



GCE

## Accounting

Advanced GCE

Unit **F013**: Company Accounts and Interpretation

# Mark Scheme for June 2013

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**F013**

**Mark Scheme**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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## Annotations

Annotation	Meaning
	Unclear
	Benefit of Doubt
	Cross
	Own Figure Rule
	Repeat
	Noted but no credit given
	Tick

## Subject-specific Marking Instructions

Every working box – whether it contains working or not – must be stamped as ‘seen’.

## Blank answer spaces

To be sure you have not missed any candidate responses you must check every page of the question paper and annotate any blank answer spaces with the following annotation:



## Additional Objects

You must also check any additional pages (shown as Additional Objects) which the candidate has chosen to use.

Before you begin marking, use the Linking Tool, to ‘link’ any additional page(s) to the relevant question(s) and mark the response as normal.

**All** additional pages must be annotated with the ‘SEEN’ stamp, so it is clear to centres that the additional pages have been viewed by the marker.

**Quality of Written Communication**

The rubric states:

*\* In these two questions/sub questions, you will be assessed on the quality of your written communication. In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.*

4% of the paper marks are available for rewarding *Quality of Written Communication*.

**Levels of Response for Numerical Questions**

Level	Mark	Description
2	2	Almost all account headings, terms and balances are included appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included, though not always adhered to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
-	0	Responses which fail to achieve the standard required for Level 1.

**Levels of Response for Narrative Questions**

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
-	0	Responses which fail to achieve the standard required for Level 1.

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Question		Answer	Marks	Guidance																																																																																					
1	(a)*	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Profit and loss</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">270,000</td> <td style="width: 10%; text-align: right;"><b>(1)</b></td> <td></td> </tr> <tr> <td>Bal b/d</td> <td></td> <td style="text-align: right;"><u>80,000</u></td> <td style="text-align: right;"><b>(1)</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">350,000</td> <td></td> <td></td> </tr> <tr> <td>Tax</td> <td></td> <td style="text-align: right;"><u>130,000</u></td> <td style="text-align: right;"><b>(1)</b></td> <td></td> </tr> <tr> <td>Profit after tax</td> <td></td> <td style="text-align: right;">220,000</td> <td></td> <td></td> </tr> <tr> <td>Proposed dividends</td> <td style="text-align: right;">100,000</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> <td></td> </tr> <tr> <td>Transfer to reserves</td> <td style="text-align: right;"><u>20,000</u></td> <td style="text-align: right;"><u>120,000</u></td> <td></td> <td></td> </tr> <tr> <td>Retained profit</td> <td></td> <td style="text-align: right;"><u>100,000</u></td> <td></td> <td></td> </tr> <tr> <td colspan="5"> </td> </tr> <tr> <td colspan="5">Net cash flow from operating activities</td> </tr> <tr> <td>Net profit for the year</td> <td></td> <td style="text-align: right;">270,000</td> <td></td> <td></td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">255,000</td> <td style="text-align: right;"><b>(2)</b></td> <td></td> </tr> <tr> <td>Loss on sale</td> <td></td> <td style="text-align: right;">13,000</td> <td style="text-align: right;"><b>(2)</b></td> <td></td> </tr> <tr> <td>Increase in stock</td> <td></td> <td style="text-align: right;">(110,000)</td> <td style="text-align: right;"><b>(1)</b></td> <td></td> </tr> <tr> <td>Increase in debtors</td> <td></td> <td style="text-align: right;">(60,000)</td> <td style="text-align: right;"><b>(1)</b></td> <td></td> </tr> <tr> <td>Increase in creditors</td> <td></td> <td style="text-align: right;">30,000</td> <td style="text-align: right;"><b>(1)</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>398,000</u></td> <td></td> <td></td> </tr> </table>	Profit and loss		270,000	<b>(1)</b>		Bal b/d		<u>80,000</u>	<b>(1)</b>				350,000			Tax		<u>130,000</u>	<b>(1)</b>		Profit after tax		220,000			Proposed dividends	100,000		<b>(1)</b>		Transfer to reserves	<u>20,000</u>	<u>120,000</u>			Retained profit		<u>100,000</u>								Net cash flow from operating activities					Net profit for the year		270,000			Depreciation		255,000	<b>(2)</b>		Loss on sale		13,000	<b>(2)</b>		Increase in stock		(110,000)	<b>(1)</b>		Increase in debtors		(60,000)	<b>(1)</b>		Increase in creditors		30,000	<b>(1)</b>				<u>398,000</u>			21	
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Question	Answer	Marks	Guidance																																				
	<p data-bbox="387 248 488 280"><u>Roy plc</u></p> <p data-bbox="387 295 1120 327"><u>Cash Flow Statement for the year ended 31 March 2013</u></p> <table data-bbox="387 341 1317 1023" style="width: 100%; border-collapse: collapse;"> <tr> <td data-bbox="387 341 1115 373">Net cash flow from operating activities</td> <td data-bbox="1149 341 1265 373" style="text-align: right;">398,000</td> <td data-bbox="1149 341 1265 373"></td> </tr> <tr> <td colspan="3" data-bbox="387 432 504 464">Taxation</td> </tr> <tr> <td data-bbox="387 477 1115 509">Corporation tax</td> <td data-bbox="1149 477 1305 509" style="text-align: right;">(90,000) (1)</td> <td data-bbox="1149 477 1305 509"></td> </tr> <tr> <td colspan="3" data-bbox="387 568 645 600">Capital expenditure</td> </tr> <tr> <td data-bbox="387 612 1115 644">Purchase of fixed assets</td> <td data-bbox="1133 612 1305 644" style="text-align: right;">(920,000) (2)</td> <td data-bbox="1133 612 1305 644"></td> </tr> <tr> <td data-bbox="387 657 1115 689">Proceeds of sale</td> <td data-bbox="1167 657 1305 689" style="text-align: right;">12,000 (1)</td> <td data-bbox="1167 657 1305 689"></td> </tr> <tr> <td data-bbox="387 748 1115 780">Equity dividends paid</td> <td data-bbox="1149 748 1305 780" style="text-align: right;"><u>(80,000) (1)</u></td> <td data-bbox="1149 748 1305 780"></td> </tr> <tr> <td data-bbox="1149 793 1265 825" style="text-align: right;">(680,000)</td> <td data-bbox="1149 793 1265 825"></td> <td data-bbox="1149 793 1265 825"></td> </tr> <tr> <td colspan="3" data-bbox="387 837 517 869">Financing</td> </tr> <tr> <td data-bbox="387 882 1115 914">Issue of shares</td> <td data-bbox="1149 882 1305 914" style="text-align: right;">450,000 (2)</td> <td data-bbox="1149 882 1305 914"></td> </tr> <tr> <td data-bbox="387 927 1115 959">Loan</td> <td data-bbox="1149 927 1305 959" style="text-align: right;">120,000 (1)</td> <td data-bbox="1149 927 1305 959"></td> </tr> <tr> <td data-bbox="387 971 1115 1003">Decrease in cash</td> <td data-bbox="1133 971 1305 1003" style="text-align: right;"><u>(110,000) (1)</u></td> <td data-bbox="1133 971 1305 1003"></td> </tr> </table>	Net cash flow from operating activities	398,000		Taxation			Corporation tax	(90,000) (1)		Capital expenditure			Purchase of fixed assets	(920,000) (2)		Proceeds of sale	12,000 (1)		Equity dividends paid	<u>(80,000) (1)</u>		(680,000)			Financing			Issue of shares	450,000 (2)		Loan	120,000 (1)		Decrease in cash	<u>(110,000) (1)</u>			
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	<b>Total</b>	<b>23</b>																																					

