



Higher  
Coursework  
Assessment Task



# Higher Accounting Assignment Assessment task – OrthoBeds

**Valid for session 2023-24 only.**

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# Instructions for candidates

This assessment applies to the assignment for Higher Accounting.

This assignment is worth 60 marks. This is 33% of the overall marks for the course assessment.

It assesses the following skills, knowledge and understanding:

- ◆ selecting appropriate data to prepare accounting statements using computational techniques and appropriate layouts
- ◆ comparing, analysing and making decisions using a range of complex accounting information
- ◆ making appropriate use of spreadsheet software to complete the assignment
- ◆ preparing a report outlining reasons for the decisions taken

Your teacher or lecturer will let you know if there are any specific conditions for doing this assessment.

In this assessment, you have to work through a series of tasks:

- ◆ in the order presented
- ◆ in one block of 2 hours and 30 minutes (excluding printing time) – all printing must be completed on the same day as the assignment

You must use the e-file (**OrthoBeds**) supplied by SQA to complete task 2(a) and 2(b) using spreadsheet software. **This file must not be adapted, for example adding or deleting columns or rows or changing print settings.**

You can use the e-file (Memo Report) supplied by SQA to complete task 3(d) using word-processing software.

Make sure you display your name, Scottish Candidate Number (SCN) and task clearly on each printout you submit. This information can be keyed-in or handwritten.

# Assessment task

OrthoBeds specialises in manufacturing orthopaedic beds for hospitals and care homes.

You have just taken up the position of trainee accountant and will work under the supervision of Elle Chalmers, the Senior Accountant. Ms Chalmers needs your help to complete the following tasks.

Task	Description	Marks
1	<p>(a) Using information from the financial records of OrthoBeds, prepare a <b>Manufacturing Account</b> and an <b>Income Statement (up to Gross Profit)</b> for the year ended 31 December Year 3.</p> <p>(b) Describe the following terms:</p> <ul style="list-style-type: none"> <li>◆ royalties</li> <li>◆ work-in-progress</li> </ul> <p>You can complete task 1 as a handwritten task or by using spreadsheet and/or word-processing software.</p>	<p>18</p> <p>2</p>
2	<p>Prepare a Service Cost Statement.</p> <p><b>You must complete task 2 parts (a) and (b) using the template provided (OrthoBeds) and submit printouts as evidence.</b></p> <p>Print one copy of your spreadsheet in value view and one copy in formula view.</p>	13
3	<p>Carry out calculations to aid decision making and prepare a short report.</p> <p>You can complete task 3 parts (a)-(c) as handwritten tasks or by using spreadsheet software.</p> <p>You can complete task 3(d) as a handwritten task or on the template provided (Memo Report).</p>	<p>23</p> <p>4</p>
<b>Total marks</b>		<b>60</b>

## Task 1

The following is a list of balances extracted from the financial records of OrthoBeds.

(a) Select the items necessary to prepare the **Manufacturing Account** and **Income Statement (up to Gross Profit)** for the year ended 31 December Year 3.

	£000
Inventories at 1 January Year 3:	
Raw Materials	60
Work-in-Progress	75
Finished Goods	135
Sales Revenue	2,460
Rent	30
Wages	300
Factory Machinery at cost	320
Vehicles at cost	500
Provision for Depreciation on Factory Machinery at 1 January Year 3	200
Provision for Depreciation on Vehicles at 1 January Year 3	300
Royalties	15
Carriage Out	6
Purchases of Raw Materials	850
Trade Receivables	276
Trade Payables	150
Factory Supervisors' Salaries	74
Heat and Light	150
Insurance	54
Purchases of Finished Goods	105
Administrative Expenses	16
Cash and Cash Equivalents	50
Purchase Returns of Finished Goods	15
Carriage In on Raw Materials	15

## NOTES

1 Inventories at 31 December Year 3:

	£000
Raw Materials	45
Work-in-Progress	42
Finished Goods	120

2 Provide for depreciation for the year as follows:

- ◆ Factory Machinery 25% on the reduced balance
- ◆ Vehicles 20% on cost

3 Rent has been paid for the 15 months ending 31 March Year 4.

4 On 31 December Year 3 £6,000 insurance is payable.

5 Wages are to be shared:

- ◆ 75% Manufacturing
- ◆ 20% Indirect Factory
- ◆ 5% Warehouse

6 The following expenses are to be apportioned as follows:

	Factory	Warehouse	Office
Heat and Light	80%	-	20%
Rent	50%	25%	25%

7 Insurance is to be split between the Factory and the Office in the ratio of 3:1.

8 Finished goods are transferred to the warehouse at an estimated market value of £2,000,000.

(b) Describe the following terms:

- ◆ Royalties
- ◆ Work-in-progress

## Task 2

OrthoBeds is considering opening a staff canteen for their employees. The canteen will operate 52 weeks per year and is estimated to provide 2,500 meals per week.

