GCE

Accounting

Advanced GCE

Unit **F013:** Company Accounts and Interpretation

Mark Scheme for June 2011

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Question Number	Expected Answer			Mark	Additional Guidance
1	Hutchinson plc				
	Profit and Loss Account for the year ended 31 March 2011				
	Turnover		3,950,000 **(1)**		
	Cost of sales		1,265,000 **(1)**		
	Gross profit		2,685,000		
	Distribution costs	653,500 **(4)**			
	Administrative expenses	1,005,775 **(7)**	1,659,275		
	Operating profit		1,025,725		
	Other income		30,000 **(1)**		
			1,055,725 **(1)**		
	Interest payable		2,880		
	Profit on ordinary activities before tax		1,052 845		
	Corporation tax		210,000 **(1)**		
	Profit after tax		842 845		
	Profit and loss b/f		152,000		
			690 845		
	Preference dividends	32,000 **(1)**			
	Proposed ordinary dividends	525,000 **(2)**	557,000		
	Retained profit		133,845		

Distribution costs
372,000 + 9,800 + 215,000 + 47,500 + 9,200 (4 marks)
Administrative expenses
720,000 + 38,000 + 18,000 – 25,000 + 36,800 + 215,000 – 4,800 + 7,775 (7 marks)

Question Number	Expected Answer			Mark	Additional Guidance
1	Balance Sheet as at 31 March 2011				
	Fixed assets				
	Land and buildings		1,900,000		
	Office equipment		64,000		
	Delivery Vehicles		142,500		
			2,106,500 **(1)**		
	Current assets				
	Stock	65,000			
	Debtors	147,725 **(2)**			
	Prepaid	4,800 **(1)**			
		217,525 **(1)**			
	Creditors amounts falling due within one year				
	Creditors	45,500 **(1)**			
	Accruals	12,680 **(1)**			
	Rent paid in advance	10,000			
	Taxation	210,000			
	Dividends	525,000 **(1)**			
	Bank	72,000			
		875,180 **(1)**			
	Net current assets		(657,655)		
			1,448,845		
	Capital and reserves				
	Ordinary share capital		600,000		
	Preference shares		400,000		
	Revaluation reserve		150,000 **(1)**		
	General reserve		15,000		
	Share premium		150,000		
	Retained profit		133,845 **(1)**		
			1,448,845		
				[30]	**Total marks [32] QWC [2]**

Question Number	Expected Answer	Mark	Additional Guidance
2	Bopara Plc Schedule of Fixed Assets for year ended 31 May 2011	[18]	

	Land and buildings	Delivery vehicles	Machinery	
Cost at 1 June	380,000	165 000	90,000	**(1) for line**
Additions		40,000	20,000	**(1) for line**
Disposals		(20,000)	(9,000)	**(1) for line**
Revaluation	150,000 **(1)**			
Cost at 31 May	530,000	185,000	101,000	**(1)**
Total depreciation 1 June	46,000	76,000	34,000	**(1)**
Profit and loss	11,500 **(2)**	19,880 **(2)**	12,900	**(2)**
Disposals		7,840 **(2)**	(5,500)	**(2)**
Total depreciation 31 May	57,500	88,040	41,400	**(1) for line**
Net book value 31 May	472,500	96,960	59,600	**(1) for line**

Question Number	Expected Answer	Marks	Additional Guidance
2 (b) (i)	Research is original and planned investigations **(1)** with the intention of acquiring new scientific or technical knowledge **(1).** Development is applying research to plan or design new products **(1)** up to the point of commercial use **(1).**	[4]	**Maximum 4 marks**
2 (b) (ii)	Revenue expenditure on research should be shown as an expense (**1)** in the profit and loss account **(1).** Capital expenditure on research such as the purchase of a new laboratory **(1)** should be treated as a normal fixed asset **(1).** Development costs can be written off an expense **(1)** or can be shown as a fixed asset on the balance sheet **(1).** Development costs can be shown on the balance sheet providing a product can be made and sold to customers to generate future economic benefit to the firm **(1).** The firm must have the available resources to complete the development **(1)** and measure the expenditure in a reliable way **(1).** **Total Marks**	[6] **[30]**	**Maximum 6 marks (6)** **QWC (2)** **[8]**

Question Number	Expected Answer	Marks	Additional Guidance
3 (a) (i)	Gross profit as a percentage of turnover; 2,700,000 = 60% 4,500,000	**[1]**	
3 (a) (ii)	Net profit after interest as a percentage of turnover; 600,000 **(1)** = 13.33% **(1)** 4,500,000 **(1)**	**[3]**	
3 (a) (iii)	Return on capital employed using the net profit before interest 648,000 **(1)** = 27% **(1)** 2,400,000 **(1)**	**[2]**	

3 (b) Discuss why each of the following would be interested in the financial statements published by Liam Fashions Plc.

Question Number	Expected Answer	Mark	Additional Guidance
3 (b) (i)	**Potential investors** To assess the performance of the management **(1)** and the amount of dividends and cash available **(1).** Will the company continue to make profits **(1)** and is the company expanding or declining **(1).** Is the company making a profit or loss **(1)** and the amount of sales turnover **(1).**	[4]	**Maximum 4 marks**
3 (b) (ii)	**Employees** To assess if the company has the cash available to pay wages and salaries **(1)** and consider the stability **(1)** of the company and the employment prospects for the future **(1).** The cash position of the company (**1)** and can it pay short term debts **(1).** The amount of profits **(1)** and the share price of the company **(1).**	[4]	**Maximum 4 marks**
3 (b) (iii)	**Banks** Can the company make finance payments **(1)** and repay loans **(1)** and to assess the value of security available to the lender **(1).** The current value of the loans on the balance sheet **(1)** and the asset value of the company **(1).** **Total marks**	[4] [18]	**Maximum 4 marks**

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