Monday 2 June 2014 – Morning

A2 GCE ACCOUNTING

F013/01/RB Company Accounts and Interpretation

RESOURCE BOOKLET

To be given to candidates at the start of the examination

Duration: 1 hour 30 minutes

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INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–3 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- The quality of your written communication will be taken into account in marking your answers to the two questions/sub-questions marked with an asterisk (*).
- 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.
- There will be adequate space to show your workings.
- This document consists of **8** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER / INVIGILATOR

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1 The following balances were extracted from the books of Future plc on 31 May 2014.

	Dr £	Cr £
Stocks at 1 June 2013:		
Raw materials	42 000	
Work in progress	50 000	
Finished goods	64 000	
Purchases of raw materials	830 000	
Purchase returns of raw materials		26 000
Carriage inwards on raw materials	12 000	
Direct wages	210 000	
Indirect wages	72 000	
Debtors	190 000	
Creditors		83 000
Sales		2 100 000
Plant and machinery at cost	500 000	
Provision for depreciation of plant and machinery		175 000
Office equipment	165 000	
Provision for depreciation of office equipment		65 000
Buildings	660 000	
General administrative expenses	137 000	
General distribution costs	116 000	
Carriage outwards	17 000	
Provision for doubtful debts		4 000
Share premium		200 000
Ordinary shares (50 pence each)		400 000
Rates and insurance	24 000	
Loan interest	5 000	
8% Loan (2008 – 2018)		80 000
Bank		65 000
Factory overheads	104 000	
	3 198 000	3 198 000

Additional information:

(i) Stocks as at 31 May 2014:

	£
Raw materials	44 000
Work in progress	38 000
Finished goods	50 000

(ii) Plant and machinery is only used in the factory. Depreciation is to be provided using the reducing balance method at a rate of 20% per annum.

Office equipment is depreciated at 15% per annum using the straight line method and it is split equally between administrative expenses and distribution costs.

No depreciation is charged on buildings.

(iii) Rates of £4000 are prepaid at 31 May 2014.

Rates and insurance are apportioned as follows.

- Factory two-fifths
- Administrative expenses two-fifths
- Distribution costs one-fifth

(iv) Provision for doubtful debts is to be provided at 5% of debtors.

(v) Corporation tax is estimated at £180 000.

(vi) The directors have decided to make a transfer to the general reserve of £300 000.

(vii) There were no retained profits at 1 June 2013.

REQUIRED

(a) The Manufacturing Account for the year ended 31 May 2014 (for internal use only). **[8]**

(b)* The Profit and Loss Account for the year ended 31 May 2014 **and** the Balance Sheet as at 31 May 2014 (in accordance with the minimum required for publication). **[24]**

2 The following are the summarised Balance Sheets of Ball plc as at 31 May.

	2013		2014	
	£	£	£	£
Fixed Assets				
Buildings		1 800 000		2 250 000
Machinery		600 000		1 350 000
Motor vehicles		150 000		321 000
		2 550 000		3 921 000
Current Assets				
Stock	80 000		98 000	
Debtors	62 000		65 000	
Bank	22 000		57 000	
	164 000		220 000	
Creditors: amounts falling due in less than 1 year				
Creditors	70 000		58 000	
Corporation tax	81 000		113 000	
	151 000		171 000	
Net current assets		13 000		49 000
Total assets less current liabilities		2 563 000		3 970 000
Capital and Reserves				
£0.50 Ordinary shares		2 000 000		2 500 000
Share premium		200 000		650 000
Revaluation reserve		220 000		670 000
General reserve		60 000		60 000
Profit and loss		83 000		90 000
		2 563 000		3 970 000

Additional information.

(i) Ball plc revalued the buildings on 1 January 2014.

(ii) The total depreciation provision incorporated in the balance sheets for machinery was £135 000 at 31 May 2013 and £160 000 at 31 May 2014. There were no disposals of machinery during the year ended 31 May 2014.

(iii) A motor vehicle with a book value of £53 000 was sold during March 2014 for £58 000. Ball plc purchased new motor vehicles for £250 000 on 1 April 2014.

REQUIRED

(a) The net cash flow from operating activities for the year ended 31 May 2014. (A full cash flow statement is not required.) **[10]**

(b)* It is a requirement of FRS 18 that a company should disclose the accounting policies which it has used for the financial year.

Discuss why, according to FRS 18, this is important for the shareholders of Ball plc. **[14]**

3 Talbot plc has an authorised share capital of 2 000 000 ordinary shares at £1.25 each.

As at 1 January 2014 it had already issued 1 500 000 fully paid ordinary shares at a premium of £0.75 each.

Talbot plc has decided to expand by investing in new computer-controlled factory equipment which will increase output and reduce labour costs.

In order to finance this investment, Talbot plc has decided to offer all of the remaining authorised share capital to the public at £2.20 per share. The terms of the issue are £0.50 payable on application and £1.70 on allotment.

On 1 February 2014 the amount received in application money was £350 000. On 18 March 2014 all the excess application money was returned to the unsuccessful applicants.

All of the allotment money was received on 20 May 2014.

REQUIRED

(a) The following ledger accounts to record the above share issue.

(i) Application and Allotment Account **[6]**

(ii) Share Capital Account **[4]**

(iii) Share Premium Account **[4]**

(b) Discuss why the employees would be interested in the financial statements produced by Talbot plc. **[6]**

(c) Explain the importance of the Auditor's Report to the shareholders of Talbot plc. **[4]**

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