

General Certificate of Education
June 2008
Advanced Level Examination



ACCOUNTING

ACC6

Unit 6 Published Accounts of Limited Companies and Accounting Standards

Friday 6 June 2008 9.00 am to 10.15 am

For this paper you must have:

- an 8-page answer book.

You may use a calculator.

Time allowed: 1 hour 15 minutes

Instructions

- Use black ink or black ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ACC6.
- Answer **all** questions.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in the answer book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 105.
Five of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.
- Question 3 is the synoptic question which assesses your understanding of the relationship between the different aspects of Accounting.

Answer **all** questions.

Total for this question: 20 marks

1

REQUIRED

- (a) Explain **three** reasons why a public limited company publishes its annual report and accounts. *(9 marks)*
- (b) Explain **three** limitations to a potential investor of using published accounts. *(11 marks)*

Total for this question: 30 marks

2

Jane has £40 000 to invest and is considering buying some ordinary shares in Staton plc. The current market price of the ordinary shares is 80p.

The following information has been extracted from the published accounts of Staton plc for the year ended 30 April 2008.

	£
Operating profit for the year	1 144 000
Interest payable	394 000
Net profit for the year	750 000
Total dividends for the year	200 000
Fixed assets: net book value	13 800 000
Stock	478 600
Other current assets	597 680
Creditors: amounts falling due within one year	1 187 600
Creditors: amounts falling due after more than one year	7 880 000
Issued ordinary shares of £1 each fully paid	5 000 000
Reserves	808 680

Additional information

The following ratios relate to Staton plc for the year ended 30 April 2007.

Gearing	68.65%
Earnings per share (EPS)	12p
Dividend per share	3.75p
Dividend yield	6.25%
Dividend cover	3.2 times
Price/earnings ratio	5

REQUIRED

(a) Calculate the following ratios for the year ended 30 April 2008. State the formulae used.

- (i) Gearing
- (ii) Earnings per share (EPS)
- (iii) Dividend per share
- (iv) Dividend yield
- (v) Dividend cover
- (vi) Price/earnings ratio. *(12 marks)*

(b) Write a report to Jane advising, with reasons, whether or not she should invest in Staton plc. *(16 marks)*
(plus 2 marks for report format)

Turn over ►

Total for this question: 50 marks

3

The balance sheets for Lawless Ltd at 31 May 2008 and at 31 May 2007 are shown below.

Balance sheet

	at 31 May 2008 £000	at 31 May 2007 £000
Fixed assets	25 686	21 650
Current assets		
Stock	4 050	3 560
Debtors	6 858	4 878
Bank	<u>25</u>	<u>1 670</u>
	<u>10 933</u>	<u>10 108</u>
Creditors: amounts falling due within one year		
Creditors	5 888	8 808
Proposed dividends	1 020	700
Taxation	<u>850</u>	<u>500</u>
	<u>7 758</u>	<u>10 008</u>
Net current assets	3 175	100
Total assets less current liabilities	28 861	21 750
Creditors: amounts falling due after more than one year		
Debentures (2015–2018)	<u>3 500</u>	<u>6 500</u>
Net assets	<u>25 361</u>	<u>15 250</u>
Share capital and reserves		
Ordinary shares £1 each fully paid	15 000	10 000
Share premium account	5 000	3 500
Profit and loss account	<u>5 361</u>	<u>1 750</u>
	<u>25 361</u>	<u>15 250</u>

Additional information**(1) Tangible fixed assets**

Cost	£000
At 1 June 2007	25 650
Additions	6 686
Disposal	<u>(2 000)</u>
At 31 May 2008	<u>30 336</u>
Depreciation	£000
At 1 June 2007	4 000
Charge for the year	1 850
Eliminated on disposal	<u>(1 200)</u>
At 31 May 2008	<u>4 650</u>

- (2) The proceeds from the disposal of fixed assets were £846 000.
- (3) Debenture interest paid for the year ended 31 May 2008 was £210 000.
- (4) No interim dividends had been paid.

REQUIRED

- (a) Calculate the operating profit for the year ended 31 May 2008. *(5 marks)*
- (b) Prepare the reconciliation of operating profit to the net cash flow from operating activities for the year ended 31 May 2008. *(15 marks)*
- (c) Prepare a cash flow statement for the year ended 31 May 2008, using the format given in FRS 1. *(13 marks)*
- (d) Evaluate, providing examples from the question, the usefulness of a cash flow statement when used to assess business performance. *(17 marks)*

END OF QUESTIONS

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