

Friday 9 June 2017 – Afternoon

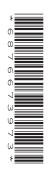
A2 GCE ACCOUNTING

F013/01/RB Company Accounts and Interpretation

RESOURCE BOOKLET

To be given to candidate 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 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.
- This document consists of 8 pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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1 On 31 December 2016 the following balances were extracted from the books of Paver Ltd.

	£
Stocks at 1 January 2016:	
Raw materials	92000
Work in progress	117500
Finished goods	118400
Purchases of raw materials	930 000
Direct wages	498000
Carriage on raw materials	5400
Purchase returns on raw materials	26900
Indirect wages	129400
Sales	3320000
Commission received	36000
Debtors	162000
Sales returns	41 200
Rates and insurance	63000
General factory overheads	174300
Loan interest	7 500
Office salaries	193000
General office expenses	124500
Factory machinery	370 000
Motor vehicles	150000
Provision for depreciation – factory machinery	75000
Provision for depreciation – motor vehicles	45000
Land and buildings	1 700 000
Revaluation reserve	400 000
Long term 5% loan	300 000
Provision for doubtful debts	8100

Additional information:

(i)	Stocks at 31 December 2016:	
	Raw materials	£66000
	Work in progress	£146000
	Finished goods	£83600

- (ii) Rates and insurance owing £5000.
 Rates and insurance are apportioned 4/5 factory and 1/5 general office.
- (iii) On 1 October 2016, machinery costing £30000 was purchased.
- (iv) Provision is to be made for depreciation as follows:

Machinery 20% reducing balance method. All machinery is used for manufacturing. Machinery is depreciated for each month of use.

Motor vehicles 20% reducing balance method, apportioned 3/4 factory and 1/4 general office.

Land and buildings are not depreciated.

- (v) Loan interest is owing from 1 July 2016.
- (vi) A customer owing £11000 has now been declared bankrupt and this debt must be written off in the accounts for the year ended 31 December 2016. A provision for doubtful debts of 2.5% is to be provided on the remaining debtors.

REQUIRED

- (a)* The Manufacturing and Trading and Profit and Loss Account for the year ended 31 December 2016 (internal use). [24]
- (b) Explain two reasons why Paver Ltd has created a revaluation reserve. [4]

2 The following are the summarised Balance Sheets of Taylor plc as at 31 December.

	:	2015	20)16
	£	£	£	£
Fixed Assets				
Buildings		810000		1012500
Machinery		270 000		607 500
Motor vehicles		67500		144 450
		1 147 500		1764450
Current Assets				
Stock	36000		44100	
Debtors	27900		29250	
Bank	9900		25650	
	73800		99000	
Creditors: amounts falling due in less than 1 year				
Creditors	31 500		26100	
Corporation tax	36450		50850	
	67950		76950	
Net current assets		5850		22050
Total assets less current liabilities		<u>1 153 350</u>		1786500
Conital and Decentra				
<i>Capital and Reserves</i> £0.50 Ordinary shares		900 000		1125000
Share premium		900000		292500
Revaluation reserve		99 000		301 500
General reserve		27 000		27000
Profit and loss		37350		40 500
		1153350		1786500

Additional information:

- (i) Taylor plc re-valued the buildings on 1 March 2016.
- (ii) The total depreciation provision incorporated in the Balance Sheets for machinery was £60750 at 31 December 2015 and £72000 at 31 December 2016. There were no disposals of machinery during the year ended 31 December 2016.
- (iii) A motor vehicle with a book value of £23850 had been sold during April 2016 for £26100. Taylor plc purchased new motor vehicles for £112 500 on 1 April 2016.

REQUIRED

(b)* It is a requirement of FRS 18 that a company should disclose the accounting policies which it had used for the financial year. Discuss why according to FRS 18 this is important for the shareholders of Taylor plc.
[14] **3** The following is a summary of the final accounts of Dunbar plc for the year ended 31 December 2016.

Profit and Loss Account

	£	£
Turnover		600 000
Cost of sales		360 000
Gross Profit		240 000
Distribution costs	32000	
Administrative expenses	48000	80 000
Operating Profit		160000
Interest payable		10000
Profit before tax		150000
Corporation tax		30000
Profit after tax		120000
Profit and loss brought forward		20000
C C		140000
Ordinary dividend paid	90000	
Transfer to reserves	27 500	117500
Retained Profit		22500
Balance Sheet		
	0	0
	£	£
Fixed Assets (net)		540000
Current Assets		
Stock	90000	
Debtors	54000	
Bank	36000	
Dalik	180 000	
	180 000	
Creditors: Amounts due in less than one year		
Creditors	123750	
Taxation	30 000	
	153750	
Net Current Assets	100700	26250
		566250
Creditors: Amounts due in more than one year		000200
Long term loans 5%		225000
		<u>223 000</u> 341 250
Capital and Reserves		041200
-		225000
£1 Ordinary shares General reserve		
		93750
Retained profit		22500
		<u>341250</u>

The current market value of an ordinary share is £2.50 per share.

REQUIRED

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

(i)	Sales to capital employed	[2]
(ii)	Interest cover	[3]
(iii)	Dividend cover	[3]
(iv)	Gearing ratio	[3]
(v)	Dividend yield	[3]

(b) Discuss two ways in which Dunbar plc could improve its liquidity. [6]



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