



National
Qualifications
2024

2024 Accounting
Advanced Higher
Question Paper 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.

Question	Expected response(s)		Max mark	Additional Guidance	
1 (a)	Open Roads plc		18		
	Income Statement for the year ended 31 March Year 3				
		£000			Marks
	Revenue	61,500			(1)
	Cost of sales	<u>38,382</u>			(3) (see workings below)
	Gross profit	23,118			
	Selling and distribution expenses	8,883			(2) (see workings below)
	Administration expenses	3,102			(6) (see workings below)
	Profit from operations	11,133			
	Loss on sale of property	120			(1)
	Profit before finance costs	11,013			
	Finance costs	<u>90</u>			(2)
	Profit before tax	10,923			
	Taxation	1,380			(1)
Profit for the year	9,543				
Labels/arithmetic/extraneous items			<p>All labels (bold) present, arithmetic accuracy and no extraneous items: 2 marks (L/A/E)</p> <p>Up to 1 of the above not achieved: 1 mark</p> <p>Two or more of the above not achieved: 0 marks</p>		

Detailed workings for question 1 (a)	Cost of sales	S & D	Admin	
	£000	£000	£000	
Purchases	38,595			1 mark for purchases and opening inventory.
Opening inventory	7,500			
Staff costs: Sales staff		6,675		1 mark for both staff costs and advertising.
Advertising		825		
Staff costs: Administration			1,500	1 mark for staff costs and general administration.
General administration			1,140	
Directors' remuneration	360	180	360	1 mark for correct split across all three categories.
Cost value of property net of land £14,400 - £2,400 (1) = £12,000				1 mark for correct calculation of correct cost value of property.
Cost value net of disposed asset £12,000 - £1,800 (1) = £10,200				
Depreciation charge £10,200 × 5% (1) = £510				2 marks for correct calculation of annual depreciation charge.
Depreciation: property (continued)	(£510 × 70%) = £357	(£510 × 10%) = £51	(£510 × 20%) = £102	1 mark for correct apportionment across three expense areas.
Depreciation: Shop Fittings		(9,000 - 3,240) × 20% = £1,152		1 mark
Closing inventory (2,565 + 2,940 (1)) + 2,925 (1)	(8,430)			2 marks for closing inventory: mark as per guidance
	38,382	8,883	3,102	
Loss on Sale of Property £1,500 - £1,620 = (£120) (1)				
Finance Costs (£2,250 - £750) (1) × 6% (1) = (£90)				

Question	Expected response(s)			Max mark	Additional Guidance
1 (b)	Open Roads plc			2	
	Statement of retained earnings for the year ended 31 March Year 3				
		£000	Marks		
	Opening retained earnings	6,561	*		
	Profit for the year	9,543	*(1) *for both		
Dividends paid	1,050	(1)			
Closing retained earnings	15,054				

Detailed workings for question (c): depreciation on property and shop fittings				
Property	Cost	Acc Dep	NBV	Marks
	£000	£000	£000	
1 April Year 2	12,000	1,200	10,800	
Disposal	(1,800)	180	(1,620)	(1 for line)
Depreciation		(510)	(510)	(1 for line)
31 March Year 3	10,200	1,530	8,670	(1 for line)
Land			3,600	(1)
Total Property Value			12,270	
Shop Fittings	9,000 (1)	(4,392) (1)	4,608	
Total Tangible Non-current Assets			16,878	

