OCR
RECOGNISING ACHIEVEMENT

Tuesday 12 June 2012 – Morning

A2 GCE ACCOUNTING

F013/01/RB Company Accounts and Interpretation

RESOURCE BOOKLET

To be given to candidates at the start of the examination

Duration: 1 hour 30 minutes

F027140612

INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–3 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- Your Quality of 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.
- There will be adequate space to show your workings.
- This document consists of **8** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER / INVIGILATOR

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1 The following balances were extracted from the books of Osborne plc on 31 December 2011.

	£
Purchases	478 000
Sales	994 000
Stock 1 January 2011	73 000
Purchase returns	8 200
Sales returns	12 800
Discount allowed	6 000
Discount received	4 800
General distribution costs	114 500
General administrative expenses	89 000
Rent receivable	8 700
Interest payable	12 100
Plant and equipment at cost	700 000
Provision for depreciation – plant and equipment	320 000
Motor vehicles at cost	159 000
Provision for depreciation – motor vehicles	61 000
Income from investments	16 300
Premises	497 000
£0.50 ordinary shares	600 000
Provision for doubtful debts	4 300
Debtors	163 000

Additional information:

(i) The closing stock was valued at £78 000.

(ii) Rent receivable of £2 000 was paid in advance as at 31 December 2011.

(iii) General distribution costs of £600 were owing as at 31 December 2011.

General administrative expenses were prepaid £900 as at 31 December 2011.

(iv) The provision for doubtful debts is to be provided as £600 for a specific debt, plus 3% on the remainder of debtors.

(v) On 1 October 2011 Osborne plc sold a motor van for £3 000. This had a book value of £5 200.

The original cost of the motor van was £9 000. No entries have been made in the books of Osborne plc regarding the sale of the motor van.

(vi) On 1 July 2011 Osborne plc purchased plant and equipment costing £50 000. All the correct entries have been made in the books of Osborne plc to record the purchase of the plant and equipment.

(vii) On 10 January 2011 Osborne plc bought premises at a cost of £500 000. This cost included £3 000 relating to legal costs. The legal costs of £3 000 had been included in general administrative expenses and not as premises. Premises are not depreciated.

(viii) Depreciation is to be provided as follows:

- Plant and equipment – 20% per annum using the straight line method
- Motor vehicles – 25% per annum using the straight line method

Depreciation on plant and equipment is apportioned 25% to general administrative expenses and 75% to general distribution costs. Depreciation on plant and equipment and motor vehicles is charged for each month of use but no depreciation is charged in the year of sale. Depreciation of motor vehicles is treated as a general distribution cost. Premises are not depreciated.

(ix) The directors recommend an ordinary dividend of 5 pence per share.

(x) Corporation tax for the year is estimated at £37 500.

(xi) There was no retained profit as at 1 January 2011.

REQUIRED

(a) The schedule of Fixed Assets for the year ended 31 December 2011. **[12]**

(b)* The Profit and Loss Account for the year ended 31 December 2011 (in accordance with the minimum required for publication). **[21]**

Total marks [33]

2 The following are the summarised Balance Sheets for Plum plc as at 31 May.

	2010		2011	
	£	£	£	£
Fixed assets				
Premises		2 000 000		2 750 000
Machinery		800 000		900 000
Motor vehicles		200 000		350 000
		3 000 000		4 000 000
Current assets				
Stock	76 000		95 000	
Debtors	94 000		80 000	
Bank	36 000		98 000	
	206 000		273 000	
Creditors: amounts falling due in less than 1 year				
Creditors	65 000		60 000	
Corporation tax	58 000		63 000	
Proposed dividend	48 000		55 000	
	171 000		178 000	
Net current assets		35 000		95 000
Total assets less current liabilities		3 035 000		4 095 000
Capital and reserves				
£0.50 Ordinary shares		2 500 000		3 000 000
Share premium		200 000		400 000
Revaluation reserve		250 000		500 000
General reserve		40 000		70 000
Profit and loss		45 000		125 000
		3 035 000		4 095 000

Additional information:

(i) Plum plc revalued the premises on 1 January 2011 and purchased an extension in March 2011. Premises are not depreciated.

(ii) The total depreciation provision incorporated in the balance sheets for machinery was £120 000 at 31 May 2010 and £145 000 at 31 May 2011. There were no disposals of machinery during the year ended 31 May 2011.

(iii) A motor vehicle with a book value of £38 000 had been sold during December 2010 for £41 200. This had been immediately replaced by the purchase of three new motor vehicles costing a total of £218 000.

(iv) On 1 December 2010 an interim dividend of 2 pence per share was paid on the ordinary share balance at 31 May 2010.

REQUIRED

(a) The net cash flow from operating activities for the year ended 31 May 2011. (A full cash flow statement is not required). **[13]**

(b) The Marketing Director of Plum plc has suggested that the balances on the share premium account and general reserve account could be used to pay a dividend to the ordinary shareholders.

Advise the Board of Directors of the suitability of this proposal. **[8]**

Total marks [21]

3 Safi plc has an authorised share capital of 200 000 £0.50 ordinary shares. At 1 January 2011 the company had an issued share capital of 80 000 ordinary shares. Safi plc had a credit balance of £120 000 on its Profit and Loss Account at 1 January 2011. No other reserves existed at 1 January 2011.

On 1 February 2011 Safi plc made a one for one rights issue of ordinary shares at a premium of £0.10 per share. All the rights were taken up and all the money was received on 1 March 2011.

On 1 April 2011 Safi plc made a bonus issue of one ordinary share for every four held at 1 April 2011. This was made by using the Share Premium Account and as much of the Profit and Loss Account as required.

REQUIRED

(a) The following ledger accounts (each account must be balanced):

(i) Ordinary Share Capital **[6]**

(ii) Share Premium **[3]**

(iii) Profit and Loss **[3]**

(b)* It is a requirement of FRS 18 that a company must disclose the accounting policies which it has used for the financial year.

Discuss the reasons why this requirement is important for the user of accounts. **[14]**

[Total marks [26]

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