



Higher  
Coursework  
Assessment Task



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# Higher Accounting Assignment Assessment task – OrthoBeds

## Finalised Marking Instructions

# Marking instructions

In line with SQA's normal practice, the following marking instructions for the Higher Accounting assignment are addressed to the marker. They will also be helpful if you are preparing candidates for course assessment.

Candidates' evidence is submitted to SQA for external marking.

## General marking principles

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 Candidates gain marks for showing workings and demonstrating that they have followed accounting processes, even when they present incorrect figures.
- d **Treatment of errors**  
The specific marking instructions provide guidance on the treatment of errors such as extraneous items, arithmetical errors and consequential errors.
- e **Layouts**  
The specific marking instructions provide layouts for illustrative purposes only. Do not penalise candidates for using appropriate alternative layouts.
- f **Consequential errors**  
You must take into account consequential errors. Candidates must receive marks for following the correct accounting processes and using the correct spreadsheet formulae.
- g **+/- rule**  
You should check both statements before awarding marks for correct entry of Trial Balance items, as they can only appear once.
- h **Formulae**  
Candidates may use a variety of different formulae to solve problems and provide the information needed in the spreadsheet. Award marks where a formula provides the correct answer. The formula in the specific marking instructions is not the only way to achieve the correct answer.
- i **Printouts**  
Each task clearly provides printing requirements. Where a printout for a task is missing, award marks for the correct information on any available alternative printout.

Task 1(a)				Code	Marks	Max mark	Additional Guidance
<b>Manufacturing Account of OrthoBeds for the year ended 31 December Year 3</b> ✓						<b>18</b>	
	£000	£000					
Opening Inventory of Raw Materials		60		A			
Add Purchases of Raw Materials		850		B			
Add Carriage In on Raw Materials		15		B	1		
		925					
Less Closing Inventory of Raw Materials		45		A	1		
<b>Cost of Raw Materials Consumed</b> ✓		880					
<b>Add Direct Costs</b>							
Direct Manufacturing Wages (300*75%)	225				1		If direct costs or factory overheads are deducted but indicated as added, treat as arithmetical error
Royalties	15	240		C			
<b>Prime Cost</b> ✓		1,120					
<b>Add Factory Overheads</b>							
Indirect wages (300*20%)	60				1		If factory overheads are subtracted, award marks where possible and do not award Profit on Manufacture
Factory supervisor salaries	74			C	1		
Factory heat and light (150*80%)	120				1		
Factory rent (30/15*12) * 50%	12				1		
Factory insurance (54+6)*3/4	45				1		If Factory Machinery (Cost) is included, do not award Depreciation on Factory Machinery
Depreciation on factory machinery (320-200)*25%	30	341			1		
		1,461					
Add Opening Inventory of Work in Progress		75		D			
		1,536					
Less Closing Inventory of Work in Progress		42		D	1		
<b>Factory Cost of Production</b> ✓		1,494					
Add Profit on Manufacture		506		E			If Profit on Manufacture is labelled but is negative still award the mark
<b>Wholesale/Market Value of Finished Goods</b> ✓		2,000		E	1		
<b>Headings, labels, arithmetic, no extraneous</b>					1		
<b>Income Statement of OrthoBeds for the year ended 31 December Year 3</b> ✓							
	£000	£000	£000				
Sales Revenue			2,460	F			If any item repeated across both statements do not award in correct statement
<b>Less Cost of Sales</b>							
Opening Inventory of Finished Goods		135		G			If Factory Cost of Production is included instead of Market Value, award 1 mark consequentially, provided it is the final figure shown in the Manufacturing Account
Add Wholesale/Market value of Finished Goods		2,000		F	1		
		2,135					
Purchases of Finished Goods	105			H			
Less Purchases Returns of Finished Goods	15	90		H	1		
		2,225					
Less Closing Inventory of Finished Goods		120		G	1		
		2,105					
Warehouse wages (300*5%)	15				1		If Carriage Out is included, do not award 1st available mark
Warehouse rent (30/15*12)*25%	6	21			1		
Cost of Sales			2,126				
<b>Gross Profit</b> ✓			334				
<b>Headings, labels, arithmetic, no extraneous</b>					1		
<b>Task 1(b)</b>							
Royalties refer to payments made to a business for the right to use their assets or intellectual property eg a patent.							1
Work-in-progress refers to goods that are only part complete (at the beginning or end of the accounting period).							1

