



GCE

Accounting

Unit **F013**: Company Accounts and Interpretation

Advanced GCE

Mark Scheme for June 2014

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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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These are the annotations, (including abbreviations), including those used in scoris, which are used when marking

Annotation	Meaning of annotation
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.

1		281	?	Unclear
2		31	BOD	Benefit of doubt
3		21	Cross	Cross
4		721	OFR	Own figure rule
5		271	REP	Repeat
6		811	SEEN	Noted but no credit given
7		11	Tick	Tick
8			L1	Level 1
9			L2	Level 2
10			L3	Level 3
11			L4	Level 4

Subject-specific Marking Instructions

The mark scheme for this unit reflects terminology and formats in line with the specification.

In addition terminology and formats in line with International Accounting Standards will also be acceptable.

Levels of Response for *Numerical* Questions

Level	Mark	Description
2	2	Almost all account headings, terms and balances are included appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included, though not always adhered to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
-	0	Responses which fail to achieve the standard required for Level 1.

Levels of Response for *Narrative* Questions

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
-	0	Responses which fail to achieve the standard required for Level 1.

Question	Answer	Marks	Guidance																																																																								
1 (a)	<p data-bbox="353 316 1084 379"><u>Future plc</u> <u>Manufacturing Account for the year ended 31 May 2014</u></p> <table data-bbox="353 416 1413 1023"> <tr> <td>Opening stock of raw materials</td> <td></td> <td>42,000</td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td></td> <td>830,000</td> <td></td> </tr> <tr> <td>Carriage inwards on raw materials</td> <td></td> <td><u>12,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td>884,000</td> <td></td> </tr> <tr> <td>Purchase returns of raw materials</td> <td></td> <td><u>26,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td>858,000</td> <td></td> </tr> <tr> <td>Closing stock of raw materials</td> <td></td> <td><u>44,000</u></td> <td></td> </tr> <tr> <td>Direct materials</td> <td></td> <td>814,000 (2)</td> <td></td> </tr> <tr> <td>Direct wages</td> <td></td> <td><u>210,000 (1)</u></td> <td></td> </tr> <tr> <td>Prime cost</td> <td></td> <td>1,024,000</td> <td></td> </tr> <tr> <td>Indirect wages</td> <td>72,000</td> <td></td> <td></td> </tr> <tr> <td>Depreciation plant and machinery</td> <td>65,000 (1)</td> <td></td> <td></td> </tr> <tr> <td>Rates and insurance</td> <td>8,000 (1)</td> <td></td> <td></td> </tr> <tr> <td>Factory overheads</td> <td>104,000 (1)</td> <td><u>249,000 (1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td>1,273,000</td> <td></td> </tr> <tr> <td>Work in progress at start</td> <td></td> <td>50,000</td> <td></td> </tr> <tr> <td>Work in progress at end</td> <td></td> <td><u>(38,000)</u></td> <td></td> </tr> <tr> <td>Production cost of finished goods</td> <td></td> <td><u>1,285,000 (1)</u></td> <td></td> </tr> </table>	Opening stock of raw materials		42,000		Purchases of raw materials		830,000		Carriage inwards on raw materials		<u>12,000</u>				884,000		Purchase returns of raw materials		<u>26,000</u>				858,000		Closing stock of raw materials		<u>44,000</u>		Direct materials		814,000 (2)		Direct wages		<u>210,000 (1)</u>		Prime cost		1,024,000		Indirect wages	72,000			Depreciation plant and machinery	65,000 (1)			Rates and insurance	8,000 (1)			Factory overheads	104,000 (1)	<u>249,000 (1)</u>				1,273,000		Work in progress at start		50,000		Work in progress at end		<u>(38,000)</u>		Production cost of finished goods		<u>1,285,000 (1)</u>		8	
