National
Qualifications
2025

2025 Accounting

Advanced Higher

Question Paper Finalised Marking Instructions

SQA
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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)		**Statement of Cash Flows for Ontario plc for the year ended 31 December Year 5**					**37**	
			CASH FLOWS FROM OPERATING ACTIVITIES	£000	£000	**Calculation Marks**	**Entry Marks**		
			Operating profit	368		**(5)**	**(1)**		Must be correct effect for entry marks to be awarded. (+/−) rule applies for repeated entry. See separate worksheet for detailed workings.
			Adjustments for:						
			Depreciation	120		**(1)**	**(1)**		
			Loss on sale of assets	4		**(3)**	**(1)**		
			Profit on sale of assets	-55		**(2)**			
			Operating cash flow before working equity changes	437					
			Increase in inventory	-12		**(1)**			
			Decrease in trade receivables	9		**(1)**			
			Increase in trade payables	7		**(1)**			
			Cash generated from operations	441					
			Tax paid	-55		**(2)**	**(1)**		
			Debenture finance cost paid	-15		**(2)**	**(1)**		
			Net cash from operating activities		**371**				

Question			Expected response(s)				Max mark	Additional guidance
			CASH FLOWS FROM INVESTING ACTIVITIES					
			Proceeds from sale of non-current assets (125+10+6)	141		(1) (1)		
			Purchase of non-current assets (250+125+60)	-435		(1) (1)		
			Net cash used in investing activities		**-294**			
			CASH FLOWS FROM FINANCING ACTIVITIES					
			Debenture issue	60		(1) (1)		
			Share issue	75		(1) (1)		Share issue and premium can be combined for 4 marks (90)
			Share premium	15		(1) (1)		
			Dividend paid	-40		(1) (1)		
			Net cash used in financing activities		**110**			
			Net increase in cash equivalents		**187**	**(2)**		**2 marks** for arithmetic - award **1 mark** if one arithmetic error

Question	Expected response(s)	Max mark	Additional guidance

Detailed workings

		Marks
Operating Profit		
Retained earnings (620 – 360)	260	(1)
Debenture finance cost (15 + 3)	18	(3)
Corporation tax	50	(1)
Ordinary dividend	40	
	368	
Non-cash adjustments		
Depreciation (90 + 30)	120	(1)

Profit/Loss on sale of assets

	Land/ Property	Machinery	Equipment
Cost of assets sold	80	40	15
Less Depn on disposal		40	5 (1)
NBV	80	0	10 (1)
Cash received	125	10	6
Profit/Loss	45 (1)	10 (1)	-4 (1)

Debenture finance cost paid (15 + 18 (1) – 18 (1))	15	(2)
Tax paid (25 + 50 (1) – 20 (1))	55	(2)

Max mark: (150 × 10%) (1) + ((210 – 150) × 10% (1)/2 (1))

Additional guidance: **1 mark** for depn on disposal line; **1 mark** for NBV line

Question			Expected response(s)	Max mark	Additional guidance
	(b)		Legal requirement. **(1)** The purpose of a Cash Flow Statement is to show the actual movements of cash into and out of the company during the accounting period. **(1)** Explains the financial changes in a business during an accounting period. Shows how funds available to the business were generated and how they were spent. **(1)** Highlights the relationship between profitability and cash generating ability. **(1)** Shows the true liquidity of the business organisation. **(1)** Can be used as a basis of projecting what will happen to cash balances in future financial periods. **(1)** Aids ratio analysis (liquidity) as it illustrates how changes have occurred in working equity. **(1)**	**3**	**1 mark** for each valid justification.

Question			Expected response(s)	Max mark	Additional guidance
2A.				20	

Production level		80%	100%	
Units		20,000	25,000	(1)
CASH OUTFLOW				
Materials	£5*	100,000.00	125,000.00	(3)
Labour	£45**	900,000.00	1,125,000.00	(3)
Overheads	***	215,000.00	275,000.00	(4)
Prime cost		1,215,000.00	1,525,000.00	
Rent and Rates		35,000.00	35,000.00	(1)
Insurance		6,000.00	6,000.00	(1)
Power – fixed		5,000.00	5,000.00	(1)
Power – variable		80,000.00	100,000.00	(1)
Other prod oh – fix		3,000.00	3,000.00	(1)
Other prod oh - var		18,225.00 (1)*	30,500.00 (1)	(2)
		147,225.00	179,500.00	
Total		1,362,225.00	1,704,500.00	
CASH INFLOW				(1)
Sales		1,720,000.00	2,150,000.00	(1)
NET CASHFLOW		357,775.00	445,500.00	

