

**GCE**

**Accounting**

Unit **F013**: Company Accounts and Interpretation

Advanced GCE

**Mark Scheme for June 2017**

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## MARK SCHEME FORMAT 1

Question	Answer	Mark	Guidance																																																															
1 (a)*	<p>Paver Ltd Manufacturing and Trading Account and Profit and Loss Account for the year ended 31 December 2016</p> <table border="1" data-bbox="369 448 1505 1423"> <tbody> <tr> <td>Opening stock of raw materials</td> <td></td> <td>92,000</td> </tr> <tr> <td>Purchases of raw materials</td> <td></td> <td>930,000</td> </tr> <tr> <td>Carriage on materials</td> <td></td> <td><u>5,400 (1)</u></td> </tr> <tr> <td></td> <td></td> <td>1,027,400</td> </tr> <tr> <td>Purchase returns on raw materials</td> <td></td> <td><u>26,900</u></td> </tr> <tr> <td></td> <td></td> <td>1,000,500</td> </tr> <tr> <td>Closing stock of raw material</td> <td></td> <td><u>66,000</u></td> </tr> <tr> <td>Direct materials</td> <td></td> <td>934,500 (2)</td> </tr> <tr> <td>Direct wages</td> <td></td> <td><u>498,000 (1)</u></td> </tr> <tr> <td>Prime cost</td> <td></td> <td>1,432,500</td> </tr> <tr> <td>Indirect wages</td> <td>129,400</td> <td></td> </tr> <tr> <td>Depreciation factory machinery</td> <td>54,500 (2)</td> <td></td> </tr> <tr> <td>Depreciation Motor vehicles</td> <td>15,750 (1)</td> <td></td> </tr> <tr> <td>Rates and insurance</td> <td>54,400 (1)</td> <td></td> </tr> <tr> <td>General factory overheads</td> <td><u>174,300 (1)</u></td> <td><u>428,350 (1)</u></td> </tr> <tr> <td></td> <td></td> <td>1,860,850</td> </tr> <tr> <td>Work in progress at start</td> <td></td> <td>117,500 (1)</td> </tr> <tr> <td>Work in progress at end</td> <td></td> <td><u>(146,000)</u></td> </tr> <tr> <td>Production cost of finished goods</td> <td></td> <td><u>1,832,350 (1)</u></td> </tr> <tr> <td>Sales</td> <td></td> <td>3,320,000</td> </tr> <tr> <td>Sales returns</td> <td></td> <td><u>41,200</u></td> </tr> </tbody> </table>	Opening stock of raw materials		92,000	Purchases of raw materials		930,000	Carriage on materials		<u>5,400 (1)</u>			1,027,400	Purchase returns on raw materials		<u>26,900</u>			1,000,500	Closing stock of raw material		<u>66,000</u>	Direct materials		934,500 (2)	Direct wages		<u>498,000 (1)</u>	Prime cost		1,432,500	Indirect wages	129,400		Depreciation factory machinery	54,500 (2)		Depreciation Motor vehicles	15,750 (1)		Rates and insurance	54,400 (1)		General factory overheads	<u>174,300 (1)</u>	<u>428,350 (1)</u>			1,860,850	Work in progress at start		117,500 (1)	Work in progress at end		<u>(146,000)</u>	Production cost of finished goods		<u>1,832,350 (1)</u>	Sales		3,320,000	Sales returns		<u>41,200</u>	24	
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Question	Answer			Mark	Guidance		
(b)			3,278,800 <b>(1)</b>	2	QWC		
	Opening stock of finished goods	118,400					
	Production cost of finished goods	1,832,350 <b>(1)</b>					
	Closing stock of finished goods	<u>83,600</u>					
	Cost of sales		<u>1,867,150</u>				
	Gross Profit		1,411,650				
	Commission received		36,000 <b>(1)</b>				
	Provision for doubtful debts		<u>4,325</u> <b>(2)</b>				
			1,451,975				
	Bad debts	11,000 <b>(1)</b>					
	Rates and insurance	13,600 <b>(1)</b>					
	Loan interest	15,000 <b>(1)</b>					
	Office salaries	193,000					
	General office expenses	124,500					
	Depreciation – motor vehicles	<u>5,250</u> <b>(1)</b>	<u>362,350</u> <b>(1)</b>				
	Net Profit		<u>1,089,625</u>				
						4	(2 x 2 marks) (1 for point plus 1 for development)
<p data-bbox="365 1015 1581 1074">Paver Ltd has created a revaluation reserve in the accounts so that the accounts show a true and fair view of the valuation of the land and buildings at 31 December 2017.</p> <p data-bbox="365 1114 1610 1173">The land and buildings have been revalued by an independent professional. The increase in the valuation of £400,000 has been created to the revaluation reserve in the accounts of Paver Ltd. The creation of a capital reserve</p>							

