



GCE

# Accounting

Advanced GCE

Unit F013: Company Accounts and Interpretation

## Mark Scheme for June 2011

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Question Number	Expected Answer	Mark	Additional Guidance
1	<u>Hutchinson plc</u> Profit and Loss Account for the year ended 31 March 2011		
	Turnover	3,950,000 (1)	
	Cost of sales	<u>1,265,000</u> (1)	
	Gross profit	2,685,000	
	Distribution costs	653,500 (4)	
	Administrative expenses	<u>1,005,775</u> (7)	
	Operating profit	1,659,275	
	Other income	1,025,725	
		<u>30,000</u> (1)	
		<u>1,055,725</u> (1)	
	Interest payable	2,880	
	Profit on ordinary activities before tax	1,052 845	
	Corporation tax	<u>210,000</u> (1)	
	Profit after tax	842 845	
	Profit and loss b/f	<u>152,000</u>	
		690 845	
	Preference dividends	32,000 (1)	
	Proposed ordinary dividends	<u>525,000</u> (2)	
	Retained profit	<u>133,845</u>	

Distribution costs

$372,000 + 9,800 + 215,000 + 47,500 + 9,200$  (4 marks)

Administrative expenses

$720,000 + 38,000 + 18,000 - 25,000 + 36,800 + 215,000 - 4,800 + 7,775$  (7 marks)

Question Number	Expected Answer	Mark	Additional Guidance
1	<u>Balance Sheet as at 31 March 2011</u>		
	<u>Fixed assets</u>		
	Land and buildings	1,900,000	
	Office equipment	64,000	
	Delivery Vehicles	<u>142,500</u>	
		2,106,500 (1)	
	<u>Current assets</u>		
	Stock	65,000	
	Debtors	147,725 (2)	
	Prepaid	<u>4,800 (1)</u>	
		217,525 (1)	
	<u>Creditors amounts falling due within one year</u>		
	Creditors	45,500 (1)	
	Accruals	12,680 (1)	
	Rent paid in advance	10,000	
	Taxation	210,000	
	Dividends	525,000 (1)	
	Bank	<u>72,000</u>	
		875,180 (1)	
	Net current assets	<u>(657,655)</u>	
		<u>1,448,845</u>	
	<u>Capital and reserves</u>		
	Ordinary share capital	600,000	
	Preference shares	400,000	
	Revaluation reserve	150,000 (1)	
	General reserve	15,000	
	Share premium	150,000	
	Retained profit	<u>133,845 (1)</u>	
		<u>1,448,845</u>	
		<b>[30]</b>	<b>Total marks [32] QWC [2]</b>

F013

Mark Scheme

June 2011

Question Number	Expected Answer			Mark	Additional Guidance	
2	<u>Bopara Plc</u>					
	<u>Schedule of Fixed Assets for year ended 31 May 2011</u>					
		<u>Land and buildings</u>	<u>Delivery vehicles</u>	<u>Machinery</u>		
	Cost at 1 June	380,000	165 000	90,000	(1) for line	
	Additions		40,000	20,000	(1) for line	
	Disposals		(20,000)	(9,000)	(1) for line	
	Revaluation	<u>150,000 (1)</u>				
	Cost at 31 May	<u>530,000</u>	<u>185,000</u>	<u>101,000</u>	(1)	
	Total depreciation 1 June	46,000	76,000	34,000	(1)	
	Profit and loss	11,500 (2)	19,880 (2)	12,900 (2)		
	Disposals		7,840 (2)	(5,500) (2)		
	Total depreciation 31 May	<u>57,500</u>	<u>88,040</u>	<u>41,400</u>	(1) for line	
	Net book value 31 May	<u>472,500</u>	<u>96,960</u>	<u>59,600</u>	(1) for line	[18]

F013

Mark Scheme

June 2011

Question Number	Expected Answer	Marks	Additional Guidance
2 (b) (i)	<p>Research is original and planned investigations (1) with the intention of acquiring new scientific or technical knowledge (1).</p> <p>Development is applying research to plan or design new products (1) up to the point of commercial use (1).</p>	[4]	Maximum 4 marks
2 (b) (ii)	<p>Revenue expenditure on research should be shown as an expense (1) in the profit and loss account (1).</p> <p>Capital expenditure on research such as the purchase of a new laboratory (1) should be treated as a normal fixed asset (1).</p> <p>Development costs can be written off an expense (1) or can be shown as a fixed asset on the balance sheet (1).</p> <p>Development costs can be shown on the balance sheet providing a product can be made and sold to customers to generate future economic benefit to the firm (1).</p> <p>The firm must have the available resources to complete the development (1) and measure the expenditure in a reliable way (1).</p> <p style="text-align: right;"><b>Total Marks</b></p>	[6]	<p>Maximum 6 marks (6)</p> <p>QWC (2)</p> <p>[8]</p>
		<b>[30]</b>	

F013

Mark Scheme

June 2011

Question Number	Expected Answer	Marks	Additional Guidance
3 (a) (i)	Gross profit as a percentage of turnover; $\frac{2,700,000}{4,500,000} = 60\%$	[1]	
3 (a) (ii)	Net profit after interest as a percentage of turnover; $\frac{600,000 (1)}{4,500,000 (1)} = 13.33\% (1)$	[3]	
3 (a) (iii)	Return on capital employed using the net profit before interest $\frac{648,000 (1)}{2,400,000 (1)} = 27\% (1)$	[2]	

F013

Mark Scheme

June 2011

3 (b) Discuss why each of the following would be interested in the financial statements published by Liam Fashions Plc.

Question Number	Expected Answer	Mark	Additional Guidance
3 (b) (i)	<p><b>Potential investors</b></p> <p>To assess the performance of the management (1) and the amount of dividends and cash available (1).            Will the company continue to make profits (1) and is the company expanding or declining (1).            Is the company making a profit or loss (1) and the amount of sales turnover (1).</p>	[4]	Maximum 4 marks
3 (b) (ii)	<p><b>Employees</b></p> <p>To assess if the company has the cash available to pay wages and salaries (1) and consider the stability (1) of the company and the employment prospects for the future (1).            The cash position of the company (1) and can it pay short term debts (1).            The amount of profits (1) and the share price of the company (1).</p>	[4]	Maximum 4 marks
3 (b) (iii)	<p><b>Banks</b></p> <p>Can the company make finance payments (1) and repay loans (1) and to assess the value of security available to the lender (1).             The current value of the loans on the balance sheet (1) and the asset value of the company (1).</p> <p><b>Total marks</b></p>	[4]	Maximum 4 marks
		[18]	



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