

## **GCE**

# **Accounting**

Unit F013: Company Accounts and Interpretation

**Advanced GCE** 

Mark Scheme for June 2017

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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.

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## **MARK SCHEME FORMAT 1**

Question	Answer			Mark	Guidance
1 (a)*					
	<u>Paver Ltd</u>				
		Profit and Loss Accour	nt for the year ended 31 December 2016	24	
	Opening stock of raw materials		92,000		
	Purchases of raw materials		930,000		
	Carriage on materials		<u>5,400 <b>(1)</b></u>		
			1,027,400		
	Purchase returns on raw materials		<u>26,900</u>		
			1,000,500		
	Closing stock of raw material		<u>66,000</u>		
	Direct materials		934,500 <b>(2)</b>		
	Direct wages		<u>498,000</u> <b>(1)</b>		
	Prime cost		1,432,500		
	Indirect wages	129,400			
	Depreciation factory machinery	54,500 <b>(2)</b>			
	Depreciation Motor vehicles	15,750 <b>(1)</b>			
	Rates and insurance	54,400 <b>(1)</b>			
	General factory overheads	<u>174,300 <b>(1)</b></u>	<u>428,350 <b>(1)</b></u>		
			1,860,850		
	Work in progress at start		117,500 <b>(1)</b>		
	Work in progress at end		(146,000)		
	Production cost of finished goods		<u>1,832,350</u> <b>(1)</b>		
	Sales		3,320,000		
	Sales returns		41,200		

Question		Answe	er	Mark	Guidance
			3,278,800 <b>(1)</b>		
	Opening stock of finished goods	118,400			
	Production cost of finished goods	1,832,350 <b>(1)</b>			
	Closing stock of finished goods	83,600			
	Cost of sales		<u>1,867,150</u>		
	Gross Profit		1,411,650		
	Commission received		36,000 <b>(1)</b>		
	Provision for doubtful debts		<u>4,325</u> <b>(2)</b>		
			1,451,975		
	Bad debts	11,000 <b>(1)</b>			
	Rates and insurance	13,600 <b>(1)</b>			
	Loan interest	15,000 <b>(1)</b>			
	Office salaries	193,000			
	General office expenses	124,500			
	Depreciation – motor vehicles	<u>5,250 <b>(1)</b></u>	<u>362,350 <b>(1)</b></u>		
	Net Profit		<u>1,089,625</u>		
				2	QWC
(b)	Paver Ltd has created a revaluation reserve in the accounts so that the accounts show a true and fair view of the valuation of the land and buildings at 31 December 2017.  The land and buildings have been revalued by an independent professional. The increase in the valuation of £400,000 has been created to the revaluation reserve in the accounts of Paver ltd. The creation of a capital reserve				

Question	Answer					Guidance
2 (a)						
	Net profit before tax		54,000 <b>(1)</b>			
	Taxation		<u>50,850</u> <b>(1)</b>			
			3,150		18	
	Profit and loss b/f		<u>37,350 <b>(1)</b></u>			
	Profit and loss c/f		<u>40,500</u> (1)			
	Net cash flow from operating activities					
	Operating profit for the year		54,000			
	Depreciation		22,950 <b>(2)</b>			
	Profit on sale		(2,250) <b>(1)</b>			
	Increase in stock		(8,100) <b>(1)</b>			
	Increase in debtors		(1,350) <b>(1)</b>			
	Decrease in creditors		<u>(5,400)</u> <b>(1)</b>			
	Net cash flow from operating activities		<u>59,850</u> <b>(1)</b>			
	Cash Flow Statement for the year ended 31 December 2016					
	Net cash flow from operating activities		59,850			
	Taxation					
	Corporation tax		(36,450) <b>(1)</b>			
	Capital expenditure					
	Purchase of fixed assets	(461,250) <b>(2)</b>				
	Proceeds of sale	<u>26,100</u> <b>(1)</b>	<u>(435,150)</u>			
			(411,750)			
	Financing					
	Issue of shares		<u>427,500</u> <b>(2)</b>			
	Increase in cash		<u>15,750</u> (1)			
						(4 x 3 marks)

Q	Question		Answer	Mark	Guidance
	b*		Relevance – The financial information must be relevant and able to help the user of accounting information make economic and financial decisions about the company. Shareholders, banks and investors will use the information for decision making  Reliability – The financial information must be reliable and present a true and fair view of the financial position. The company should use accounting policies which will result in accounting information which can be relied upon by the user.		(1 for point plus up to 2 for development)
			Comparability – It is important that the financial information provided by the company can be compared with previous years accounting information. The accounting information can be used for like with like comparison.  Understandability – Information provided by financial statements needs to be capable of being understood by users who have a	14	
	3		reasonable knowledge of business and accounting. Shareholders and investors will use in the information to make financial decisions.		
	а	(i)	The final accounts should present a true and fair view and the accounting concept of Prudence is applied	2	
		(ii)	600,000 566,250 <b>(1)</b> = 1.06 times <b>(1)</b>	3	
		(iii)	160,000 (1) 10,000 (1) = 16 times (1)	3	
		(iv)	120,000 (1) 90,000 (1) = 1.33 times (1)	3	
			<u>225,000</u> (1) 566,250 (1) = x 100 = 39.74%		QWC

Ques	tion	Answer	Mark	Guidance
	(v)		3	
		1		
		2.50 (1) x 40% (1) = 16% (1)		
(b)				
			6	
		Dunbar plc could reduce the amount of cash tied up in		
		stock by improved stock management.		
		Introduce a system of economic ordering and monitor		
		minimum and maximum stocks		
		Introduce a system of just in time for stock control.		
		Consider the sale of fixed assets that are surplus such as		
		land and buildings. This would give large cash injection		
		and improve the liquidity of the company		
		Dunbar plc could consider an injection of injection of cash		
		through increasing the amount of long-term loans or		
		issuing more ordinary shares by a rights issue of share or		
		a full issue to the general public.		
		<ul> <li>Dunbar plc could consider the dividend policy by reducing</li> </ul>		
		the amount of dividends it would improve the liquidity		
		position of the company. They could also consider a		(2 x 3 marks)
		bonus issue of shares instead of paying out cash dividends		

Question		Mark	
	to the shareholders		(1 for point plus 2 for development)

## F013 Specification Grid June 2017

	A01	A02	A03	Total
1 a	8	16		24
1 b			4	4
2 a	8	10		18
2 b			14	14
3 a	5	9		14
3 b		3	3	6
	21	38	21	80

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