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2 (a)	<table border="1"> <tbody> <tr> <td>Net profit before tax</td> <td></td> <td>54,000 (1)</td> </tr> <tr> <td>Taxation</td> <td></td> <td><u>50,850 (1)</u></td> </tr> <tr> <td></td> <td></td> <td>3,150</td> </tr> <tr> <td>Profit and loss b/f</td> <td></td> <td><u>37,350 (1)</u></td> </tr> <tr> <td>Profit and loss c/f</td> <td></td> <td><u>40,500 (1)</u></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td><u>Net cash flow from operating activities</u></td> <td></td> <td></td> </tr> <tr> <td>Operating profit for the year</td> <td></td> <td>54,000</td> </tr> <tr> <td>Depreciation</td> <td></td> <td>22,950 (2)</td> </tr> <tr> <td>Profit on sale</td> <td></td> <td>(2,250) (1)</td> </tr> <tr> <td>Increase in stock</td> <td></td> <td>(8,100) (1)</td> </tr> <tr> <td>Increase in debtors</td> <td></td> <td>(1,350) (1)</td> </tr> <tr> <td>Decrease in creditors</td> <td></td> <td><u>(5,400) (1)</u></td> </tr> <tr> <td>Net cash flow from operating activities</td> <td></td> <td><u>59,850 (1)</u></td> </tr> <tr> <td><u>Cash Flow Statement for the year ended 31 December 2016</u></td> <td></td> <td></td> </tr> <tr> <td>Net cash flow from operating activities</td> <td></td> <td>59,850</td> </tr> <tr> <td>Taxation</td> <td></td> <td></td> </tr> <tr> <td>Corporation tax</td> <td></td> <td>(36,450) (1)</td> </tr> <tr> <td>Capital expenditure</td> <td></td> <td></td> </tr> <tr> <td>Purchase of fixed assets</td> <td>(461,250) (2)</td> <td></td> </tr> <tr> <td>Proceeds of sale</td> <td><u>26,100 (1)</u></td> <td><u>(435,150)</u></td> </tr> <tr> <td></td> <td></td> <td>(411,750)</td> </tr> <tr> <td>Financing</td> <td></td> <td></td> </tr> <tr> <td>Issue of shares</td> <td></td> <td><u>427,500 (2)</u></td> </tr> <tr> <td>Increase in cash</td> <td></td> <td><u>15,750 (1)</u></td> </tr> </tbody> </table>	Net profit before tax		54,000 (1)	Taxation		<u>50,850 (1)</u>			3,150	Profit and loss b/f		<u>37,350 (1)</u>	Profit and loss c/f		<u>40,500 (1)</u>				<u>Net cash flow from operating activities</u>			Operating profit for the year		54,000	Depreciation		22,950 (2)	Profit on sale		(2,250) (1)	Increase in stock		(8,100) (1)	Increase in debtors		(1,350) (1)	Decrease in creditors		<u>(5,400) (1)</u>	Net cash flow from operating activities		<u>59,850 (1)</u>	<u>Cash Flow Statement for the year ended 31 December 2016</u>			Net cash flow from operating activities		59,850	Taxation			Corporation tax		(36,450) (1)	Capital expenditure			Purchase of fixed assets	(461,250) (2)		Proceeds of sale	<u>26,100 (1)</u>	<u>(435,150)</u>			(411,750)	Financing			Issue of shares		<u>427,500 (2)</u>	Increase in cash		<u>15,750 (1)</u>	18	(4 x 3 marks)
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<p>b*</p> <p>3</p> <p>a</p>	<p>Relevance – The financial information must be relevant and able to help the user of accounting information make economic and financial decisions about the company. Shareholders, banks and investors will use the information for decision making</p> <p>Reliability – The financial information must be reliable and present a true and fair view of the financial position. The company should use accounting policies which will result in accounting information which can be relied upon by the user.</p> <p>Comparability – It is important that the financial information provided by the company can be compared with previous years accounting information. The accounting information can be used for like with like comparison.</p> <p>Understandability – Information provided by financial statements needs to be capable of being understood by users who have a reasonable knowledge of business and accounting. Shareholders and investors will use in the information to make financial decisions.</p> <p>The final accounts should present a true and fair view and the accounting concept of Prudence is applied</p> <p>(i)</p> <p>(ii)</p> $\frac{600,000}{566,250 \text{ (1)}} = 1.06 \text{ times (1)}$ <p>(iii)</p> $\frac{160,000 \text{ (1)}}{10,000 \text{ (1)}} = 16 \text{ times (1)}$ <p>(iv)</p> $\frac{120,000 \text{ (1)}}{90,000 \text{ (1)}} = 1.33 \text{ times (1)}$ $\frac{225,000 \text{ (1)}}{566,250 \text{ (1)}} \times 100 = 39.74\%$	<p>14</p> <p>2</p> <p>3</p> <p>3</p> <p>3</p>	<p>(1 for point plus up to 2 for development)</p> <p>QWC</p>

Question	Answer	Mark	Guidance
<p>(v)</p> <p>(b)</p>	$\frac{1}{2.50} \times 40\% = 16\%$ <ul style="list-style-type: none"> <li>Dunbar plc could reduce the amount of cash tied up in stock by improved stock management. Introduce a system of economic ordering and monitor minimum and maximum stocks Introduce a system of just in time for stock control.</li> <li>Consider the sale of fixed assets that are surplus such as land and buildings. This would give large cash injection and improve the liquidity of the company</li> <li>Dunbar plc could consider an injection of injection of cash through increasing the amount of long-term loans or issuing more ordinary shares by a rights issue of share or a full issue to the general public.</li> <li>Dunbar plc could consider the dividend policy by reducing the amount of dividends it would improve the liquidity position of the company. They could also consider a bonus issue of shares instead of paying out cash dividends</li> </ul>	<p>3</p> <p>6</p>	<p>(2 x 3 marks)</p>

Question	Answer	Mark	Guidance
	to the shareholders		(1 for point plus 2 for development)



## F013 Specification Grid June 2017

	A01	A02	A03	Total
1 a	8	16		24
1 b			4	4
2 a	8	10		18
2 b			14	14
3 a	5	9		14
3 b		3	3	6
	21	38	21	80

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