



National
Qualifications
2025

2025 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

Question 1							Additional guidance			
(a) (i)	Overhead Analysis Statement ✓									Max mark 11
	Overheads	Basis	Total	Department X	Department Y	Department Z	Department C			
	Indirect Labour	Allocated	£132,510	£52,600	£38,790	£35,570	£5,550	1	Award mark for heading and Indirect Labour line	
	Supervision	No. of employees	£22,050	£9,800	£7,840	£1,960	£2,450	2	If Total column omitted do not award (DNA) first available mark	
	Machinery Depreciation	Value of machinery	£51,000	£22,400	£16,800	£8,600	£3,200	2	If one arithmetic error, award 1 mark	
	Rent	Area	£49,700	£25,560	£10,650	£6,390	£7,100	2	If Direct Materials are included, do not award first available mark	
	Power	KW hours	£17,500	£10,000	£5,000	£1,000	£1,500	2		
	Administration	No. of employees	£45,000	£20,000	£16,000	£4,000	£5,000	2		
	Total Departmental Overheads		£317,760	£140,360	£95,080	£57,520	£24,800			
(a) (ii)	Re-apportionment of Department C	Employees	£24,800	£12,400	£9,920	2,480		2	If one arithmetic error, award 1 mark Max mark 4	
				£152,760	£105,000	£60,000				
	Re-apportionment of Department Z	Direct Material	£60,000	£45,000	£15,000			1		
	Production Department Overheads			£197,760	£120,000			1	Award 1 mark for final total and arithmetic	
(b)	Overhead recovery rates									Max mark 2
	Department X - <u>Total overheads</u>	£197,760								
	Direct machine hours	82,400 hours =	£2.40	per machine hour	1				If £ or % not shown, max 1 mark	
	Department Y - <u>Total overheads</u>	£120,000								
	Direct materials	x 100 =	£240,000	x 100 =	50%	of direct material cost	1			
(c)		Dept X		Dept Y						Max mark 4
	Actual Machine Hours	78,500	Actual Material Costs	£245,000					If overheads absorbed figure not based on overhead absorption rates calculated in (b), do not award marks	
	x Overhead Recovery Rate	£2.40		50%						
	Overhead Charged	£188,400	1	£122,500	1					
	Less Actual Overhead	£195,120		£119,300						
		-£6,720	✓	£3,200	✓				1 mark for each overhead variance calculation and identification of over/under absorption	
		under-absorbed	1	over-absorbed	1					

Question 1 (continued)				Additional Guidance				Max Mark	2
(f) (i)	Overheads are allocated if they are traceable to specific departments.		1						
	Overheads are apportioned if they relate to the business as a whole.		1						
(f) (ii)	Use of formulae aids accuracy			Any 2, 1 mark each				Max Mark	2
	Use of formulae aids replication								
	Can show the effects of 'what if' scenarios								
	Changes to any data in the spreadsheet are automatically updated with the use of formulae/future proof								
	Use of multiple worksheets to link statements								
	Use of templates from year to year								
	DNA Reduced human error unless linked to use of formulae								

Question 2						Additional Guidance	Max Mark	6
(a) (i)	Income Statement of McLeod and Akram for the year ended 31 December Year 4 ✓							
		£000		£000				
	Profit for the Year (adjusted) 151 - (5% x 160 x 9/12)			145	1			
	<u>Add Interest on Drawings</u>					If Interest on Drawings, Interest on Equity or Salary not treated correctly, do not award marks		
	McLeod (15% x 40)	6	✓					
	Akram (15% x 60)	9	1	15				
				160				
	<u>Less Interest on Equity</u>							
	McLeod (10% x 200)	20	✓					
	Akram (10% x 300)	30	1	50				
	Less Salary - Akram			55	1			
	RESIDUAL PROFIT			55				
	<u>Share of residual profit</u>							
	McLeod (200/500*55)	22	✓					
	Akram (300/500*55)	33	1	55				
	Heading, arithmetic and no extraneous (1)							