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Question	Answer	Marks	Guidance																																				
(b)*	<p data-bbox="338 245 477 272"><u>Future plc</u></p> <p data-bbox="338 277 1077 304"><u>Profit and Loss Account for the year ended 31 May 2014</u></p> <table data-bbox="338 309 1355 719"> <tr> <td data-bbox="338 309 461 336">Turnover</td> <td data-bbox="461 309 1167 336"></td> <td data-bbox="1167 309 1312 336">2,100,000</td> </tr> <tr> <td data-bbox="338 341 517 368">Cost of sales</td> <td data-bbox="517 341 1167 368"></td> <td data-bbox="1167 341 1355 368"><u>1,299,000 (2)</u></td> </tr> <tr> <td data-bbox="338 373 495 400">Gross profit</td> <td data-bbox="495 373 1167 400"></td> <td data-bbox="1167 373 1312 400">801,000</td> </tr> <tr> <td data-bbox="338 405 568 432">Distribution costs</td> <td data-bbox="568 405 808 432">149,375 (3)</td> <td data-bbox="1167 405 1312 432"></td> </tr> <tr> <td data-bbox="338 437 663 464">Administrative expenses</td> <td data-bbox="663 437 965 464"><u>162,875 (4)</u></td> <td data-bbox="1167 437 1312 464"><u>312,250</u></td> </tr> <tr> <td data-bbox="338 469 685 496">Profit on ordinary activities</td> <td data-bbox="461 469 1167 496"></td> <td data-bbox="1167 469 1312 496">488,750</td> </tr> <tr> <td data-bbox="338 501 551 528">Interest payable</td> <td data-bbox="461 501 1167 528"></td> <td data-bbox="1167 501 1355 528"><u>6,400 (1)</u></td> </tr> <tr> <td data-bbox="338 533 826 560">Profit on ordinary activities before tax</td> <td data-bbox="461 533 1167 560"></td> <td data-bbox="1167 533 1312 560">482,350</td> </tr> <tr> <td data-bbox="338 564 546 592">Corporation tax</td> <td data-bbox="461 564 1167 592"></td> <td data-bbox="1167 564 1312 592"><u>180,000</u></td> </tr> <tr> <td data-bbox="338 596 528 624">Profit after tax</td> <td data-bbox="461 596 1167 624"></td> <td data-bbox="1167 596 1312 624">302,350</td> </tr> <tr> <td data-bbox="338 628 551 655">General reserve</td> <td data-bbox="461 628 1167 655"></td> <td data-bbox="1167 628 1355 655"><u>300,000 (1)</u></td> </tr> <tr> <td data-bbox="338 660 528 687">Retained profit</td> <td data-bbox="461 660 1167 687"></td> <td data-bbox="1167 660 1312 687"><u><u>2,350</u></u></td> </tr> </table> <p data-bbox="338 756 804 815">Distribution costs 116,000 + 17,000 + 4,000 + 12,375</p> <p data-bbox="338 852 893 911">Administrative Expenses 137,000 + 3,000 + 8,000 + 12,375 + 5,500</p>	Turnover		2,100,000	Cost of sales		<u>1,299,000 (2)</u>	Gross profit		801,000	Distribution costs	149,375 (3)		Administrative expenses	<u>162,875 (4)</u>	<u>312,250</u>	Profit on ordinary activities		488,750	Interest payable		<u>6,400 (1)</u>	Profit on ordinary activities before tax		482,350	Corporation tax		<u>180,000</u>	Profit after tax		302,350	General reserve		<u>300,000 (1)</u>	Retained profit		<u><u>2,350</u></u>	22	
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Question		Answer	Marks	Guidance
2	a	<p>Net profit before tax 120,000 (1)</p> <p>Taxation <u>113,000</u> (1)</p> <p style="padding-left: 100px;">7,000</p> <p>Profit and loss b/f <u>83,000</u></p> <p>Profit and loss c/f <u>90,000</u> (1)</p> <p><u>Net cash flow from operating activities</u></p> <p>Operating profit for the year 120,000</p> <p>Depreciation 51,000 (2)</p> <p>Profit on sale (5,000) (1)</p> <p>Increase in stock (18,000) (1)</p> <p>Increase in debtors (3,000) (1)</p> <p>Decrease in creditors <u>(12,000)</u> (1)</p> <p>Net cash flow from operating activities <u>133,000</u> (1)</p>	10	

