principles. Use them in conjunction with the detailed 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) 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 **explain** questions, candidates must make accurate relevant points that relate cause and effect and/or make relationships clear. These points may relate to a concept, process or situation. Candidates may provide straightforward points of explanation 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 point of explanation
 - award **1 mark** for any further development of a relevant point, including exemplification when appropriate.
- (g) For **justify** questions, candidates must give good reasons for a cause of action or decision.
- Up to the total mark allocation for this question
- award **1 mark** for each relevant statement or opinion
 - award marks for any further development of a relevant statement or opinion.
- (h) 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 and/or analyse data.
- 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.

- (i) For **discuss** questions, candidates must make points that communicate issues, ideas or information about a given topic or context that make a case for and/or against. Candidates do not always need to give both sides of the debate in their response.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of knowledge that is clearly relevant
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (j) For **compare** questions, candidates must demonstrate knowledge and understanding of the similarities and/or differences between, for example, things, methods or choices. Candidates may include relevant theoretical concepts in their points.

Up to the total mark allocation for this question

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

- (k) For **evaluate** questions, candidates must demonstrate knowledge and understanding of the similarities and/or differences between, for example, things, methods or choices. Candidates may include relevant theoretical concepts in their points.

Up to the total mark allocation for this question

- award **1 mark** for each accurate point of evaluation
- 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(s)		Max mark	Additional guidance																																							
1.	(a)	<p>Gordon plc Income Statement for the year ended 31 December Year 3</p> <table border="1"> <thead> <tr> <th></th> <th>£000</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>20,500</td> <td>(1)</td> </tr> <tr> <td>Cost of Sales</td> <td><u>(12,824)</u></td> <td>(3) (see workings below #)</td> </tr> <tr> <td>Gross Profit*</td> <td>7,676</td> <td></td> </tr> <tr> <td>Selling and Distribution Expenses</td> <td>(2,976)</td> <td>(3) (see workings below *)</td> </tr> <tr> <td>Administration Expenses</td> <td><u>(989)</u></td> <td>(6) (see workings below Ø)</td> </tr> <tr> <td>Profit from Operations</td> <td>3,711</td> <td></td> </tr> <tr> <td>Loss on Sale of Property</td> <td><u>(40)</u></td> <td>(1)</td> </tr> <tr> <td>Profit before Finance Costs</td> <td>3,671</td> <td></td> </tr> <tr> <td>Finance Costs</td> <td><u>(40)</u></td> <td>(1)</td> </tr> <tr> <td>Profit before Tax*</td> <td>3,631</td> <td></td> </tr> <tr> <td>Taxation</td> <td><u>(460)</u></td> <td>(1)</td> </tr> <tr> <td>Profit for the Year*</td> <td>3,171</td> <td>(1) award only if all labels marked * present and no arithmetic errors (be aware of consequentiality)</td> </tr> </tbody> </table>			£000	Marks	Revenue	20,500	(1)	Cost of Sales	<u>(12,824)</u>	(3) (see workings below #)	Gross Profit*	7,676		Selling and Distribution Expenses	(2,976)	(3) (see workings below *)	Administration Expenses	<u>(989)</u>	(6) (see workings below Ø)	Profit from Operations	3,711		Loss on Sale of Property	<u>(40)</u>	(1)	Profit before Finance Costs	3,671		Finance Costs	<u>(40)</u>	(1)	Profit before Tax*	3,631		Taxation	<u>(460)</u>	(1)	Profit for the Year*	3,171	(1) award only if all labels marked * present and no arithmetic errors (be aware of consequentiality)	17	
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	<p>Cost value of property nett of land £4,800 – £800 (1) = £4,000</p> <p>Cost value nett of disposed asset (£4,000 – £600 (1) = £3,400</p> <p>Depreciation charge (£3,400 × 5%) (1) = £170</p>				<p>1 mark for correct calculation of correct cost value of property.</p> <p>2 marks for correct calculation of annual depreciation charge.</p>		
Depreciation: Property (continued)	(£170 × 70%) = 119	(£170 × 10%) = 17	(£170 × 20%) = 34		1 mark for correct apportionment across three expense areas.		
Depreciation: Fittings		(3,000 – 1,080) × 20% = 384	1 mark				
Closing Inventory	(2,810)	(855 + 980) (1) + 975(1)					
	12,824		2,976		989		
<p>Loss on Sale of Property 500 – 540 (1) = (40)</p>							
<p>Finance Costs (8% × 500) (1) = (40)</p>							