Task 2 - Value View				Marks	Max mark
Name					1 - data
<b>SALARIES</b>					
Canteen Supervisor	£35,000				
Cooks	£27,000	Number of cooks	2		
<b>WAGES - KITCHEN ASSISTANTS</b>					
Basic pay per hour	£12	Basic hours	35 ✓		
Overtime rate per hour	£24	Overtime hours	5 ✓		
Number of kitchen assistants	3				
Kitchen Equipment cost	£150,000	Number of weeks canteen operational	52 ✓		
Estimated life - years	10 ✓	Estimated number of meals per week	2,500 ✓		
Residual value	£10,000 ✓	Estimated number of meals per year	130,000		
Service costs per 20,000 meals	£850 ✓				
Food and beverages per week	£2,450 ✓				
Cleaning, laundry and miscellaneous per quarter	£930 ✓				
Consumables per meal	£0.04 ✓			For all data	1
<b>Service Cost Statement for Staff Canteen</b>					
Rent	£1,500				
Renovation costs	£18,750				
Depreciation	£14,000				
Salaries	£89,000				
Wages	£82,800				
Service costs	£5,525				
Administrative costs	£3,105				
Food and beverages	£127,400				
Cleaning, laundry and miscellaneous	£3,720				
Consumables	£5,200				
<b>Total Annual Cost</b>	<b>£351,000</b>				
<b>Cost per meal</b>	<b>£2.70</b>				

	A	B	C	D	E	F
1	Task 2 - Formula View	If cell reference available, this must be used within all formulae			Marks	Max Mark
2	Name					12 - formulae
3						
4	<b>SALARIES</b>					
5	Canteen Supervisor	35000				
6	Cooks	27000	Number of cooks	2		
7						
8	<b>WAGES - KITCHEN ASSISTANTS</b>					
9	Basic pay per hour	12	Basic hours	35		
10	Overtime rate per hour ✓	=B9*2	Overtime hours	5		
11	Number of kitchen assistants	3				
12						
13	Kitchen Equipment cost	150000	Number of weeks canteen operational	52		
14	Estimated life - years	10	Estimated number of meals per week	2500		
15	Residual value	10000	Estimated number of meals per year	=D13*D14		
16				For both B10 and D15	1	
17	Service costs per 20,000 meals	850				
18	Food and beverages per week	2450				
19	Cleaning, laundry and miscellaneous per quarter	930				
20	Consumables per meal	0.04				
21						
22	<b>Service Cost Statement for Staff Canteen</b>		<b>Additional Guidance</b>			
23	Rent	=6000*25%			1	
24	Renovation costs	=(150*500)*25%	Rent is consequential on Warehouse Rent (£6,000) from Task 1a		1	
25	Depreciation	=(B13-B15)/B14			1	
26	Salaries	=B5+(B6*D6)			1	
27	Wages	=(B11*B9*D9*D13)+(B11*B10*D10*48)	Do not award mark if 52 is referred to as a number instead of cell reference D13		1	
28	Service costs	=D15/20000*B17			1	
29	Administrative costs	=IF(B27>50000,B27*3.75%,B27*2%)	=IF(B27<=50000,B27*2%,B27*3.75%)		1	
30	Food and beverages	=B18*D13	Accept the above alternative IF statement		1	
31	Cleaning, laundry and miscellaneous	=B19*4			1	
32	Consumables	=B20*D15			1	
33	Total Annual Cost	=SUM(B23:B32)				
34						
35	Cost per meal	=B33/D15			1	

