THIS IS A NEW SPECIFICATION

RECOGNISING ACHIEVEMENT

ADVANCED GCE

ACCOUNTING

Company Accounts and Interpretation

F013/RB

RESOURCE BOOKLET

Wednesday 27 January 2010
Morning

To be given to candidates at the start of the examination

Duration: 1 hour 30 minutes

OCE/12639

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.

1 The following balances were extracted from the books of Norman plc on 31 December 2009.

	Dr	Cr
	£	£
Purchases	730 000	
Sales		1 600 000
Stock 1 January 2009	48 000	
Sales returns	6 000	
Discounts	8 000	7 000
£0.50 Ordinary shares		420 000
Calls not paid	5 000	
Rent received		22 000
General distribution costs	195 000	
General administrative expenses	165 000	
Debtors	65 000	
Creditors		75 000
Profit and loss		20 000
Office equipment	110 000	
Delivery vehicles	160 000	
Land and buildings	492 000	
Provision for depreciation – office equipment		48 000
Provision for depreciation – delivery vehicles		62 000
General reserve		40 000
Bank	76 000	
Provision for doubtful debts		6 000
Salaries	240 000	
	2 300 000	2 300 000

Additional information

(i) Stock at 31 December 2009 was valued at £53 000:

(ii) General distribution costs owing £3 600.

General administrative expenses prepaid £4 800.

(iii) Rent received of £4 200 had been paid in advance.

(iv) Provision for doubtful debts is to be reduced by £900.

(v) During April 2009 a surveyor revalued the land and buildings to £600 000.

No entries have yet been made in the accounts.

(vi) Salaries owing of £20 500. Salaries are split three-fifths distribution costs and two-fifths administrative expenses.

(vii) During the year office equipment costing £20 000 was bought and recorded in error in the Purchases Account. A full years' depreciation is provided on fixed assets at the end of the year, irrespective of the time of purchase.

(vii) Depreciation is to be provided as follows:

- office equipment – 15% per annum on cost (straight line method)
- delivery vehicles – 20% per annum reducing balance method

Office equipment is split three-fifths distribution costs and two-fifths administrative expenses.

(viii) The directors recommend a transfer to the general reserve of £38 000 and an ordinary dividend of £84 000.

(ix) Corporation tax is estimated at £70 000.

REQUIRED

(a)* The Profit and Loss Account for Norman plc for the year ended 31 December 2009, 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 Account and the General Reserve. **[4]**

Total marks [32]

2 The following data was taken from the accounting records of Frankland plc for the year ended 31 December 2009.

		£
(i)	Tangible fixed assets at cost 1 January 2009:	
	Land and buildings (land £280 000)	680 000
	Machinery	320 000
	Office equipment	210 000
(ii)	Depreciation at 1 January 2009:	
	Land and buildings	72 000
	Machinery	160 000
	Office equipment	85 000

Frankland plc depreciates fixed assets at the following rates per annum:

Buildings	2% straight line on cost.
Machinery	15% 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 April 2009, office equipment originally purchased at a cost of £15 000, and with a written down value of £10 500, was sold at a loss of £2 000.

(iv) On 12 July 2009, the land was revalued at £400 000.

(v) During the year ended 31 December 2009, the following fixed assets were bought:

Machinery	£18 000
Office equipment	£20 000

With the exception of some office equipment, which was bought at a cost of £10 000 in 2000, all other office equipment had been purchased since 2006.

REQUIRED

(a) The Schedule of Fixed Assets for Frankland plc for the year ended 31 December 2009. **[17]**

(b) Explain why Frankland plc has created a revaluation reserve in its accounts. **[4]**

Total marks [21]

3 Gordon plc has an authorised share capital of 8 000 000 ordinary shares at £0.75 each. As at 1 November 2009 it had already issued 4 000 000 fully paid ordinary shares at par.

Gordon plc decided to offer to the public a further 3 000 000 ordinary shares at £1 each. The terms of the issue are £0.40 payable on application, £0.30 on allotment and £0.30 on the first and final call.

On 10 November 2009 applications had been received for 3 500 000 shares, and on 18 November 2009 applications for 250 000 shares were rejected. The 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 29 November 2009.

On 16 December 2009 all the call money was received, except for the amount owing on 7 000 shares.

REQUIRED

(a) For Gordon plc, prepare journal entries to record the new share issue.
(dates and narratives not required) **[17]**

(b)* Gordon plc has considered the possibility of a bonus issue of shares. Discuss the reasons why Gordon plc might consider this option. **[10]**

Total marks [27]

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