

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 8 JUNE 2018: 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 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.**
- (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]**

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- 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]