Task 3						Marks	Max mark	Additional guidance
								23
(a) (i)	Classic	Signature	Comfort					2
	Machine hours per unit	4	5	6				
	Year 3 Sales units	2,000	880	600				
	Machine hours	8,000	4,400	3,600	16,000		2	All or nothing
(a) (ii)	Classic	Signature	Comfort					6
	Selling Price per unit (bed)	£895	£1,295	£1,895				
	Less Variable Costs:							
	Material Cost per unit	£206	£528	£740			1 row	
	Labour Cost per unit	£80	£112	£144			1 row	
	Variable Overheads	£25	£35	£45			1 row	
	Variable costs per unit	£311	£675	£929				
	Contribution per unit	£584	£620	£966			3 row	1 mark per CPU
(a) (iii)	Units sold	2,000	880	600				2
	Contribution	£1,168,000	£545,600	£579,600	£2,293,200		1	
	Less Fixed Costs				£500,000			
	Total Profit				£1,793,200		1	
(b) (i)	Machine hours at full capacity	16,000/80x100			20,000		1	1 Consequential to 1(a)(i)
(b) (ii)	Classic	Signature	Comfort					4
	Contribution per unit	£584	£620	£966				
	Machine hours	4	5	6				
	Contribution per machine hour	£146	£124	£161			3 row	1 mark per CPMH
	Order of priority	2	3	1			1	
	Demand	2,500	1,500	1,200				
(b) (iii)	Quantity	Mc Hrs per unit	Total Hours	Hours remaining				2
	Hours available at full capacity			20,000				
	Hours allocated to Comfort	1,200	6	7200	12,800		✓	
	Hours allocated to Classic	2,500	4	10000	2,800		1	
	Signature (2,800/5)	560					1	
(b) (iv)	Classic	Signature	Comfort					2
	Contribution	£1,460,000	£347,200	£1,159,200	£2,966,400		1	
	Less Fixed Costs				£515,000			
	Profit				£2,451,400		1	
(c)	Classic	Signature	Comfort	Special Order				4
	Selling Price			£1,745				
	Variable cost per unit			£929				
	Contribution per unit	£584	£620	£966	£816		1	
	Machine hours	4	5	6	6			
	Contribution per machine hour	£146	£124	£161	£136		1	
	Order of priority	2	4	1	3			
	OrthoBeds should accept the special order (1)						1	
	The contribution per machine hour is greater than Signature (1)						1	
	The profit increases by accepting the special order (1)						1	
	Alternative method 1							
	Profit from Special Order:							
	Contribution based on units	350 units x £816 (1) Contribution per unit			£285,600			
	OR							
	Contribution based on machine hours	2,100 hours (350 units x 6 hours) x £136 Contribution per machine hour						
	Less Delivery Costs				£5,000			
	Less loss of Contribution due to reduced units of Signature:				£280,600			
	Contribution based on units	(2,100 hours/5 machine hours) 420 units x £620 Contribution per unit			£260,400		1	
	OR							
	Contribution based on machine hours	2,100 hours x £124 Contribution per machine hour						
	Increase in Profit				£20,200			
	Alternative method 2							
	Classic	Signature	Comfort	Special Order	Total			
	Selling Price			£1,745				
	Variable cost per unit			£929				
	Contribution per unit	£584	£620	£966	£816		1	
	Machine hours	4	5	6	6			
	Contribution per machine hour	£146	£124	£161	£136		1	
	Order of priority	2	4	1	3			
	Machine hours allocated	10,000	700	7,200	2,100	20,000		
	Units Produced	2,500	140	1,200	350			
	Total Contribution	£1,460,000	£86,800	£1,159,200	£285,600	£2,991,600		
	Less Fixed Costs					520,000		
	Profit					£2,471,600		
	Increase in Profit					£20,200		

**Task 3(d)**

**Max Mark**

**4**

The benefits of decision making to a manufacturing business such as Orthobeds:

It helps to decide whether to accept or reject a special order. (1)

It helps to establish the quantity of each product to be produced to maximise profits (1), taking account of a limiting factor. (1)

It assists in establishing an order of priority when producing a range of products. (1)

It assists when deciding to make or buy a component. (1)

It assists when deciding on whether to retain or close a factory or branch. (1)

DO NOT ACCEPT generic responses eg it allows the business to plan ahead.

DO NOT ACCEPT it highlights the products making the highest profit.

**[END OF MARKING INSTRUCTIONS]**