ADVANCED GCE

ACCOUNTING **F013/RB**

Company Accounts and Interpretation

RESOURCE BOOKLET

Thursday 16 June 2011
Morning

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.

INFORMATION FOR CANDIDATES

- The quality of your written communication will be taken into account when marking your answers to the two questions/sub-questions labelled 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.
- 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.

Turn over

1* The following balances were extracted from the books of Hutchinson plc on 31 March 2011:

	£	£
Purchases	1 200 000	
Sales		4 000 000
Stock	130 000	
Sales returns	50 000	
£2 Ordinary shares		600 000
£1 8% Preference shares		400 000
Discounts	18 000	25 000
Rent received		40 000
Profit and loss	152 000	
General administrative expenses	720 000	
General distribution costs	372 000	
Preference dividend paid	32 000	
Bad debts	38 000	
Debtors	160 000	
Creditors		50 000
Land and buildings	1 850 000	
Office equipment	230 000	
Delivery vehicles	280 000	
Provision for depreciation of office equipment		120 000
Provision for depreciation of delivery vehicles		90 000
Bank		72 000
General reserve		15 000
Revaluation reserve		100 000
Share premium		150 000
Salaries	430 000	
	5 662 000	5 662 000

Additional information:

(i) Stock at 31 March 2011 £65 000.

(ii) General distribution costs owing £9 800.

General administrative expenses prepaid £4 800.

(iii) Rent received of £10 000 was paid in advance.

(iv) A customer who owes £18 000 is also a trade creditor and it was agreed that 25% is to be set off (contra).
After this adjustment a provision of 5% for doubtful debts is to be created on the revised debtors balance.

(v) During January 2011 a surveyor revalued land and buildings to £1 900 000.
No entries have yet been made in the accounts to reflect this revaluation.

(vi) Interest of £2 880 is owed on the bank overdraft.

(vii) Salaries are split equally between administrative expenses and distribution costs.

(viii) Depreciation is to be provided as follows:
Office equipment depreciation 20% per annum on cost;
Delivery vehicles depreciation 25% per annum reducing balance method.

Office equipment depreciation is split one fifth distribution costs and four fifths administrative expenses;
Delivery vehicles depreciation is a distribution cost.

(ix) The annual meeting of shareholders approved a proposed ordinary dividend of £1.75 per share.

(x) Corporation tax liability is estimated at £210 000.

REQUIRED

For Hutchinson plc, the Profit and Loss Account for the year ended 31 March 2011, **and** the Balance Sheet as at 31 March 2011. (These must be in accordance with the minimum required for publication.) **[32]**

Total marks [32]

2 The following data was taken from the accounting records of Bopara plc for the year ended 31 May 2011:

(i) Tangible fixed assets at cost 1 June 2010:

	£
Land and buildings (Land £150 000)	380 000
Delivery vehicles	165 000
Machinery	90 000

(ii) Depreciation at 1 June 2010:

Land and buildings	46 000
Delivery vehicles	76 000
Machinery	34 000

Bopara plc depreciates fixed assets as follows:
- Buildings 5% per annum on cost using the straight line method;
- Delivery vehicles 20% per annum using the reducing balance method;
- Machinery 15% per annum on cost using the straight line method.

Depreciation is charged for each full month of ownership.

(iii) On 10 April 2011 land was revalued at £300 000.

(iv) On 1 June 2010 machinery originally purchased at a cost of £9 000 and with a book value of £3 500 was sold at a loss of £500.

(v) A delivery vehicle purchased on 1 June 2008 for £20 000 was sold on 1 September 2010.

(vi) During the year the following fixed assets were bought:

Delivery vehicles	£40 000 on 1 December 2010
Machinery	£20 000 on 1 March 2011

REQUIRED

(a) For Bopara plc, a Schedule of Fixed Assets for the year ended 31 May 2011. **[18]**

(b) Bopara plc expects, in the next five years, to make a substantial investment in research and development.

(i) Distinguish between research and development. **[4]**

(ii)* Explain the correct treatment of research and development in the final accounts. **[8]**

Total marks [30]

3 Liam Fashions plc is a business operating in the retail clothing market. The following information is provided for the year ended 31 December 2010:

	£
Turnover	4 500 000
Cost of sales	1 800 000
Distribution costs	552 000
Administrative expenses	1 500 000
£1 Ordinary shares	1 200 000
£1 8% Preference shares	400 000
6% Debentures	800 000

REQUIRED

(a) Calculate each of the following (where appropriate calculations should be to two decimal places):

(i) gross profit as a percentage of turnover; **[1]**

(ii) net profit after interest as a percentage of turnover; **[3]**

(iii) return on capital employed using the net profit before interest. **[2]**

(b) Discuss why each of the following would be interested in the financial statements published by Liam Fashions plc:

(i) potential investors; **[4]**

(ii) employees; **[4]**

(iii) banks. **[4]**

Total marks [18]

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