Question		Answer	Marks	Guidance
	(b) (i)	<p>The directors of Roy plc may require extra finance and believe that the company would be attractive to investors.</p> <p>Shareholders would be willing to pay above the nominal value because they expect a good return on the investment.</p> <p>If the market value of its shares is expected to increase then investors will hope to be able to resell the shares for more than the premium price.</p>	4	<b>Maximum 4 marks (1 for point plus 1 for development) x 2</b>
	(ii)*	<p>It reduces/dilutes the value of each share for Roy plc, making shares more marketable on the stock market.</p> <p>Shareholders do not have to find the cash to pay for their new shares because the company will use the capital reserve for the issue of shares.</p> <p>Shareholders may prefer a cash dividend and decide to sell the shares which could reduce the market value of the shares of Roy plc.</p> <p>Making a bonus issue helps maintain the company's cash balances because the cash outflow on dividends will not take place.</p> <p>Bonus shares can be issued from the company's share premium account without reducing the company's revenue reserves.</p>	10	<p><b>Maximum 6 marks (for either Roy plc or shareholders) (1 for point plus 2 for development)</b></p> <p>One mark per correct identification/point up to a maximum of five identifications/points plus up to an additional two marks for each of five developments. Maximum ten marks, plus two marks for QWC.</p>
		<b>QWC</b>	<b>2</b>	
		<b>Total</b>	<b>39</b>	