Question 2 (continued)															
(a) (ii) Current Account - McLeod ✓							Current Account - Akram ✓							Max Mark 6	
Date	Details	Debit	Credit	Balance	✓		Date	Details	Debit	Credit	Balance	✓			
01-Jan	Opening Balance			15	Cr	✓	01-Jan	Opening Balance			18	Dr	1		
31-Dec	Interest on equity		20	✓	35	Cr	31-Dec	Interest on equity		30	1	12	Cr		
31-Dec	Share of profit		22	✓	57	Cr	31-Dec	Share of Profit		33	1	45	Cr		
31-Dec	Interest on loan		6	✓	63	Cr	31-Dec	Salary		55	1	100	Cr		
31-Dec	Drawings	40	✓		23	Cr	31-Dec	Drawings	60	1		40	Cr		
31-Dec	Interest on drawings	6	✓		17	Cr	31-Dec	Interest on drawings	9	1		31	Cr		
Additional Guidance															
1 mark for headings and Opening Balance															
If running balance incorrect, do not award mark for headings and Opening Balance or next available mark															
If not shown as a ledger account, do not award headings and Opening Balance mark or next available mark															
If Current Account shown as complete reversal, award marks gained and divide by 2 (max 3)															
If headed as Current Account, but includes an entry for Equity, do not award Interest on Equity mark															
If headed as Equity Account and Equity shown as Opening Balance, award marks gained and divide by 2 (max 3)															
If Loan is included, do not award Interest on Loan/Salary mark															

Question 2 (continued)				Additional Guidance	Max Mark	12
(a) (iii) Statement of Financial Position of McLeod and Akram as at 31 December Year 4 ✓						
	At Cost	Agg Depn	NBV			
	£000	£000	£000			
Non-Current Assets ✓						
Property	450	-50	500	1		
Equipment	80	26	54	1		
Vehicles	40	20	20	1		
	570	-4	574			
Investments			60	1	Investments must be shown below Non-Current Assets and only shown in NBV column to gain award	
			634			
Current Assets ✓						
Closing Inventory		55	✓		1 mark for Closing Inventory and Cash and Cash Equivalents	
Trade Receivables	66	✓			1 mark for Trade Receivables less Provision for Doubtful Debts	
Less Provision for doubtful debts	3	✓	63	1	If Provision for Doubtful Debts is deducted, but not from Trade Receivables, DNA mark	
Cash and Cash Equivalents		86	1			
		204				
Current Liabilities ✓						
Trade Payables	77	✓				
VAT	3	1	80		1 mark for Trade Payables and VAT	
WORKING EQUITY			124			
NET ASSETS EMPLOYED			758			
Non-Current Liabilities ✓						
Loan - McLeod			160	1		
NET ASSETS			598			
EQUITY						
Equity Accounts -						
McLeod		200	✓			
Akram		300	1	500		
Current Accounts -						
McLeod		17	✓			
Akram		31	1	48		
Reserves						
Revaluation Reserve			50	1		
			598			
Headings, labels, arithmetic and no extraneous (1)						

Question 2 (continued)				Additional Guidance			
(b) (i)	Profit or Loss on Revaluation					Max Mark	6
	Equipment - increase in value	15,000	1			If Property Revaluation is included, DNA first available mark	
	Vehicles - decrease in value	- 22,000	1				
	Inventory - decrease in value	- 8,000	1				
	Revaluation expenses	- 4,000	1				
	Increase in provision for doubtful debts	- 1,000	1				
	LOSS ON REVALUATION	- 20,000					
	Share of loss on revaluation:						
	McLeod (2/5)	- 8,000	✓				
	Akram (3/5)	- 12,000	1				
		<u>- 20,000</u>					
(b) (ii)	Chan	25%	✓			Max Mark	1
	McLeod (200/500 x 75%)	30%	✓				
	Akram (300/500 x 75%)	45%	1				
(b) (iii)	Updated Equity Account Balances					Max Mark	7
		McLeod	Akram	Chan			
	Opening Balance	200,000	300,000	250,000			
	Share on loss of revaluation	- 8,000	- 12,000		1		
	Goodwill	20,000	30,000		2		
	Goodwill written off	- 15,000	- 22,500	- 12,500	2		
	Transfer Current Accounts	19,000	- 25,000		1		
	Closing Balance	216,000	270,500	237,500			
	Opening and closing balances, arithmetic and no extraneous (1)						
(c)	More expertise or specialised knowledge					Max Mark	2
	Workload can be shared						
	May allow expansion of the business						
	Eliminates competition when skills and resources are combined						
	More ideas brought to the business						
	DNA greater equity invested as given in the question						

