



OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

ACCOUNTING

F013 MS

Unit F013: Company Accounts and Interpretation

Specimen Mark Scheme

The maximum mark for this paper is 80.

SPECIMEN

INSTRUCTIONS TO EXAMINERS**Own Figure Rule ('of')**

Where 'of' is indicated, a figure which is incorrect solely because of an error in an earlier part of the question may be awarded the appropriate marks as if it were correct.

Quality of Written Communication

The rubric states:

**In these two questions/sub-questions, you will be assessed on the quality of your written communication. 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.*

4% of the paper marks are available for rewarding *Quality of Written Communication*, as follows:

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 adhering 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 Number	Answer	Max Mark																																													
1(a)*	<p><u>Spice plc</u> <u>Profit and Loss Account for the year ended 31 December 2006</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Turnover</td> <td style="width: 20%; text-align: right;">1,192,000</td> <td style="width: 20%; text-align: right;">[1]</td> </tr> <tr> <td>Cost of Sales</td> <td style="text-align: right;">450,000</td> <td style="text-align: right;">[2]</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right; border-top: 1px solid black;">742,000</td> <td></td> </tr> <tr> <td>Distribution Costs</td> <td style="text-align: right;">284,700</td> <td style="text-align: right;">[4]</td> </tr> <tr> <td>Administration Expenses</td> <td style="text-align: right; border-bottom: 1px solid black;">248,100</td> <td style="text-align: right; border-bottom: 1px solid black;">[7]</td> </tr> <tr> <td>Operating Profit</td> <td style="text-align: right; border-bottom: 1px solid black;">209,200</td> <td></td> </tr> <tr> <td>Other Income</td> <td style="text-align: right;">30,200</td> <td style="text-align: right;">[2]</td> </tr> <tr> <td>Profit before tax</td> <td style="text-align: right; border-bottom: 1px solid black;">239,400</td> <td></td> </tr> <tr> <td>Corporation tax</td> <td style="text-align: right;">130,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Profit after tax</td> <td style="text-align: right; border-bottom: 1px solid black;">109,400</td> <td></td> </tr> <tr> <td>Profit and Loss Account b/d</td> <td style="text-align: right; border-bottom: 1px solid black;">38,000</td> <td style="text-align: right; border-bottom: 1px solid black;">[1]</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">147,400</td> <td></td> </tr> <tr> <td>Dividends</td> <td style="text-align: right;">70,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Reserves</td> <td style="text-align: right;">60,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Retained profit</td> <td style="text-align: right; border-bottom: 3px double black;">17,400</td> <td></td> </tr> </table> <p>Cost of sales (40,000 + 500,000 – 90,000) Distribution costs (180,000 + 4,000 + 75,000 + 17,200 + 8,500) Administrative expenses (160,000 + 14,000 – 2,000 – 6,800 + 75,000 – 600 + 8,500)</p>	Turnover	1,192,000	[1]	Cost of Sales	450,000	[2]	Gross Profit	742,000		Distribution Costs	284,700	[4]	Administration Expenses	248,100	[7]	Operating Profit	209,200		Other Income	30,200	[2]	Profit before tax	239,400		Corporation tax	130,000	[1]	Profit after tax	109,400		Profit and Loss Account b/d	38,000	[1]		147,400		Dividends	70,000	[1]	Reserves	60,000	[1]	Retained profit	17,400		
Turnover	1,192,000	[1]																																													
Cost of Sales	450,000	[2]																																													
Gross Profit	742,000																																														
Distribution Costs	284,700	[4]																																													
Administration Expenses	248,100	[7]																																													
Operating Profit	209,200																																														
Other Income	30,200	[2]																																													
Profit before tax	239,400																																														
Corporation tax	130,000	[1]																																													
Profit after tax	109,400																																														
Profit and Loss Account b/d	38,000	[1]																																													
	147,400																																														
Dividends	70,000	[1]																																													
Reserves	60,000	[1]																																													
Retained profit	17,400																																														

1(a)* continued on next page.