Question	Expected response(s)							Max mark	Additional Guidance	
2A (a)	Current Machinery - Cash Inflows							9	* For Year 1 CPU figure award 1 mark for correct calculation of overheads and 1 mark for correct calculation of CPU. Be aware of consequentiality.	
		Sales	CPU		Total Cont	Maint	Cash Flow			
	Year 1	50,000	£4.00	*(2)	200,000	18,000	182,000			} (1)
	Year 2	50,000	£1.48	(1)	74,000	18,000	56,000			
	Year 3	50,000	£1.48		74,000	18,000	56,000			
						(1)				
	New Machinery - Cash Inflows									
		Sales	CPU		Total Cont	Maint	Cash Flow			
	Year 1	54,000	£11.00	*	594,000	3,000	591,000			} (1)
	Year 2	54,000	£8.72	(1)	470,880	4,000	466,880			
	Year 3	54,000	£8.72		470,880	5,000	465,880			
		(1)				(1)				
	CPU working									
		Year 1			Year 2 & 3					
		Current	New		Current	New				
	Selling Price	£36.00	£36.00		£36.00	£36.00				
	Direct Materials	£12.00	£12.00		£13.44	£13.44				
	Direct Labour	£9.00	£7.00		£10.08	£7.84				
	Overheads	£11.00	£6.00		£11.00	£6.00				
	Contribution p.u.	£4.00	£11.00		£1.48	£8.72				

Question	Expected response(s)						Max mark	Additional Guidance
2A (a)	Alternative Solution						9	
	Current Machinery - Cash Inflows							
		Year 1		Year 2	Year 3			
		£000		£000	£000			
Sales Revenues	(£36 x 50,000)	1,800		1,800	1,800	*		
Costs:								
DM	Y1:£12 pu; Y2: £13.44 pu	600	} 1	672	672	} 1 (Y2&3)		
DL	Y1:£9 pu; Y2: £10.08 pu	450		504	504			
VO	(£12-£1 dep) = £11 pu	550		550	550			
Maint		18		18	18	1 line		
	Total Costs	1,618		1,744	1,744			
	Net Cash Inflow	182		56	56	1 line		
New Machinery - Cash Inflows								
		£000		£000	£000			
Sales Revenues	(£36 x 54,000)	1,944		1,944	1,944	* 1 for all revenues correct		
Costs:								
DM	Y1:£12 pu; Y2: £13.44 pu	648	} 1	726	726	} 1 (Y2&3)		
DL	Y1:£7 pu; Y2: £7.84 pu	378		423	423			
VO	(£11.50 - £5.50 dep) = £6 pu	324		324	324			
Maint		3		4	5	1 line		
	Total Costs	1,353		1,477	1,478			
	Net Cash Inflow	591.000		466.880	465.880	1 line		

Question	Expected response(s)					Max mark	Additional Guidance	
2A (b)	Current Machinery					5		
	Year	Cash Flow		Disc Factor @11%	Present Value			
	1	182,000		0.901	163,982			} (1)
	2	56,000		0.812	45,472			
	3	56,000		0.731	40,936			
					250,390			*
	New Machinery							
	Year	Cash Flow		Disc Factor @15%	Present Value			
	0	(1,485,000)	(1)	1	(1,485,000)			} (1)
	1	591,000		0.901	532,491			
	2	466,880		0.812	379,107			
	3	1,074,880	(1)	0.731	785,737			
				212,335	*(1)			
(c)	Retain current machinery as it has a higher NPV return.					1	Need reason for mark.	
(d)	IRR 11 + ((320,000/393,000) x 9)					4		
	(1)	(1)	(1)	(1)				
(e)	The cost of borrowing/financing for a firm. The opportunity cost of what a firm could receive if funds invested elsewhere. An estimation as to what level present cash values will reduce in the future.					1		

Question	Expected response(s)						Max mark	Additional Guidance		
2B (a)	Gardiner and Ross						9			
	REALISATION ACCOUNT									
									Marks	
		DR	CR	BALANCE						
	Land	400,000		400,000	dr				*	
	Vehicles	25,000		425,000	dr				*	
	Equipment	75,000		500,000	dr				*	
	Trade Receivables	15,000		515,000	dr				*	
	Inventory	5,000		520,000	dr				*(1) for all	
	Equity Gardiner - Land		320,000	200,000	dr				(1)	
	Equity Ross - Vehicles		22,000	178,000	dr				**	
	Equity Ross - Equipment		65,000	113,000	dr				**	
	Cash and Cash Equivalents Sale Vehicles (Scrap)		1,500	111,500	dr				(1)	
	Cash and Cash Equivalents Sale Equipment (Scrap)		5,000	106,500	dr				(1)	
	Cash and Cash Equivalents Inventory		3,800	102,700	dr				** (1) for all 3	
	Trade Receivables		12,000	90,700	dr				(1)	
Discount Received		400	90,300	dr		(1)				
Dissolution Expenses	800		91,100	dr		(1)				
Share of Loss Gardiner		63,770	27,330	dr		#				
Share of Loss Ross		27,330	0			# (1) for both				

If labelled as Profit but treated as loss, do not award mark but treat as consequential in equity Accounts. Apply same rule if candidate calculates a profit but treats as a loss.