*__3 marks__ for materials cost
(3 × 0.5) + (2 × 0.75) **(1 mark for both)** + (20 × 0.10) **(1)**
Award **(1)** mark for both materials totals

**__3 marks__ for labour cost
(3 × 12.50) **(1)** + (0.5 × 15) **(1)**
Award **(1)** mark for both labour totals

***__4 marks__ for Overheads
Process 1 80%
(1.25 × 5)
(6.25 × 20,000) = 125,000 **(1)**

Process 2 80%
7.50 × 20,000
150,000 × 60% = 90,000 **(1)**

Process 1 100%
1.30 × 5
6.50 × 25,000 = 162,500 **(1)**

Process 2 100%
7.50 × 25,000
187,500 × 60% = 112,500 **(1)**

*If Prime Cost is calculated wrongly do not award 80% Other prod OH mark and award the 100% consequentially.

Question			Expected response(s)	Max mark	Additional guidance
2B.	(a)		**Standard Cost of Actual Sales** £ Materials (7 × 5 × 5,425) 189,875 **(1)** Labour (4 × 8 × 5,425) 173,600 **(1)** Variable Overhead (40% × 173,600) 69,440 **(1)** Fixed Overhead (5,425 × 12) 65,100 **(1)** £498,015	**4**	((8 × 4) × 5425) × 40% = 173,600
	(b)	(i)	**Material Price** (5.00 – (195,300/43,400)) **(1)** × 43,400 = (5.00 – 4.50) × 43,400 **(1)** = £21,700 F **(1)**	**3**	Award **2 marks** for calculation. Award correct identification of A or F.
		(ii)	**Material Usage** ((5,425 × 7) – 43,400) × 5 **(1)** = (37,975 – 43,400) × 5 = £27,125 A **(1)**	**2**	Award correct identification of A or F. Award **1 mark** for correct variance. Accept A or F consequential to calculation.
		(iii)	**Labour Rate** (8 – (189,875/27,125)) **(1)** × 27,125 = (8 – 7) × 27,125 **(1)** = £27,125 F **(1)**	**3**	Award **2 marks** for calculation. Award correct identification of A or F.
		(iv)	**Labour Efficiency** ((4 × 5,425) – 27,125) × 8 **(1)** = £43,400 A **(1)**	**2**	Award correct identification of A or F. Award **1 mark** for correct variance. Accept A or F consequential to calculation.

Question			Expected response(s)	Max mark	Additional guidance
		(v)	**Sales Price** (210 – 200) × 5,425 **(1)** = £54,250 F **(1)**	**2**	Award correct identification of A or F. Award **1 mark** for correct variance. Accept A or F consequential to calculation.
		(vi)	**Sales Volume** (5,425 – 5,500) × 200 **(1)** = £15,000 A **(1)**	**2**	Award correct identification of A or F. Award **1 mark** for correct variance. Accept A or F consequential to calculation.
		(vii)	**Fixed OH Expenditure** (5500 × 12) – 70,525 **(1)** = £4,525 A **(1)**	**2**	Award correct identification of A or F. Award **1 mark** for correct variance. Accept A or F consequential to calculation.

Section 2

Question			Expected response(s)	Max mark	Additional guidance
3.	(a)	(i)	C1 (4 × 1,200) 4,800 **(1)** C2 (3 × 800) 2,400 C3 (2 × 400) 800 **(1)** 8,000 Machine hour absorption rate – 32,000/8,000 = £4.00 **(1)** = £4.00 per machine hour	**3**	**1 mark** for C2 and C3
		(ii)	C1 C2 C3 Direct material 46 58 35 Direct labour 21 14 7 **(1)** Production overhead 16 **(1)** 12 8 **(1)** Cost per unit 83 84 50 **(1)**	**4**	**1 mark** for materials and labour **1 mark** for C1 and 1 mark for Production C2 and C3 **1 mark** for line