Question Number	Answer	Max Mark
<p>1(a)* cont'd</p>	<p><u>Balance Sheet as at 31 December 2006</u></p> <p><u>Fixed Assets</u></p> <p>Land and buildings 800,000</p> <p>Office equipment 28,000</p> <p>Delivery vehicles 68,800</p> <p style="text-align: right;"><u>896,800</u> [1]</p> <p><u>Current Assets</u></p> <p>Stock 90,000</p> <p>Prepaid 6,800 [1]</p> <p>Rent owing 6,200 [1]</p> <p>Debtors 54,600 [1]</p> <p>Bank 190,000</p> <p style="text-align: right;"><u>347,600</u></p> <p><u>Creditors due in less than 1 year</u></p> <p>Creditors 54,000</p> <p>Accruals 4,000 [1]</p> <p>Tax 130,000 [1]</p> <p>Dividends 70,000 [1]</p> <p style="text-align: right;"><u>258,000</u></p> <p>Net Current Assets 89,600</p> <p style="text-align: right;"><u>986,400</u></p> <p><u>Capital and reserves</u></p> <p>Issued share capital 600,000</p> <p>Share premium 150,000 [1]</p> <p>General reserve 219,000 [1]</p> <p>Retained profit 17,400 [1]</p> <p style="text-align: right;"><u>986,400</u></p> <p>NB Up to an additional two marks can be awarded for the candidate's quality of written communication (numerical responses)</p>	<p>[32]</p>
<p>1(b)</p>	<p>The report must state whether or not the accounts of the company present a true and fair view of the financial position of the company.</p> <p>The shareholders will rely upon this report and the statement given by the auditors to make important decisions regarding their investment.</p> <p><i>(2 x 2 marks)</i> <i>(1 for point plus 1 for development)</i></p>	<p>[4]</p> <p>Total Marks [36]</p>

Question Number	Answer				Max Mark																																																																					
<p>2(a)</p>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: center;">2005</th> <th style="width: 10%;"></th> <th style="width: 15%; text-align: center;">2006</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Return on capital employed</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">[1]</td> <td style="text-align: center;">33.33%</td> <td style="text-align: center;">[1]</td> </tr> <tr> <td>Net profit as a %age of sales</td> <td style="text-align: center;">16.6%</td> <td style="text-align: center;">[1]</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">[1]</td> </tr> <tr> <td>Sales/capital employed</td> <td style="text-align: center;">1.5 times</td> <td style="text-align: center;">[1]</td> <td style="text-align: center;">1.33 times</td> <td style="text-align: center;">[1]</td> </tr> </tbody> </table>		2005		2006		Return on capital employed	25%	[1]	33.33%	[1]	Net profit as a %age of sales	16.6%	[1]	25%	[1]	Sales/capital employed	1.5 times	[1]	1.33 times	[1]	[6]																																																				
	2005		2006																																																																							
Return on capital employed	25%	[1]	33.33%	[1]																																																																						
Net profit as a %age of sales	16.6%	[1]	25%	[1]																																																																						
Sales/capital employed	1.5 times	[1]	1.33 times	[1]																																																																						
<p>2(b)</p>	<p>Return on capital employed is the key profitability ratio which shows how much profit is earned for every £ employed.</p> <p>Return on capital employed percentage can be use to compare with previous years and a trend in the profitability over a period of time can be identified</p> <p>A business can use the return on capital employed ratio to compare the return on alternative investments.</p> <p>Investments with a high forecast return on capital can be identified as high risk but high return.</p> <p>A business can compare the return on capital employed percentage with interest rates and the cost of borrowing.</p> <p>The return on capital employed percentage can be used to carry out an interfirm comparison with similar types of firm. For example Tesco and Asda.</p> <p><i>(4 x 2 marks)</i> <i>(1 for point plus 1 for development)</i></p> <p style="text-align: right;">Total Marks</p>				[10] [16]																																																																					
<p>3(a)</p>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="5" style="text-align: center;"><u>Ordinary share capital</u></th> </tr> </thead> <tbody> <tr> <td style="width: 15%;">Bal c/d</td> <td style="width: 15%; text-align: right;">300,000</td> <td style="width: 10%; text-align: center;">[2]</td> <td style="width: 15%; border-left: 1px solid black; border-right: 1px solid black;">Bal b/d</td> <td style="width: 15%; text-align: right;">150,000</td> <td style="width: 10%; text-align: center;">[1]</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Bank</td> <td style="text-align: right;">50,000</td> <td style="text-align: center;">[1]</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Share premium</td> <td style="text-align: right;">100,000</td> <td style="text-align: center;">[1]</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">300,000</td> <td></td> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">300,000</td> <td></td> </tr> <tr> <th colspan="5" style="text-align: center;"><u>Share premium</u></th> </tr> <tr> <td>Share capital</td> <td style="text-align: right;">100,000</td> <td style="text-align: center;">[1]</td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Bal b/d</td> <td style="text-align: right;">75,000</td> <td style="text-align: center;">[1]</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;">25,000</td> <td style="text-align: center;">[1]</td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Bank</td> <td style="text-align: right;">50,000</td> <td style="text-align: center;">[1]</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">125,000</td> <td></td> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">125,000</td> <td></td> </tr> <tr> <th colspan="5" style="text-align: center;"><u>Loan</u></th> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;">100,000</td> <td style="text-align: center;">[1]</td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Bank</td> <td style="text-align: right;">100,000</td> <td style="text-align: center;">[1]</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">100,000</td> <td></td> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">100,000</td> <td></td> </tr> </tbody> </table>				<u>Ordinary share capital</u>					Bal c/d	300,000	[2]	Bal b/d	150,000	[1]				Bank	50,000	[1]				Share premium	100,000	[1]		300,000			300,000		<u>Share premium</u>					Share capital	100,000	[1]	Bal b/d	75,000	[1]	Bal c/d	25,000	[1]	Bank	50,000	[1]		125,000			125,000		<u>Loan</u>					Bal c/d	100,000	[1]	Bank	100,000	[1]		100,000			100,000		[7] [6] [3]
<u>Ordinary share capital</u>																																																																										
Bal c/d	300,000	[2]	Bal b/d	150,000	[1]																																																																					
			Bank	50,000	[1]																																																																					
			Share premium	100,000	[1]																																																																					
	300,000			300,000																																																																						
<u>Share premium</u>																																																																										
Share capital	100,000	[1]	Bal b/d	75,000	[1]																																																																					
Bal c/d	25,000	[1]	Bank	50,000	[1]																																																																					
	125,000			125,000																																																																						
<u>Loan</u>																																																																										
Bal c/d	100,000	[1]	Bank	100,000	[1]																																																																					
	100,000			100,000																																																																						