Question	Expected response(s)						Max mark	Additional Guidance	
2B (b)							6		
	EQUITY ACCOUNT GARDINER								Marks
		DR	CR	BALANCE					
	Balance		259,000	(259,000)	cr				*
	Current Account		62,500	(321,500)	cr				*
	Realisation Acc (Land)	320,000		(1,500)	cr				(1)
	Share of Loss	63,770		62,270	dr				**
	Cash and Cash Equivalents		62,270	0					(1)
	EQUITY ACCOUNT ROSS								
		DR	CR	BALANCE					
	Balance		111,000	(111,000)	cr				*
	Current Account		50,000	(161,000)	cr				*(1) for all 4 entries
	Realisation Account (Vehicles)	22,000		(139,000)	cr				***
	Realisation Account (Equipment)	65,000		(74,000)	cr				***(1) for both
Share of Loss	27,330		(46,670)	cr		**(1) for both			
Cash and Cash Equivalents	46,670		0			(1)			

Question	Expected response(s)					Max mark	Additional Guidance			
2B (c)						5				
	CASH AND CASH EQUIVALENTS ACCOUNT									
		DR	CR	BALANCE				Marks		
	Balance		15,000	(15,000)	cr			*		
	Realisation (Vehicles)	1,500		(13,500)	cr			*		
	Realisation (Equipment)	5,000		(8,500)	cr			*		
	Realisation (Inventory)	3,800		(4,700)	cr			*(1) for all		
	Loan Repaid Gardiner		15,000	(19,700)	cr			#		
	Trade Receivables	12,000		(7,700)	cr			**		
	Trade Payables		7,100	(14,800)	cr			**(1) for both		
	Dissolution Expenses		800	(15,600)	cr			#(1) for both		
	Equity Gardiner	62,270		46,670	dr			(1)		
	Equity Ross		46,670	0				(1)		

Question	Expected response(s)				Max mark	
3 (a)	Numbers plc				3	
		JAN	FEB	MARCH		Marks
	Opening Inventory	800	2,800	5,800		(2) - (1) for Jan and (1) Feb/March
	Production	10,000	8,000	8,500		
		10,800	10,800	14,300		
	Sales	8,000	5,000	6,000		
	Closing Inventory	2,800	5,800	8,300		(1) for line
(b)	Absorption Costing Profit Statement				12	
	Sales	£64,000	£40,000	£48,000		(2) - (1) for Jan and (1) for Feb/March*
	Opening Inventory	£3,520	£12,320	£25,520		**
	Material	£20,000	£16,000	£17,000		#
	Labour	£12,000	£9,600	£10,200		#
	Variable Overheads	£8,000	£6,400	£6,800		#(2) - (1) for Jan all correct and 1 for Feb/March all correct
	Fixed Overheads absorbed	£4,000	£3,200	£3,400		(2) - (1) for 40p calc correctly and (1) for line
	Closing Inventory	£12,320	£25,520	£36,520		** (1) for opening and closing inventory
	Total Costs	£35,200	£22,000	£26,400		
	Profit	£28,800	£18,000	£21,600		
	Over/Under absorption	Under	Under	Over		(2) - (1) for Jan and (1) for Feb/March
		(£200)	(£800)	£200		(2) - (1) for Jan and (1) for Feb/March
Profit	£28,600	£17,200	£21,800	(1) for line - must be labelled and no arithmetic errors		