Question			Expected response(s)	Max mark	Additional guidance
3.	(b)	(i)	Cost / Driver / Transactions / Cost per driver Machining costs 12,000 — Mc hours — 8,000 — £1.50 **(1)** Set-up costs 4,050 — Runs — 15 — £270 **(1)** Receiving costs 5,200 — Requisitions — 50 — £104 **(1)** Inspection costs 5,250 — Runs — 15 — £350 **(1)** Despatch costs 5,500 — Orders — 50 — £110 **(1)** ***(1)**	**6**	***** **1 mark** for all correct totals in the Transactions column.
		(ii)	C1 / C2 / C3 Machine 6.00 **(1)** — 4.50 — 3.00 **(1)** Set-up 1.35 **(1)** — 1.69 — 2.70 **(1)** Receiving 1.73 **(1)** — 1.95 — 3.90 **(1)** Inspection 1.75 **(1)** — 2.19 — 3.50 **(1)** Despatch 1.56 **(1)** — 2.48 — 4.13 **(1)** Materials 46.00 — 58.00 — 35.00 **(1)*** Labour 21.00 — 14.00 — 7.00 Total cost per unit 79.39 — 84.81 — 59.23 **(1)**# Line	**12**	**1 mark** for each line of C1 from Machine down to Despatch **1 mark** for each line of C2 and C3 from Machine down to Despatch Award **2 marks** if cost per driver not shown in workings. Watch for rounding ***** **1 mark** for both Materials and Labour insertions # If Total cost per unit not totalled/shown, do not award direct cost line or final mark earned if no direct costs entered.

Question			Expected response(s)	Max mark	Additional guidance
3.	(c)	(i)	ABC creates new bases for assigning overhead costs to items, so costs are allocated based on the activities that generate costs **(1)** ABC provides a clearer understanding of the relationship between costs, activities, and profitability. **(1)** It is more straightforward to apply than traditional methods when production consists of a wide variety of different products and processes. **(1)** It is more accurate than traditional methods as it bases the costs on the number of times a cost driver is used per unit of production. **(1)**	**2**	Any 2 for **1 mark** each.
		(ii)	The adjustment for over/under absorption of fixed costs is not required. **(1)** Useful for management and pricing policies. **(1)** Easier to understand than absorption costing methods. **(1)** Unit cost does not vary with level of activity as with absorption of fixed costs. **(1)** Improved cost control: Marginal costing helps businesses identify and manage cost fluctuations by focusing on variable costs, which are more controllable in the short term. **(1)** It works out contribution which is a good basis for short-term decisions **(1)** eg whether to accept a special order or not, make or buy decisions, what product mix to produce. **(1)**	**3**	**1 mark** for each valid justification**.**

Question			Expected response(s)			Max mark	Additional guidance
4A.	(a)		**Cost of sales**			**12**	
				£000	**£000**		
			Opening inventory	2,500 **			
			Add purchases	5,000*			
			Add carriage inwards	100 (1)	7,600*		*** 1 mark** for purchases and carriage in.
			Less closing inventory		1,880 (1)**		**** 1 mark** for both opening and closing inventories.
					5,720		
			Depreciation of plant and machinery	1,050 #			See working notes for breakdown of marks for wages, operating expenses, and depreciation of non-current assets
			Wages and salaries	2,000 ^	3,050		
			Cost of sales		**8,770**		
			Distribution costs				
					£000		
			Wages and salaries		5,000 ^		
			Operating expenses		1,170 @		
			Depreciation plant and machinery		300 #		
			Depreciation vehicles		918 ~		
					7,388		

Question	Expected response(s)	Max mark	Additional guidance
	Administration expenses **£000** Wages and salaries 3,000 ^ **(1)** Operating expenses 2,730 @ **(2)** Depreciation plant and Machinery 150 # **(2)** Depreciation vehicles 102 ~ **(2)** Auditors' fees 150 Directors' Fees 750 **(1)** *** Discounts (net) (100) **(2)** 6,782		*** **1 mark** for both audit fees and directors' fees **1 mark** for correct entry of discounts (net) and **1 mark** for correct treatment
	Working notes ^ **Wages and Salaries** £10,000 COS (20%): £2,000 ADMIN (30%): £3,000 DIST (50%): £5,000 **(1)** for all 3 correctly entered @ **Operating expenses** £4,200 Less prepaid 300 £3,900 **(1)** for calculation ADMIN (30%): £1,170 DIST (70%): £2,730 **(1)** for both correctly entered		

Question			Expected response(s)	Max mark	Additional guidance
			# Depreciation Plant and Machinery Cost £10,000 Depreciation @ 15% £1,500 **(1)** for calculation COS (70%): £1,050 DIST (10%): £300 ADMIN (20%): £150 **(1)** for all 3 correctly entered **~Depreciation Vehicles** Cost £6,000 Depreciation to date £900 NBV £5,100 Depreciation @ 20% £1,020 **(1)** for calculation DIST (90%): £918 ADMIN (10%): £102 **(1)** for both correctly entered		

