

OCR

Oxford Cambridge and RSA

Friday 8 June 2018 – Afternoon

A2 GCE ACCOUNTING

F013/01/RB Company Accounts and Interpretation

RESOURCE BOOKLET

To be given to candidate at the start of the examination

Duration: 1 hour 30 minutes



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.
- 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 Hilgerson plc on 31 December 2017.

| | Dr £ | Cr £ |
|---|------------------|------------------|
| Purchases | 944 000 | |
| Sales | | 1 750 000 |
| Stock 1 January 2017 | 50 000 | |
| Sales returns | 4 000 | |
| Discounts | 10 000 | 4 000 |
| £0.25 Ordinary shares | | 500 000 |
| Share Premium | | 100 000 |
| Rent received | | 30 000 |
| General distribution costs | 200 000 | |
| General administrative expenses | 185 000 | |
| Dividends paid | 50 000 | |
| Debtors | 62 000 | |
| Creditors | | 83 000 |
| Profit and Loss | | 18 000 |
| Equipment | 115 000 | |
| Delivery vehicles | 170 000 | |
| Land and buildings | 592 000 | |
| Provision for depreciation of equipment | | 50 000 |
| Provision for depreciation of delivery vehicles | | 65 000 |
| General reserve | | 40 000 |
| Bank | 134 000 | |
| Salaries | 130 000 | |
| Provision for doubtful debts | | 6 000 |
| | <u>2 646 000</u> | <u>2 646 000</u> |

Additional information:

- (i) Stock at 31 December 2017 £58 000.
- (ii) General distribution costs owing £4 800.
General administrative expenses prepaid £7 400.
- (iii) Rent received of £7 500 had been paid in advance.
- (iv) Provision for doubtful debts is to be reduced by £1 300.
- (v) During May 2017 a surveyor revalued land and buildings to £750 000.
No entries have yet been made in the accounts.
- (vi) Salaries owing £30 000. Salaries are split four-fifths distribution costs and one-fifth administrative expenses.
- (vii) During the year equipment costing £40 000 was bought and recorded in error in the purchases account. The equipment was purchased on 1 October 2017. Depreciation is charged on equipment for each month of use.
- (viii) Depreciation is to be provided as follows:
 - Equipment 15% per annum on cost (straight line method)
 - Delivery vehicles 20% per annum reducing balance method
 - Depreciation on equipment is split equally between administration and distribution.

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- (ix) The directors recommend a transfer to the general reserve of £38 000.
- (x) Corporation tax is estimated at £76 000.

REQUIRED

- (a)* The Profit and Loss Account for the year ended 31 December 2017, together with a Balance Sheet as at that date. Both in accordance with the minimum required for publication. **[28]**
- (b) Distinguish between the Share Premium and the General Reserve. **[4]**

- 2 The following data was extracted from the accounting records of Sowerby plc for the year ended 31 December 2017.

| | £ |
|--|---------|
| (i) Tangible fixed assets at cost 1 January 2017: | |
| Land and buildings (land £300 000) | 700 000 |
| Machinery | 360 000 |
| Office equipment | 240 000 |
| (ii) Depreciation at 1 January 2017: | |
| Land and buildings | 80 000 |
| Machinery | 165 000 |
| Office equipment | 90 000 |

Sowerby plc depreciates fixed assets at the following rates per annum:

| | |
|------------------|----------------------------|
| Buildings | 2% straight line on cost. |
| Machinery | 20% reducing balance. |
| Office equipment | 15% straight line on cost. |

A full year's depreciation is provided in the year of purchase but none in the year of sale. Land is not depreciated.

- (iii)** During May 2017, office equipment originally purchased at a cost of £20 000 and with a net book value of £12 000, was sold at a loss of £1 500.
- (iv)** On 8 August 2017, the land was revalued at £350 000.
- (v)** During the year ended 31 December 2017, the following fixed assets were bought:
- | | |
|------------------|---------|
| Machinery | £22 000 |
| Office equipment | £25 000 |

REQUIRED

- (a)** The Schedule of Fixed Assets for Sowerby plc for the year ended 31 December 2017. [17]
- (b)** Explain why Sowerby plc has created a revaluation reserve in the accounts. [4]

- 3 Roman plc has an authorised share capital of 6 000 000 ordinary shares at £0.75 each. As at 1 January 2018 it had already issued 3 500 000 fully paid ordinary shares at par.

Roman plc had decided to offer to the public a further 2 000 000 ordinary shares at £1.25 each. The terms of the issue are £0.50 payable on application, £0.60 on allotment and £0.15 on the first and final call.

On 1 March 2018 applications had been received for 2 500 000 shares, and on the 18 March 2018 applications for 300 000 shares were rejected. The application money was returned to the unsuccessful applicants. The remainder of the excess application money was retained and set off on a pro rata basis against the amount due on allotment. The remainder of the allotment money was received on 1 April 2018.

On 20 April 2018 all the call money was received except for the amount owing on 10 000 shares.

REQUIRED

- (a) Prepare journal entries to record the new share issue.
(dates and narratives not required) [17]
- (b)* Roman plc has considered the possibility of a bonus issue of shares. Discuss why Roman plc might consider this option. [10]

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