Question		Expected response(s)			Max mark	Additional guidance
	(b)	Gordon plc Statement of Retained Earnings for the year ended 31 December Year 3			3	
			£000			
		Opening Retained Earnings	2,187	(1)		
		Profit for the Year	3,171	(1)		
		Dividends paid	(350)	(1)		
		Closing Retained Earnings	<u>5,008</u>			
	(c)	Gordon plc Statement of Financial Position as at 31 December Year 3			20	
			£000	£000	Total marks	
		Non-current Assets*				
		Property	see workings	4,090	(4)	
		Fittings	below	<u>1,536</u>	5,626	(2)
		Current Assets*				
		Inventory		2,810] (1) (both inventory and trade receivables)	
		Trade Receivables		3,195 (1)		
		Cash and Cash Equivalents	2,870 (1) + 500 (1)	<u>3,370</u>	9,375	(2)
		Total Assets*			15,001	
		Current Liabilities*				
		Trade and Other Payables	3,728 (1) + 20 (1)	(3,748)		(2)
		Taxes Payable		<u>(460) (1)</u>	(4,208)	(1)

Question	Expected response(s)					Max mark	Additional guidance	
	Non-current Liabilities*							
	8% Debentures Year 8			(500)	(1)			
	Total Liabilities*			(4,708)				
	Net Assets*			10,293				
	Equity*	(1) - award only if all headings marked * present and no arithmetic errors (be aware of consequentiality)						
	Ordinary Share Capital	4,000 (1) + 200 (1)		4,200	(2)			
	Share Premium	635 (1) + 50 (1)		685	(2)			
	Retained Earnings			5,008	(1)			
	Revaluation Reserve Account			400	(1)			
	Total Equity			10,293				

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	Detailed workings for question (c): depreciation on property and fittings																																												
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(d)	<p>IRR</p> $10\% + \frac{3,416}{4,544.8} \times 5 = 13.76\%$ <p>(1) (1) (1)</p>	3																																																	

Question		Expected response(s)	Max mark	Additional guidance
	(e)	Project A as it has the higher IRR.	1	
	(f)	Choosing one project automatically means rejection of the others.	1	
	(g)	<p>NPV</p> <p>Selection of an appropriate rate of return is difficult. (1) Difficulties in estimating net cash flow values. (1) Uncertainties in timing of cash flows. (1) Calculations are more complex using discount factors. (1)</p> <p>IRR</p> <p>Difficult to understand. (1) Calculations difficult. (1) Rate of return given is very approximate - depending upon range used in calculation. (1) Results can be misleading if cash flows are negative or projects mutually exclusive. (1)</p>	2	

Section 2

Question		Expected response(s)					Max mark	Additional guidance
3. PART A								
(a)		REALISATION ACCOUNT	Dr (£)	Cr (£)	Balance (£)		11	*Mark awarded for correct inclusion of the 5 bracketed items.
		Property	100,000	}	100,000			
		Furniture	25,000		125,000			
		Motor Vehicles	48,000		173,000			
		Inventory	72,000		245,000			
		Trade Receivables	36,000		281,000	(1)*		
		Equity Brown - Property		96,000	185,000	(1)		
		Bank - Furniture		18,750	166,250	(1)		
		Equity Cameron - Motor Vehicles		8,000	158,250	(1)		
		Bank - Motor Vehicles		35,000	123,250			
		Bank - Inventory		90,000	33,250	(1)		
		Trade Receivables Realised		32,400	850	(1)		
		Discount Received		4,000	3,150 Cr	(1)		
		Realisation Expenses	1,350		1,800 Cr	(1)		
		Share of profit on realisation						
		Brown (1/2)	900		900 Cr	(1)		
		Cameron (1/3)	600		300 Cr	(1)		
		Drennan (1/6)	300		0	(1)		
(b)		EQUITY ACCOUNT - Drennan	Dr (£)	Cr (£)	Balance (£)		3	
		Balance		30,000	30,000 Cr			
		Current Account	2,200		27,800 Cr	(1)		
		Share of profit on realisation		300	28,100 Cr	(1)		
		Bank	28,100		0	(1)		

