OCR
RECOGNISING ACHIEVEMENT

Monday 3 June 2013 – 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

F027140613

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.
- There will be adequate space to show your workings.
- This document consists of **4** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER / INVIGILATOR

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1 The Balance Sheets for Roy plc as at 31 March for the last two years are shown below.

	31 March 2012		31 March 2013	
	£	£	£	£
Fixed Assets (net)		900 000		1 580 000
Current Assets				
Stock	180 000		290 000	
Debtors	160 000		220 000	
	340 000		510 000	
Creditors due in less than one year				
Creditors	120 000		150 000	
Corporation tax	90 000		130 000	
Dividends	80 000		100 000	
Bank	10 000		120 000	
	300 000		500 000	
Net Current Assets		40 000		10 000
		940 000		1 590 000
Creditors due after more than one year				
Long term loans		80 000		200 000
		860 000		1 390 000
Capital and Reserves				
Ordinary shares		300 000		600 000
Share premium		150 000		300 000
Revaluation reserve		180 000		220 000
General reserve		150 000		170 000
Profit and loss		80 000		100 000
		860 000		1 390 000

Additional information:

(i) The total depreciation provision incorporated in the accounts was £320 000 as at 31 March 2012 and £510 000 as at 31 March 2013.

(ii) During the year ended 31 March 2013 a fixed asset costing £90 000, with a book value of £25 000, was sold for £12 000. No other disposals took place.

(iii) The premises were re-valued in January 2013.

REQUIRED

(a)* The Cash Flow Statement in accordance with good accounting practice for the year ended 31 March 2013. **[23]**

(b) **(i)** Explain **two** possible reasons why Roy plc decided to issue ordinary shares at a premium. **[4]**

(ii)* Roy plc is considering using the share premium to make an issue of bonus shares to the ordinary shareholders instead of paying a cash dividend. Evaluate the implications of this proposal for both Roy plc and its shareholders. **[12]**

2 The following details were taken from the records of Pang Ltd for the year ended 31 December 2012.

(i) Tangible fixed assets at cost 1 January 2012 were:

	£
Land and buildings (Land £100 000)	400 000
Motor vehicles	220 000
Equipment	110 000

(ii) Depreciation as at 1 January 2012:

Land and buildings	50 000
Motor vehicles	95 000
Equipment	35 000

Pang Ltd depreciates fixed assets as follows:

- Land is not depreciated.
- Buildings 2% per annum on cost.
- Motor vehicles 20% per annum reducing balance method.
- Equipment 10% per annum on cost.

Depreciation is charged for each month of ownership.

(iii) On 1 March 2012, land was re-valued at £180 000.

(iv) A motor vehicle purchased on 1 October 2010 for £30 000 was sold on 1 July 2012.

(v) All of the equipment at 1 January 2012 had been purchased after 1 July 2005, except for equipment costing £8 000 which had been purchased on 1 January 2000.

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

- Motor vehicles £20 000 on 1 April 2012.
- Equipment £10 000 on 1 July 2012.

REQUIRED

The Schedule of Fixed Assets for the year ended 31 December 2012. **[18]**

3 The following is an extract from the Balance Sheet of Mann plc as at 1 January 2012.

Capital and Reserves	£
800 000 Ordinary shares at 50 pence each	400 000
Share premium	200 000
Retained profits	100 000

Mann plc decided to expand the business in 2012 and attempt to increase the return on capital employed. The following transactions took place during 2012:

On 1 April 2012 a rights issue of 200 000 ordinary shares at a premium of 75 pence per share was made. All the cash for the rights issue was received in April 2012.

On 1 August 2012 Mann plc made a bonus issue of one ordinary share for every four ordinary shares in existence on 1 August 2012. The Share Premium Account was used to provide for the bonus issue of shares.

A long term loan of £500 000 at 5% was received on 1 October 2012.

REQUIRED

(a) Prepare and balance off the following ledger accounts to record the share issue and loan transactions:

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

(ii) Share Premium **[6]**

(iii) Loan **[3]**

(b) Discuss the usefulness of the return on capital employed to a company such as Mann plc. **[8]**