Question	Answer	Marks	Guidance
(b)*	<p>The financial information that is presented by Ball plc must be relevant and show all the transactions for the accounting year. The final accounts that are presented by Ball plc should help the help the shareholders make important financial decisions about the company.</p> <p>The information that is presented in the final accounts of Ball plc must be reliable and not include errors. The account must represent a true and fair picture of the company. Appropriate accounting policies must be used by Ball plc which will result in accounting</p> <p>The financial information that is presented by Ball plc must be relevant and show all the transactions for the accounting year. The final accounts that are presented by Ball plc should help the help the shareholders make important financial decisions about the company.</p> <p>The information that is presented in the final accounts of Ball plc must be reliable and not include errors. The account must represent a true and fair picture of the company. Appropriate accounting policies must be used by Ball plc which will result in accounting information which can be relied upon by the shareholders of Ball plc.</p> <p>It is very important that the financial information presented in the Profit and Loss Account and Balance Sheet of Ball plc can be compared. The shareholders of Ball plc can compare previous year’s performance. The shareholders of Ball plc can also compare the performance with similar firms.</p> <p>Financial Information presented in the profit and loss account and balance sheet must be capable of being understood by shareholders and investors who do not have a detailed knowledge of accounting.</p>	<p>12</p> <p>QWC 2</p>	

Question			Answer	Marks	Guidance
			(1 for point plus up to 2 for development)		
			Maximum 12 marks		
			Total	24	

Question			Answer		Marks	Guidance
3	a	i	Bank (1) 100,000(1) Share premium 475,000 (1) Share capital <u>625,000 (1)</u> <u>1,200,000</u>	Application and Allotment Account Bank 350,000(1) Bank 850,000(1) <u>1,200,000</u>	6	
3	a	ii	Balance c/d 2,500,000(1) <u>2,500,000</u>	Share Capital Balance b/d 1,875,000(1) Application and allotment (1) 625,000(1) <u>2,500,000</u>	4	

Question			Answer	Marks	Guidance																
3	a	iii	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 20%; text-align: right;">Share Premium</td> <td style="width: 30%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">1,600,000 (1)</td> <td>Balance b/d</td> <td style="text-align: right;">1,125,000 (1)</td> </tr> <tr> <td></td> <td></td> <td>Application and allotment (1)</td> <td style="text-align: right;">475,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1,600,000</u></td> <td></td> <td style="text-align: right;"><u>1,600,000</u></td> </tr> </table>		Share Premium			Balance c/d	1,600,000 (1)	Balance b/d	1,125,000 (1)			Application and allotment (1)	475,000 (1)		<u>1,600,000</u>		<u>1,600,000</u>	4	
	Share Premium																				
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		Application and allotment (1)	475,000 (1)																		
	<u>1,600,000</u>		<u>1,600,000</u>																		
3	b		<p>Employees are interested in information about the liquidity and profitability of their employers.</p> <p>Does Talbot plc have good liquidity and is it profitable and therefore can continue to be able to pay wages and salaries, pension benefits and future employment opportunities.</p> <p>Employees will want to plan for the future and if Talbot plc is considering new factory equipment this could provide more job security.</p> <p>Jobs could be lost if the production process becomes more reliant on computer technology and employees without the relevant skills may want to start to look for alternative employment</p> <p>Maximum 6 marks (1 for point plus 1 for development)</p>	6																	

Question		Answer	Marks	Guidance
3	c	<p>The audit report is important because the shareholders of Talbot plc will make financial decisions based on the accounts of the company.</p> <p>It is important that an independent audit of the accounting transactions and systems is undertaken. The final accounts should present a true and fair view of the financial position of Talbot plc.</p> <p>The concept of prudence should have been applied and the profits and assets of Talbot plc must not be overstated which would mislead shareholders.</p> <p>Maximum 4 marks (1 for point plus 1 for development)</p>	4	
		Total	24	

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