



**GCE**

**Accounting**

Unit **F013**: Company Accounts and Interpretation

Advanced GCE

**Mark Scheme for June 2016**

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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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Question	Answer	Mark	Guidance																																																																																																												
1*	<p>Ridley plc  <u>Manufacturing, Trading and Profit and Loss Account for the year ended 31 May 2016</u></p> <table> <tr><td>Opening stock of raw materials</td><td></td><td>52,000</td><td></td></tr> <tr><td>Purchases of raw materials</td><td></td><td>970,000</td><td></td></tr> <tr><td>Carriage on materials</td><td></td><td><u>18,000 (1)</u></td><td></td></tr> <tr><td></td><td></td><td>1,040,000</td><td></td></tr> <tr><td>Closing stock of raw material</td><td></td><td><u>28,000</u></td><td></td></tr> <tr><td>Direct materials</td><td></td><td>1,012,000 (2)</td><td></td></tr> <tr><td>Direct wages</td><td></td><td>165,000 (1)</td><td></td></tr> <tr><td>Direct expenses</td><td></td><td><u>40,000</u></td><td></td></tr> <tr><td>Prime cost</td><td></td><td>1,217,000</td><td></td></tr> <tr><td>Indirect wages</td><td>93,000 (1)</td><td></td><td></td></tr> <tr><td>Depreciation - machinery</td><td>25,400 (1)</td><td></td><td></td></tr> <tr><td>Rates and insurance</td><td>27,375 (1)</td><td></td><td></td></tr> <tr><td>General factory overheads</td><td><u>88,225</u></td><td><u>234,000 (1)</u></td><td></td></tr> <tr><td></td><td></td><td>1,451,000</td><td></td></tr> <tr><td>Work in progress at start</td><td></td><td>63,000</td><td></td></tr> <tr><td>Work in progress at end</td><td></td><td><u>(33,500)</u></td><td></td></tr> <tr><td>Production cost of finished goods</td><td></td><td>1,480,500</td><td></td></tr> <tr><td>Manufacturing profit</td><td></td><td><u>148,050 (1)</u></td><td></td></tr> <tr><td>Finished goods transfer to trading a/c</td><td></td><td><u>1,628,550</u></td><td></td></tr> <tr><td>Sales</td><td></td><td>2,187,550</td><td></td></tr> <tr><td>Opening stock of finished goods</td><td>71,500</td><td></td><td></td></tr> <tr><td>Transfer from manufacturing</td><td>1,628,550 (1 of)</td><td></td><td></td></tr> <tr><td>Closing stock of finished goods</td><td><u>88,000</u></td><td></td><td></td></tr> <tr><td>Cost of sales</td><td></td><td><u>1,612,050 (1)</u></td><td></td></tr> <tr><td>Gross Profit</td><td></td><td>575,500</td><td></td></tr> <tr><td>Rent received</td><td></td><td><u>22,800 (1)</u></td><td></td></tr> <tr><td></td><td></td><td>598 300</td><td></td></tr> </table>	Opening stock of raw materials		52,000		Purchases of raw materials		970,000		Carriage on materials		<u>18,000 (1)</u>				1,040,000		Closing stock of raw material		<u>28,000</u>		Direct materials		1,012,000 (2)		Direct wages		165,000 (1)		Direct expenses		<u>40,000</u>		Prime cost		1,217,000		Indirect wages	93,000 (1)			Depreciation - machinery	25,400 (1)			Rates and insurance	27,375 (1)			General factory overheads	<u>88,225</u>	<u>234,000 (1)</u>				1,451,000		Work in progress at start		63,000		Work in progress at end		<u>(33,500)</u>		Production cost of finished goods		1,480,500		Manufacturing profit		<u>148,050 (1)</u>		Finished goods transfer to trading a/c		<u>1,628,550</u>		Sales		2,187,550		Opening stock of finished goods	71,500			Transfer from manufacturing	1,628,550 (1 of)			Closing stock of finished goods	<u>88,000</u>			Cost of sales		<u>1,612,050 (1)</u>		Gross Profit		575,500		Rent received		<u>22,800 (1)</u>				598 300		28	
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Question			Answer		Mark	Guidance
		Manufacturing profit	148,050 (1)			
		Increase in provision for unrealised profit	<u>(1,500)</u> (2)	<u>146,550</u>		
		Net profit before tax		227,315		
		Corporation tax		<u>125,000</u> (1)		
		Profit after tax		102,315		
		Share dividend	50,000			
			(1)			
		Reserves	<u>40,000</u>	<u>90,000</u>		
			(1)			
		Retained profit		<u>12,315</u> (1)		
					<b>QWC (2)</b>	

Question			Answer	Mark	Guidance
2	(a)	(i)	$\frac{254,000}{970,000} \times 100 = 26.19\%$ (1)	2	
		(ii)	$\frac{820,000}{970,000} = 0.85$ times (1)	2	
		(iii)	$\frac{90,000}{170,000} = 0.53:1$ (1)	2	
		(iv)	$\frac{254,000}{20,000} = 12.7$ times (1)	2	
		(v)	$\frac{189,000}{60,000} = 3.15$ times (1)	2	
		(vi)	$\frac{400,000}{970,000} = 41.24\%$ (1)	2	
		(vii)	$\frac{1}{2.50} \times 20\% = 8\%$ (1)	3	

Question	Answer	Mark	Guidance
2 (b)*	<p>The liquid ratio is known as the acid test because it does not include the closing stock valuation when measuring liquidity. Cooper plc has a ratio of 0.53:1 which means that cash is tied up in stock and the stock is not an asset in which cash can be raised quickly.</p> <p>Cooper plc could reduce the amount of cash tied up in stock by improved stock management and use of computer stock software.</p> <p>Introduce a system of economic ordering and monitor minimum and maximum stocks.</p> <p>Introduce a system of just-in-time for stock control to improve the liquidity position.</p> <p>Cooper plc could consider an injection of cash through increasing the amount of long-term loans</p> <p>Issuing more ordinary shares by a rights issue of shares or a full issue to the general public to improve the cash flow</p> <p>Entering into a factoring agreement to improve the cash flow for the financial year</p> <p>Cooper plc could consider the dividend policy by reducing the amount of dividends it would improve the liquidity position of the company. They could also consider a bonus issue of shares instead of paying out cash dividends to the shareholders.</p> <p><b>Maximum 8 marks (1 for point plus up to 1 for development)</b></p> <p style="text-align: right;"><b>QWC (2)</b></p>	<b>10</b>	

Question		Answer		Mark	Guidance
3	(a)	Bank Application and allotment	1,200 000 (1) 1,200,000 (1)	16	
		Application and allotment Bank	160,000 (1) 160,000 (1)		
		Bank Application and allotment	60,000 (2) 60,000 (2)		
		Application and allotment Share premium	750,000 (1) 750,000 (1)		
		Application and allotment Ordinary share capital	350,000 (1) 350,000 (1)		
		Bank First and final call	149,250 (1) 149,250 (1)		
		First and final call Ordinary share capital	150,000 (1) 150,000 (1)		





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