	* workings for Sales part b			
Sales in units	8,000	5,000	6,000	Price box 10 = £80
Sales in boxes	800	500	600	
Sales value	£64,000	£40,000	£48,000	
Material	£2.00			
Labour	£1.20			
Variable Overhead	£0.80	£4.00		
Fixed Overhead	£100,000.00			
	£40,000.00	£0.40		
	TOTAL COSTS	£4.40		

Question	Expected response(s)						Max mark	Additional Guidance		
3 (c) (i)	Goodwill calculation						Marks	3		
	Percentage purchased	90%				£000				
	Amount paid	£000				2,000				
	Value Taken Over	1,400	+	150	=	1,550				
		1,550	x	90%	=	1,395	(1)			
	Goodwill	2,000	-	1,395	=	605	(1)			
	First Year Write off					121	(1)			
	Goodwill at year end					484				
(c) (ii)	Non-controlling interest	1,550	x	10%	=	155	(1)	1		
(c) (iii)	Numbers Group Consolidated Statement of Financial Position at 31 December Year 2							11		
						£000				
	Non-Current Assets									
	Tangible (5,200 + 1,200)					6,400	(1)			
	Goodwill					484	(1)			
						6,884				
	Current Assets (3,600 + 1,000)					4,600	(1)			
	Total Assets					11,484				
	Current Liabilities (2,400 + 600)					3,000	(1)			
	Non-Current Liabilities									
	10% Debentures (500 + 50)					550	(1)			
	Total Liabilities					3,550				
	Net Assets					7,934				
	Equity									
Ordinary Shares					7,000	(1)				
Share Premium					500	(1)				
Retained Earnings (400 (1) - 121 (1))					279	(2)				
Non-controlling Interest					155	(1)				
					7,934					
L/A/E						(1)				

Question	Expected response(s)					Max mark	Additional Guidance	
4 (a)	Vermeer Construction - Contract Account for year ended 31 December Year 3					Marks	25	<p>*one for both correct material balances</p> <p>Award 1 mark for Prime Cost only if labelled</p> <p>$620/0.4 = 1,550$ (1) $\times 0.6$ (1) $(5,920 + 480)$ (1) $\times 20\%$ (1)</p> <p>$1,010$ (1) $\times (19,600/24,500)$ (1)</p>
		£000		£000	£000			
	Work Completed & Certified (19,600 - 8,300)				11,300	(2)		
	Not Yet Certified				1,630	(1)		
					12,930			
	Materials at start	840	*					
	Materials purchased	4,970				(1)		
	Materials Issued	1,160				(1)		
	Materials at end	-1,050	*			(1)		
				5,920				
	Wages & Salaries	545				(1)		
	Add Accrual	75				(1)		
				620				
	Direct Expenses paid	305				(1)		
	Less Prepayment	15				(1)		
				290				
	Prime Cost			6,830		(1)		
	Subcontracting Costs			480		(1)		
	Machinery Depreciation:							
	Machinery at Start	5,200				(1)		
	Less NBV of Machinery Sold	200				(1)		
	Add Machinery Sent to Site	4,000				(1)		
	Less Machinery at End	6,750				(1)		
			2,250					
Loss on Sale of Machinery (200-50)			150		(1)			
Head Office Costs			930		(2)			
Overheads			1,280		(2)			
				11,920				
Notional Profit				1,010				
Transfer to Inc Statement				808	(2)			
Profit Retained/CF				202	(1)			
				L/A/E	(1)			

Question	Expected response(s)	Max mark	Additional Guidance	
4 (b)	In order to apply the principle of conservatism or prudence. (1) This recognises the possibility of future losses on the contract. (1) Formula used as a compromise between matching costs with revenue on one hand and prudence on the other. (1)	2	Any 2 for 1 mark each.	
(c)	£000 Marks			
	Cash due at end of 3 years ($24,500 \div 4/3$)	18,375 (1)		3
	Less value of Year 3 retention ($11,300 \times 15\%$)	1,695 (1)		
	Total Paid	16,680 (1)		

[END OF MARKING INSTRUCTIONS]