Estimated costs are as follows:

- 1 The business aims to use 25% of the existing warehouse space for the canteen, so it will inherit 25% of warehouse rent.
- 2 OrthoBeds has been quoted £150 per m<sup>2</sup> from their building contractor for general renovation costs. The warehouse floor area is 500 m<sup>2</sup>.
- 3 OrthoBeds will also need to spend £150,000 on kitchen equipment. The equipment is estimated to last for 10 years with a residual value of £10,000.
- 4 OrthoBeds plans to employ a canteen supervisor at a cost of £35,000 per annum, and 2 cooks who will each receive an annual salary of £27,000.
- 5 Three kitchen assistants will be employed, each working 35 hours per week and 5 hours overtime. The kitchen assistants will be paid a basic hourly rate of £12.00 and double time for overtime. They will receive 4 weeks holiday paid at the basic rate.
- 6 The kitchen equipment will need to be serviced every 20,000 meals, at a cost of £850 per service.
- 7 Administrative costs will be incurred based on the annual wages. The estimate is 2% for annual wages up to £50,000 and 3.75% if over £50,000.
- 8 Additional costs are as follows:

Food and beverages	£2,450 per week
Cleaning, laundry and miscellaneous charges	£930 per quarter
Consumables (napkins etc)	£0.04 per meal

**As the above costs are estimates, you must use formulae to accommodate changes.**

Using the **Orthobeds** template provided:

- (a) prepare a Service Cost Statement to calculate the annual cost of operating a staff canteen. Use appropriate information from **task 1** and the information above to prepare this statement.
- (b) calculate the cost per meal

**Once complete, print one copy of your spreadsheet in value view and one copy in formula view.**

Copy of e-file: OrthoBeds

	A	B	C	D
1	<b>Task 2</b>			
2	<b>Name</b>			
3				
4	<b>SALARIES</b>			
5	Canteen Supervisor	£35,000		
6	Cooks	£27,000	Number of cooks	2
7				
8	<b>WAGES - KITCHEN ASSISTANTS</b>			
9	Basic pay per hour	£12	Basic hours	d
10	Overtime rate per hour	f	Overtime hours	d
11	Number of kitchen assistants	3		
12				
13	Kitchen equipment cost	£150,000	Number of weeks canteen operational	d
14	Estimated life - years	d	Estimated number of meals per week	d
15	Residual value	d	Estimated number of meals per year	f
16				
17	Service costs per 20,000 meals	d		
18	Food and beverages per week	d		
19	Cleaning, laundry and miscellaneous per quarter	d		
20	Consumables per meal	d		
21				
22	<b>Service Cost Statement for the Staff Canteen</b>			
23	Rent	f		
24	Renovation costs	f		
25	Depreciation	f		
26	Salaries	f		
27	Wages	f		
28	Service costs	f		
29	Administrative costs	f		
30	Food and beverages	f		
31	Cleaning, laundry and miscellaneous	f		
32	Consumables	f		
33	<b>Total Annual Cost</b>	£0		
34				
35	<b>Cost per meal</b>	f		

## Task 3

OrthoBeds manufactures 3 types of orthopaedic bed (Classic, Signature and Comfort) and in Year 3 operated at 80% capacity of machine hours.

The following information is available for manufacturing these beds in Year 3.

	Classic	Signature	Comfort
Sales and production units	2,000	880	600
Unit data:			
Selling price	£895	£1,295	£1,895
Material cost	£206	£528	£740
Machine hours	4	5	6
Labour hours	5	7	9

Labour	£16 per hour
Variable Overheads	£5 per labour hour
Annual Fixed Costs	£500,000

(a) Calculate for Year 3, the:

- (i) total machine hours worked
- (ii) contribution per unit
- (iii) total profit

In Year 4, OrthoBeds will work at full machine capacity. Market research indicates that maximum sales demand for each product will be:

- ◆ Classic – 2,500 units
- ◆ Signature – 1,500 units
- ◆ Comfort – 1,200 units

Annual fixed costs will increase by £15,000.

(b) Calculate for Year 4, the:

- (i) total machine hours at full capacity
- (ii) contribution per machine hour for each product
- (iii) quantity of each product to be produced to maximise profit
- (iv) maximum profit from operating at full capacity



OrthoBeds has received a special order for **350** Comfort beds, to be produced and dispatched in Year 4.

The selling price for this **special order** would be reduced by £150. Delivery costs would be £5,000. All other information would remain unchanged.

- (c) Recommend whether OrthoBeds should accept or reject this special order, and justify your answer.
- (d) Prepare a short report describing the benefits of using decision making for manufacturing businesses, such as OrthoBeds.

**Note: you can use the Memo Report file to complete this task.**

## Copyright acknowledgements

None

## Administrative information

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## History of changes

Version	Description of change	Date

## Security and confidentiality

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