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2	<p>Pang Ltd  <u>Schedule of Fixed Assets for the year ended 31 December 2012</u></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;"></th> <th style="width: 15%; text-align: right;">Land and buildings</th> <th style="width: 15%; text-align: right;">Motor vehicles</th> <th style="width: 35%; text-align: right;">Equipment</th> </tr> </thead> <tbody> <tr> <td>Cost as at 1 January</td> <td style="text-align: right;">400,000</td> <td style="text-align: right;">220,000</td> <td style="text-align: right;">110,000 <b>(1) for line</b></td> </tr> <tr> <td>Additions</td> <td></td> <td style="text-align: right;">20,000 <b>(1)</b></td> <td style="text-align: right;">10,000 <b>(1)</b></td> </tr> <tr> <td>Disposals</td> <td></td> <td style="text-align: right;">(30,000) <b>(1)</b></td> <td></td> </tr> <tr> <td>Revaluations</td> <td style="text-align: right;">80,000 <b>(2)</b></td> <td></td> <td></td> </tr> <tr> <td>Cost as at 31 December</td> <td style="text-align: right; border-top: 1px solid black;">480,000</td> <td style="text-align: right; border-top: 1px solid black;">210,000</td> <td style="text-align: right; border-top: 1px solid black;">120,000 <b>(1) for line</b></td> </tr> <tr> <td> </td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total depreciation as at 1 January</td> <td style="text-align: right;">50,000</td> <td style="text-align: right;">95,000</td> <td style="text-align: right;">35,000 <b>(1) for line</b></td> </tr> <tr> <td>Profit and loss</td> <td style="text-align: right;">6,000 <b>(2)</b></td> <td style="text-align: right;">25,720 <b>(2)</b></td> <td style="text-align: right;">10,700 <b>(2)</b></td> </tr> <tr> <td>Disposals</td> <td></td> <td style="text-align: right;">(9,480) <b>(2)</b></td> <td></td> </tr> <tr> <td>Total depreciation as at 31 December</td> <td style="text-align: right; border-top: 1px solid black;">56,000</td> <td style="text-align: right; border-top: 1px solid black;">111,240</td> <td style="text-align: right; border-top: 1px solid black;">45,700 <b>(1) for line</b></td> </tr> <tr> <td>Net book value as at 31 December</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">424,000</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">98,760</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">74,300 <b>(1) for line</b></td> </tr> </tbody> </table>		Land and buildings	Motor vehicles	Equipment	Cost as at 1 January	400,000	220,000	110,000 <b>(1) for line</b>	Additions		20,000 <b>(1)</b>	10,000 <b>(1)</b>	Disposals		(30,000) <b>(1)</b>		Revaluations	80,000 <b>(2)</b>			Cost as at 31 December	480,000	210,000	120,000 <b>(1) for line</b>	 				Total depreciation as at 1 January	50,000	95,000	35,000 <b>(1) for line</b>	Profit and loss	6,000 <b>(2)</b>	25,720 <b>(2)</b>	10,700 <b>(2)</b>	Disposals		(9,480) <b>(2)</b>		Total depreciation as at 31 December	56,000	111,240	45,700 <b>(1) for line</b>	Net book value as at 31 December	424,000	98,760	74,300 <b>(1) for line</b>	18	
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Question			Answer		Marks	Guidance	
3	(a)	(i)	Bal c/d	<u>Ordinary Share Capital</u> 625,000 (1) <u>625,000</u>	Bal b/d 400,000 (1) Bank (1) 100,000 (1) Share premium (1) 125,000 (1) <u>625,000</u>	6	Allow 1 mark if narrative cash is given
		(ii)	Ordinary share capital (1) 125,000 (1) Bal c/d 225,000 (1) <u>350 000</u>	<u>Share Premium</u> Bal b/d 200,000 (1) Bank (1) 150,000 (1) <u>350 000</u>	6	Allow 1 mark if narrative cash is given	
		(iii)	Bal c/d <u>500,000</u> (1) <u>500,000</u>	<u>Loan</u> Bank (1) 500,000 (1) <u>500,000</u>	3		

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Question	Answer	Marks	Guidance
(b)	<p>This is a key profitability ratio for Mann plc and it shows how much profit the company has earned for every pound of capital employed by Mann plc.</p> <p>A low return on capital employed is always a problem because there is the possibility of Mann plc becoming loss-making if trading conditions deteriorate.</p> <p>Comparison of the return on capital employed of a company with similar companies in the same sector is a far better measure of how Mann plc is performing than a comparison with the market as a whole.</p> <p>Mann plc can compare past results and profits over a period of time and identify if there is an upward or downward trend in profitability.</p> <p>Mann plc can compare with forecasts which have been prepared and the return on capital employed of a company should always be compared with the current cost of borrowing from a banks.</p>	8	<p><b>Maximum 8 marks (1 for point plus 2 for development)</b></p> <p>One mark for each correct identification/ point up to a maximum of four identifications/points, plus up to a further two marks for each of four points. Maximum eight marks.</p>
	<b>Total</b>	<b>23</b>	

**OCR (Oxford Cambridge and RSA Examinations)**  
1 Hills Road  
Cambridge  
CB1 2EU

**OCR Customer Contact Centre**

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Telephone: 01223 553998

Facsimile: 01223 552627

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