

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
A2 GCE
F013/01/RB
ACCOUNTING**

**Company Accounts and Interpretation
RESOURCE BOOKLET**

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

FRIDAY 9 JUNE 2017: Afternoon

**DURATION: 1 hour 30 minutes
plus your additional time allowance**

MODIFIED ENLARGED 24pt

READ INSTRUCTIONS OVERLEAF



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.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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- 1 On 31 December 2016 the following balances were extracted from the books of Paver Ltd.**

| | £ |
|--|------------------|
| Stocks at 1 January 2016: | |
| Raw materials | 92 000 |
| Work in progress | 117 500 |
| Finished goods | 118 400 |
| Purchases of raw materials | 930 000 |
| Direct wages | 498 000 |
| Carriage on raw materials | 5 400 |
| Purchase returns on raw materials | 26 900 |
| Indirect wages | 129 400 |
| Sales | 3 320 000 |
| Commission received | 36 000 |
| Debtors | 162 000 |
| Sales returns | 41 200 |
| Rates and insurance | 63 000 |
| General factory overheads | 174 300 |
| Loan interest | 7 500 |
| Office salaries | 193 000 |
| General office expenses | 124 500 |
| Factory machinery | 370 000 |

| | |
|---|------------------|
| Motor vehicles | 150 000 |
| Provision for depreciation – factory machinery | 75 000 |
| Provision for depreciation – motor vehicles | 45 000 |
| Land and buildings | 1 700 000 |
| Revaluation reserve | 400 000 |
| Long term 5% loan | 300 000 |
| Provision for doubtful debts | 8 100 |

Additional information:

(i) Stocks at 31 December 2016:

| | |
|-------------------------|-----------------|
| Raw materials | £66 000 |
| Work in progress | £146 000 |
| Finished goods | £83 600 |

**(ii) Rates and insurance owing £5000.
Rates and insurance are
apportioned 4/5 factory and 1/5
general office.**

**(iii) On 1 October 2016, machinery
costing £30 000 was purchased.**

- (iv) Provision is to be made for depreciation as follows:**

Machinery 20% reducing balance method. All machinery is used for manufacturing. Machinery is depreciated for each month of use.

Motor vehicles 20% reducing balance method, apportioned 3/4 factory and 1/4 general office.

Land and buildings are not depreciated.

- (v) Loan interest is owing from 1 July 2016.**
- (vi) A customer owing £11 000 has now been declared bankrupt and this debt must be written off in the accounts for the year ended 31 December 2016. A provision for doubtful debts of 2.5% is to be provided on the remaining debtors.**

REQUIRED

- (a)*The Manufacturing and Trading and Profit and Loss Account for the year ended 31 December 2016 (internal use). [24]**
- (b) Explain TWO reasons why Paver Ltd has created a revaluation reserve. [4]**

2 The following are the summarised Balance Sheets of Taylor plc as at 31 December.

| | 2015 | | 2016 | |
|-----------------------|-------------|-------------------------|-------------|-------------------------|
| | £ | £ | £ | £ |
| Fixed Assets | | | | |
| Buildings | | 810 000 | | 1 012 500 |
| Machinery | | 270 000 | | 607 500 |
| Motor vehicles | | 67 500 | | 144 450 |
| | | <u>1 147 500</u> | | <u>1 764 450</u> |

Current Assets

| | | |
|----------------|----------------------|----------------------|
| Stock | 36 000 | 44 100 |
| Debtors | 27 900 | 29 250 |
| Bank | 9 900 | 25 650 |
| | <u>73 800</u> | <u>99 000</u> |

Creditors: amounts falling due in less than 1 year

| | | |
|------------------------|----------------------|----------------------|
| Creditors | 31 500 | 26 100 |
| Corporation tax | 36 450 | 50 850 |
| | <u>67 950</u> | <u>76 950</u> |

| | | |
|--|-------------------------|-------------------------|
| Net current assets | 5 850 | 22 050 |
| Total assets less current liabilities | <u>1 153 350</u> | <u>1 786 500</u> |

Capital and Reserves

| | | |
|----------------------------------|-------------------------|-------------------------|
| £0.50 Ordinary shares | 900 000 | 1 125 000 |
| Share premium | 90 000 | 292 500 |
| Revaluation reserve | 99 000 | 301 500 |
| General reserve | 27 000 | 27 000 |
| Profit and loss | 37 350 | 40 500 |
| | <u>1 153 350</u> | <u>1 786 500</u> |

Additional information:

- (i) Taylor plc re-valued the buildings on 1 March 2016.**
- (ii) The total depreciation provision incorporated in the Balance Sheets for machinery was £60 750 at 31 December 2015 and £72 000 at 31 December 2016. There were no disposals of machinery during the year ended 31 December 2016.**

- (iii) A motor vehicle with a book value of £23 850 had been sold during April 2016 for £26 100. Taylor plc purchased new motor vehicles for £112 500 on 1 April 2016.**

REQUIRED

- (a) For Taylor plc the Cash Flow Statement for the year ended 31 December 2016. [18]**
- (b)* It is a requirement of FRS 18 that a company should disclose the accounting policies which it had used for the financial year. Discuss why according to FRS 18 this is important for the shareholders of Taylor plc. [14]**

- 3 The following is a summary of the final accounts of Dunbar plc for the year ended 31 December 2016.**

Profit and Loss Account

| | £ | £ |
|---------------------------------|---------------|----------------------|
| Turnover | | 600 000 |
| Cost of sales | | 360 000 |
| Gross Profit | | <u>240 000</u> |
| Distribution costs | 32 000 | |
| Administrative expenses | <u>48 000</u> | 80 000 |
| Operating Profit | | <u>160 000</u> |
| Interest payable | | 10 000 |
| Profit before tax | | <u>150 000</u> |
| Corporation tax | | 30 000 |
| Profit after tax | | <u>120 000</u> |
| Profit and loss brought forward | | 20 000 |
| | | <u>140 000</u> |
| Ordinary dividend paid | 90 000 | |
| Transfer to reserves | <u>27 500</u> | <u>117 500</u> |
| Retained Profit | | <u><u>22 500</u></u> |

Balance Sheet

| | £ | £ |
|---|----------------|----------------|
| Fixed Assets (net) | | 540 000 |
| Current Assets | | |
| Stock | 90 000 | |
| Debtors | 54 000 | |
| Bank | 36 000 | |
| | <u>180 000</u> | |
| Creditors: Amounts due in less than one year | | |
| Creditors | 123 750 | |
| Taxation | 30 000 | |
| | <u>153 750</u> | |
| Net Current Assets | | 26 250 |
| | | <u>566 250</u> |
| Creditors: Amounts due in more than one year | | |
| Long term loans 5% | | 225 000 |
| | | <u>341 250</u> |

Capital and Reserves

| | |
|---------------------------|-----------------------|
| £1 Ordinary shares | 225 000 |
| General reserve | 93 750 |
| Retained profit | 22 500 |
| | <u>341 250</u> |

The current market value of an ordinary share is £2.50 per share.

REQUIRED

(a) Calculate EACH of the following ratios (where appropriate calculations should be to TWO decimal places).

(i) Sales to capital employed [2]

(ii) Interest cover [3]

(iii) Dividend cover [3]

(iv) Gearing ratio [3]

(v) Dividend yield [3]

(b) Discuss TWO ways in which Dunbar plc could improve its liquidity. [6]

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