Question	Expected response(s)	Max mark	Additional guidance

ALTERNATIVE LAYOUT

	COS	DIST	ADMIN		
	£000	£000	£000		
Opening Inventory	2,500				**
add Purchases	5,000				*
add Carriage In	100				*1
less Closing Inventory	-1,880				**1
	5,720				
Wages and Salaries	2,000	5,000	3,000	10,000	1
Operating Expenses		1,170	2,730	3,900	2
Discounts (Net)			-100		2
Directors' Fees			750		***
Auditors' Fees			150		***1
Depreciation: Plant & Machinery	1,050	300	150	1,500	2
Depreciation: Vehicles		918	102	1,020	2
	8,770	7,388	6,782		

*__1 mark__ for Purchases and Carriage In
**__1 mark__ for both Opening and Closing Inventory

__1 mark__ for all 3
__1 mark__ for 4200 – 300, 1 mark for entry
__1 mark__ for correct entry, 1 mark for correct treatment

***__1 mark__ for both Directors' Fees and Auditors' Fees
__1 mark__ for calculation, __1 mark__ for all 3 correctly entered
__1 mark__ for calculation, __1 mark__ for both correctly entered

Question			Expected response(s)	Max mark	Additional guidance
4A.	(b)		**Income Statement of Duffy plc for year ending 31 December Year 2**	**6**	
				£000	
			Sales revenue	24,000 **(1)**	
			Cost of sales	(8,770)	
			Gross profit	**15,230**	
			Distribution costs	(7,388)	
			Administrative expenses	(6,782)	
			Profit from operations	**1,060 (1)**	Profit from operations must be labelled to gain mark.
			Finance costs (net)	(150)***(2)**	* Finance costs: Finance income: interest received £250 **(1)** Finance expense: finance cost of debentures (£400) **(1)**
			Profit (loss) before tax	**910**	
			Tax	(450) **(1)**	
			Profit for the Year	**460 (1)**	Labelled and no arithmetic errors

Question			Expected response(s)					Max mark	Additional guidance
4B.	(a)		**OPTION A**	Year 0 £million	Year 1 £million	Year 2 £million	Year 3 £million	**11**	Depreciation Working: Dep (£14m × 20%) = £2.8m × 3 years = £8.4.m Residual: £14m − £8.4m =£5.6m OR £14m × 40% = £5.6m
			Capital Expenditure	(14.0)					
			Initial Payment	5.7					
			Revenue		2.8	3.2	3.6		
			Operating costs		(0.4)	(0.6)	(0.8)		
			Residual Value				5.6	**(1)** calc	
			Removal Fee				0.285	**(1)**	
			Net cash flows	**(8.3)**	**2.4**	**2.6**	**8.685**		
						(1)			
			Discount Factor	1	0.8772	0.7695	0.675		
			Present Value	**(8.3)**	**2.105**	**2.001**	**5.862**		
				(1)		**(1)**			
						NPV	**1.668***		

Question			Expected response(s)	Max mark	Additional guidance
			OPTION B Capital Expenditure (14.0) Initial Payment 3.8 Revenue 4.3 4.7 5.1 Operating costs (0.7) (1.1) (1.5) Residual Value 5.6 (1) Removal Fee 0.19 (1) **Net cash flows (10.2) 3.6 3.6 9.39** (1) Discount Factor 1 0.8772 0.7695 0.675 Present Value **(10.2) 3.158 2.770 6.338** (1) (1) **NPV 2.066** *(1)		*** 1 mark** for both NPVs.
			ALTERNATIVE LAYOUT **OPTION A** 0 (8.3) (1) 1 (8.3) 1 2.4 (1) 0.8772 2.105 (1) 2 2.6 0.7695 2.001 3 8.685 (2) 0.6750 5.862 1.668* **OPTION B** (10.2) (1) 1 (10.2) 3.6 (1) 0.8772 3.158 (1) 3.6 0.7695 2.770 9.39 (2) 0.6750 6.338 2.066 *(1) Year 3 Option A: (2.8 + 5.6) (1) calc + 0.285 (1) = 8.685 Option B: (3.6 + 5.6)(1) + 0.19 (1) = 9.39		*** 1 mark** for both NPVs.
4B.	(b)		Option B as it has a higher NPV return.	**1**	

[END OF MARKING INSTRUCTIONS]