Question Number	Answer	Max Mark
3(b)*	<p>Advantages and disadvantages of leasing Will improve the cash flow position of the company because no large cash outflows would be required for the purchase of fixed assets.</p> <p>A regular payment would be made each month to the leasing company which allows the company to budget each month.</p> <p>The contract would cover repairs and maintenance which would reduce the cost of repairs and help the cash flow.</p> <p>A company can have an option to purchase the fixed asset at the end of the lease period and will have to make available the cash required for the purchase.</p> <p>The type of lease agreement could mean that the company does not own the asset and therefore it will not be shown on the balance sheet.</p> <p>Advantages and disadvantages of debentures Debentures are long term loan capital and bond holders will not have a vote at the annual general meeting.</p> <p>Debenture holders will be paid a fixed rate of interest.</p> <p>The debenture bond can be taken out for a long period of time before the debenture must be repaid.</p> <p>Debentures are long term debt capital and secured on the assets of the business.</p> <p>Debenture interest is an expense of the business and must be repaid regardless of the profit or loss situation.</p> <p>The business must make provision to have the cash available to repay the debentures.</p> <p>Comparison and recommendation The nature of the fixed assets to be acquired can influence funding. If long term, then debentures may be preferred. If medium term then leasing may be preferred.</p> <p>If a lease is taken out for a long period, then cost can be high, sometimes higher than outright purchase. In such cases debentures would be preferred.</p> <p>A lease agreement may be easier to obtain than the issue of debentures, however the fixed asset acquired would remain the property of the leasing company. Funding from a debenture issue may be used to acquire ownership of fixed assets.</p> <p>A recommendation may be influenced by the type of fixed asset, its term and ease of acquiring funding.</p> <p><i>(Up to 4 marks for advantages and disadvantages of leasing)</i> <i>(Up to 4 marks for advantages and disadvantages of debentures)</i> <i>(Up to 4 marks for a comparison and a recommendation)</i></p> <p>NB Up to an additional two marks can be awarded for the candidate's quality of written communication (narrative responses)</p>	<p>[14]</p> <p>Total Marks [30]</p>
	Paper Total	[80]

Assessment Objectives Grid (includes QWC)

Question	AO1	AO2	AO3	Total
1(a)*	13	19	0	32
1(b)	0	2	2	4
2(a)	2	4	0	6
2(b)	0	0	08	08
3(a)	5	11	0	16
3(b)*	0	0	14	14
Totals	20	36	24	80

*includes QWC

SPECIMEN

[BLANK PAGE]

SPECIMEN