Question 3 PART A											Additional Guidance			Max Mark	6	
INVENTORY RECORD CARD FOR MATERIAL ST200 ✓											Heading must include 'Inventory Record Card' <u>and</u> the item of inventory (ST200). The business name is not required.					
Date	Details	Receipts			Issues			Balance			✓	If any column is not included, award marks gained and divide by 2, (max 3)				
		Qty	Price	Value	Qty	Price	Value	Qty	Price	Value		✓				
01-Apr	Balance							600	£20.00	£12,000	1*	*1 mark for correct headings and opening balance				
03-Apr	Purchases	900	£20.50	£18,450				1500	£20.30	£30,450	1	1 mark per row				
10-Apr	Issues				300	£20.30	£6,090	1200	£20.30	£24,360	1					
15-Apr	Purchases	600	£21.50	£12,900				1800	£20.70	£37,260	1					
20-Apr	Issues				500	£20.70	£10,350	1300	£20.70	£26,910	1					
24-Apr	Returns				300	£20.50	£6,150	1000	£20.76	£20,760	1					

Question 3 PART B				Additional Guidance				Max Mark	12	
(a)	Service Cost Statement ✓									
	Drivers Wages:									
	Basic (48 * 35 * 50% * £18 * 3)			45,360	2	Award 1 mark if any single part of the calculation is missing/incorrect				
	Wages - holidays (4 * 35 * 50% * £18 * 3)			3,780	1					
	Wages - overtime (5 * 48 * 50% * (£18*1.5) * 3)			9,720	2	58,860	Award 1 mark if any single part of the calculation is missing/incorrect			
	Depreciation of service vans ((18000-3000)/3 years)*3			15,000	2	If purchase of vans included, award 1 mark max for correct depreciation				
	Fuel (100 * 3 * 48)/8 * £1.45			2,610	2	Award 1 mark if any single part of the calculation is missing/incorrect				
	Vehicle Tax (£300 * 3)			900	✓					
	Maintenance and Repairs (£2,000 * 3)			6,000	1	1 mark for Vehicle Tax and Maintenance and Repairs				
	Insurance			1,200	✓					
	Office and Admin			1,830	1	1 mark for Insurance and Office and Admin				
	Annual Operating Cost ✓			86,400	1	1 mark for heading, label and arithmetic				
(b)	Number of services			800						
	Cost per service (£86,400/800 services)			£108	1					
(c)	Add Profit (mark-up 25%)			£27						
	Selling price			£135	1					

Question 4					Additional Guidance				
		<u>Rylands plc</u>		<u>Carrick plc</u>					
(a) (i)	Equity Gearing Ratio								Max Mark 2
	(Preference Shares + Debentures)	(400,000+200,000)/250,000		(150,000+100,000)/500,000					
	Ordinary Shares	2.4:1	1	0.5:1	1	Ratio must be shown :1			
(a) (ii)	Rylands plc (1) has the highest gearing ratio. (1) Increased profits will be shared amongst a smaller number of ordinary shareholders. Therefore, the dividend per ordinary share will be higher. (1)								Max Mark 2
(b) (i)	<u>Rylands plc</u>		£						Max Mark 2
	Profit for the Year	240,000				If Debenture Finance Cost and Corporation Tax dealt with in the incorrect order, award 1 mark for Debenture Finance Cost if shown as £20,000 and treated correctly			
	Less Debenture Finance Cost	20,000	1			If Debenture Finance Cost is omitted, award Corporation Tax 1 mark consequentially if treated correctly			
	Profit before Corporation Tax	220,000							
	Less Corporation Tax (25%)	55,000	✓						
	Profit after Corporation Tax	165,000	1						
(b) (ii)	Less Preference Dividend	20,000	1						Max Mark 2
	Profit available to Ordinary Shareholders	145,000	1						
(b) (iii)	Profit available to Ordinary Shareholders	145,000							Max Mark 2
	Dividend Paid (250,000 x £0.07)	17,500	1						
	Retained Profits	127,500	1						
(b) (iv)	Earnings per Share	145,000							Max Mark 1
		250,000							
		£0.58	1	If £, times or % is missing DNA mark on first occasion					
(b) (v)	Price/Earnings Ratio	£1.74							Max Mark 1
		£0.58							
		3 times	1						
(b) (vi)	Dividend Cover	(£145,000/£17,500)							Max Mark 1
		8.29 times	1						
(c)	Dividend Yield	(£0.16/£1.66)x100							Max Mark 1
		9.64%	1						

