

THIS IS A NEW SPECIFICATION



ADVANCED GCE

ACCOUNTING

Company Accounts and Interpretation

F013/RB

RESOURCE BOOKLET

Tuesday 15 June 2010

Afternoon

To be given to candidates 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.
- 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.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

- Do not send this Resource Booklet for marking; it should be retained in the centre or destroyed.

- 1 The Balance Sheets for the last two years for Crystal plc are shown below. Crystal plc implemented an expansion programme during the year ended 31 May 2010.

	31 May 2009		31 May 2010	
	£	£	£	£
<i>Fixed assets (net)</i>		410 000		550 000
<i>Current assets</i>				
Stock	90 000		118 000	
Debtors	42 000		47 000	
Bank	18 000		—	
Cash	2 000		4 000	
	<u>152 000</u>		<u>169 000</u>	
<i>Creditors due in less than one year</i>				
Creditors	36 000		40 000	
Corporation Tax	32 000		38 000	
Overdraft	—		6 000	
Dividends	28 000		31 000	
Accruals	<u>3 000</u>		<u>5 000</u>	
	99 000		120 000	
Net current assets		<u>53 000</u>		<u>49 000</u>
		<u>463 000</u>		<u>599 000</u>
<i>Capital and Reserves</i>				
£1 Ordinary shares	200 000		300 000	
Share premium	150 000		175 000	
General reserve	73 000		73 000	
Revaluation reserve	—		35 000	
Profit and Loss	<u>40 000</u>		<u>16 000</u>	
	<u>463 000</u>		<u>599 000</u>	

Additional information:

- (i) The total depreciation provision incorporated in the balance sheets was £72 000 at 31 May 2009 and £143 000 at 31 May 2010.
- (ii) During the year ended 31 May 2010 a fixed asset costing £25 000 with a net book value £8 000, was sold for £1 000. No other disposals took place.
- (iii) The revaluation reserve represents a revaluation of premises during the year ended 31 May 2010.

REQUIRED

(a) For Crystal plc, the Cash Flow Statement for the year ended 31 May 2010. [22]

(b)* Evaluate the effects of the expansion policy on Crystal plc. [10]

Total marks [32]

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PLEASE TURN OVER FOR NEXT QUESTION

2* The following balances were extracted from the books of Lemur plc on 31 May 2010.

	£	£
Stocks at 1 June 2009:		
Raw materials	43 000	
Work in progress	56 000	
Finished goods	58 300	
Purchases of raw materials	910 000	
Carriage inwards on raw materials	12 000	
Direct wages	180 000	
Indirect wages	134 280	
Debtors	75 000	
Creditors		62 000
Sales		2 100 000
Plant and machinery at cost	210 000	
Provision for depreciation – plant and machinery		54 000
General office expenses	253 000	
Carriage outwards	22 000	
Provision for doubtful debts		3 200
General reserves		60 000
Ordinary shares (25 pence each)		200 000
Rates and insurance	26 000	
Commission received		32 000
Provision for unrealised profit		5 300
Loan interest	3 000	
6% Loan		100 000
Bank	45 000	
Factory overheads	90 000	
Premises	498 920	
	<u>2 616 500</u>	<u>2 616 500</u>

Additional information:

(i) Stocks as at 31 May 2010:	£
Raw materials	44 000
Work in progress	32 120
Finished goods	55 000

The company transfers finished goods from the factory to the Trading Account at cost plus 10% manufacturing profit. Provision is to be made for unrealised profit on the stock of finished goods at 31 May 2010.

- (ii) Plant and machinery is used only in the factory. Depreciation is to be provided using the reducing balance method at a rate of 20% per annum. No depreciation is charged on premises.
- (iii) Commission received of £3 600 is owing at 31 May 2010.
- (iv) Rates and insurance are apportioned between the factory and the office on the basis of 60:40. Rates of £2 800 are prepaid.
- (v) Indirect wages of £5 720 are owing at 31 May 2010.

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- (vi) Provision for doubtful debts is to be provided at 4% of debtors.
- (vii) Corporation Tax is estimated at £96 000.
- (viii) The directors have recommended an ordinary dividend of 10 pence per share and a transfer to general reserve of £70 000.
- (ix) The loan was taken out on 1 June 2008 for a five year period.

REQUIRED

For Lemur plc, the Manufacturing, Trading and Profit and Loss Account for the year ended 31 May 2010 (for internal use only). **[27]**

Total marks [27]

- 3 The following is an extract from the accounts of Chung plc.

Profit and Loss Account Extract for the year ended 31 March 2010

	£
Turnover	4 000 000
Cost of sales	2 500 000
Expenses	900 000
Debenture interest	25 000
Corporation Tax	175 000
Proposed ordinary dividend	100 000

Total capital employed by Chung plc as at 31 March 2010 was £800 000.

REQUIRED

- (a) For Chung plc, calculate each of the following:

- (i) gross profit as a percentage of turnover; [1]
- (ii) net profit after interest and tax as a percentage of turnover; [2]
- (iii) return on capital employed; [2]
- (iv) dividend cover; [2]
- (v) interest cover. [2]

- (b) Explain the importance of:

- (i) dividend cover; [2]
- (ii) interest cover. [2]

- (c) Discuss the limitations of carrying out a ratio analysis for Chung plc. [8]

Total marks [21]

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