



ADVANCED GCE

ACCOUNTING

Unit F013: Company Accounts and Interpretation

RESOURCE BOOKLET

F013 RB

Duration: 1 hour 30 minutes

**To be given to candidates at the start
of the examination**

INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–2 is contained within this Resource Booklet.
- Do not hand this Resource Booklet in at the end of the examination. It is not needed by the Examiner.

INFORMATION FOR CANDIDATES

- This document consists of **8** pages. Any blank pages are indicated.

SPECIMEN

Answer **all** questions.

1 The following balances were extracted from the books of Spice plc on 31 December 2006.

	Dr £	Cr £
Purchases	500,000	
Turnover		1,200,000
Stock	40,000	
Sales returns	8,000	
£1 Ordinary shares		600,000
General administrative expenses	160,000	
General distribution costs	180,000	
Discounts	14,000	2,000
Rent received		24,000
Profit and Loss		38,000
Debtors	58,000	
Creditors		54,000
Land and buildings	800,000	
Office equipment	85,000	
Delivery vehicles	130,000	
Provision for depreciation of office equipment		40,000
Provision for depreciation of delivery vehicles		44,000
General reserve		159,000
Share premium		150,000
Bank	190,000	
Provision for doubtful debts		4,000
Salaries	150,000	
	2,315,000	2,315,000

Additional information:

- (i) The closing stock was valued at £90,000.
- (ii) General administrative expenses prepaid £6,800
General distribution costs owing £4,000
- (iii) Salaries are split equally between distribution and administration.
- (iv) Rent receivable of £6,200 is outstanding for the year.
- (v) Provision for doubtful debts is to be reduced by £600.
- (vi) Depreciation is to be provided as follows:
 - (a) office equipment 20% per annum on cost
 - (b) delivery vehicles 20% per annum reducing balance method

Delivery vehicles are treated under distribution. Office equipment is split equally between distribution and administration.

(vii) The directors recommend a transfer to the general reserve of £60,000 and an ordinary share dividend of £70,000.

(viii) Corporation tax for the year is estimated at £130,000.

REQUIRED

(a)* The Profit and Loss Account for the year ended 31 December 2006 and the Balance Sheet as at 31 December 2006 both in accordance with the minimum required for publication [32]

(b) Explain the importance of the Auditors Report to the shareholders of a plc. [4]

Total Marks [36]

2 The following financial data was taken from the accounts of Rose Ltd for the last two financial years ended 31 December.

	2005	2006
	£	£
Sales	6,000,000	8,000,000
Net profit	1,000,000	2,000,000
Capital employed	4,000,000	6,000,000

REQUIRED

(a) Calculate for **each** year:

- the return on capital employed.
- two other profitability ratios.

[6]

(b) Explain the importance of the return on capital employed percentage to a limited company.

[8]

Total Marks [14]

3 The following is an extract from the Balance Sheet of Bounty plc as at 31 December 2006.

Capital and Reserves

	£
600,000 Ordinary shares at 25 pence each	150,000
Share Premium	75,000
Profit and Loss	80,000

Bounty plc needed £200,000 additional capital to replace machinery.

On 15 July 2007 Bounty plc made a rights issue of 200,000 ordinary shares at a premium of 25 pence per share. All the cash was received in July 2007.

On 1 August 2007 Bounty plc made a bonus issue of one ordinary share for every two ordinary shares in existence on 1 August 2007. The Share Premium Account was utilised to provide for the bonus issue.

The remaining funds required to purchase the machinery were raised by a bank loan on 10 August 2007.

Assume that no additional profits were generated by Bounty plc from 31 December 2006 to 10 August 2007.

REQUIRED

- (a) Prepare the following ledger accounts, including the balance carried down in **each** case.
- (i) Ordinary Share Capital [7]
 - (ii) Share Premium [6]
 - (iii) Loan [3]
- (b)* Bounty plc is planning a further expansion of the business during 2008. This will require additional fixed assets costing £250,000. Evaluate the suitability of leasing and debentures for acquiring these additional fixed assets in 2008. [14]

Total Marks [30]

Paper Total [80]

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