Question		Expected response(s)				Max mark	Additional guidance
	(c)	BANK ACCOUNT	Dr (£)	Cr (£)	Balance (£)	6	
		Balance	25,200	}	25,200 Dr		*Mark awarded for correct inclusion of the 5 bracketed items.
		Realisation A/c (Furniture)	18,750		43,950 Dr		
		Realisation (Motor Vehicles)	35,000		78,950 Dr		
		Realisation (Trade Receivables)	32,400		111,350 Dr		
		Realisation (Inventory)	90,000		201,350 Dr	(1)*	
		Loan - Brown		72,000	129,350 Dr	(1)	
		Trade Payables		26,000	103,350 Dr	(1)	
		Realisation Expenses		1,350	102,000 Dr	(1)	
		Equity - Brown		8,900	93,100 Dr	(1)	
		Equity - Cameron		65,000	28,100 Dr	(1)	
		Equity - Drennan		28,100	0		

Question		Expected response(s)	Max mark	Additional guidance															
3. PART B																			
	(a)	<p>Corporation Tax (£ million)</p> $18.3 + 27.4 - 15.8 = 29.9$ <p>(1) (1) (1)</p>	3	<p>Must be correct effect in order to gain mark.</p> <p>If candidate gets opening and closing wrong way round for a total of 24.9 - 1 mark</p> <p>Max 2 if final total arithmetically wrong.</p>															
	(b)	<p>Changes in Working Equity</p> <p>Current Assets (8.5 - 12.2) = -3.7 inflow (1) Current Liabilities (14.1 - 11.9) = +2.2 inflow (1)</p>	2	<p>Must be correct effect in order to gain mark.</p> <p>Also accept year 3 - year 4.</p> <p>Must include inflow for (1).</p>															
	(c) (i)	<p>Profit/Loss on Non-current Assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Proceeds</td> <td style="text-align: right;">5.0</td> <td></td> </tr> <tr> <td>NBV (10.4 - 2.6)</td> <td style="text-align: right;"><u>7.8</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">-2.8</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">Loss</td> <td></td> </tr> <tr> <td style="text-align: right;">Add to profit</td> <td></td> <td style="text-align: right;">(1)</td> </tr> </table>	Proceeds	5.0		NBV (10.4 - 2.6)	<u>7.8</u>	(1)		-2.8	(1)		Loss		Add to profit		(1)	3	
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Question		Expected response(s)					Max mark	Additional guidance																																				
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Question		Expected response(s)	Max mark	Additional guidance
	(c) (i)	<p>Possible answers which describe the key features of an Activity Based Costing system could include:</p> <ul style="list-style-type: none"> • Activity Based Costing (ABC) is based upon identifying the commercial activities (ordering, material handling, set-up of production line, etc) (1) which are necessary to service the production of products or supply of services. (1 development mark) • these activities have cost drivers that give rise to the cost (set-up costs may be driven by the number of production runs undertaken). (1) • the total cost of each activity (the cost pool) is used to produce an absorption rate per driver (1) which is then used to allocate the activity costs to products/services based upon their use of the cost drivers. (1 development mark) • ABC is used in preference to ‘traditional’ absorption costing by modern, multi- product companies. (1) <p>Or any other relevant answer.</p>	3	
	(ii)	<p>Possible answers which justify the use of Marginal Costing could include:</p> <ul style="list-style-type: none"> • easier to understand than absorption costing methods (1) • useful for management and pricing policies (1) • unit cost does not vary with level of activity as with absorption of fixed costs (1) • adjustment for over/under absorption of fixed costs is not required (1) • contribution is a good basis for short-term decision making for example what product mix to produce, whether to accept a special order, make or buy decisions (1) <p>Or any other relevant answer.</p>	3	

[END OF MARKING INSTRUCTIONS]