

Mark Scheme for June 2012

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.








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Annotations

Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Own figure rule
	Repeat
	Noted but no credit given
	Tick

Subject-specific Marking Instructions

Every working box – whether they contain working or not- must be stamped as “seen”.

Quality of Written Communication

The rubric states:

** In these two questions/sub questions, you will be assessed on the quality of your written communication. 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.*

4% of the paper marks are available for rewarding *Quality of Written Communication*.

Levels of Response for Numerical Questions

Level	Mark	Description
2	2	Almost all account headings, terms and balances are included appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included, though not always adhered to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
-	0	Responses which fail to achieve the standard required for Level 1.

Levels of Response for Narrative Questions

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
-	0	Responses which fail to achieve the standard required for Level 1.

Question	Answer	Marks	Guidance																																																		
1 (a)	<p><u>Osborne plc</u> <u>Schedule of Fixed Assets for year ended 31 December 2011</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;"><u>Premises</u></th> <th style="width: 20%; text-align: center;"><u>Plant and equipment</u></th> <th style="width: 20%; text-align: center;"><u>Motor vehicles</u></th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Cost at 1 January</td> <td></td> <td style="text-align: right;">650,000 (1)</td> <td style="text-align: right;">159,000</td> <td></td> </tr> <tr> <td>Additions</td> <td style="text-align: right;">500,000 (1)</td> <td style="text-align: right;">50,000 (1)</td> <td></td> <td></td> </tr> <tr> <td>Disposals</td> <td></td> <td></td> <td style="text-align: right;">(9,000) (1)</td> <td></td> </tr> <tr> <td>Revaluations</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cost at 31 December</td> <td style="text-align: right;">500,000</td> <td style="text-align: right;">700,000</td> <td style="text-align: right;">150,000 (1)</td> <td style="text-align: right;">for line</td> </tr> <tr> <td>Total depreciation 1 January</td> <td></td> <td style="text-align: right;">320,000</td> <td style="text-align: right;">61,000 (1)</td> <td></td> </tr> <tr> <td>Profit and loss Disposals</td> <td></td> <td style="text-align: right;">135,000 (2)</td> <td style="text-align: right;">37,500 (1) (3,800) (1)</td> <td></td> </tr> <tr> <td>Total depreciation 31 December</td> <td></td> <td style="text-align: right;">455,000</td> <td style="text-align: right;">94,700 (1)</td> <td style="text-align: right;">for line</td> </tr> <tr> <td>Net book value 31 December</td> <td style="text-align: right;">500,000</td> <td style="text-align: right;">245,000</td> <td style="text-align: right;">55,300 (1)</td> <td style="text-align: right;">for line</td> </tr> </tbody> </table>		<u>Premises</u>	<u>Plant and equipment</u>	<u>Motor vehicles</u>		Cost at 1 January		650,000 (1)	159,000		Additions	500,000 (1)	50,000 (1)			Disposals			(9,000) (1)		Revaluations					Cost at 31 December	500,000	700,000	150,000 (1)	for line	Total depreciation 1 January		320,000	61,000 (1)		Profit and loss Disposals		135,000 (2)	37,500 (1) (3,800) (1)		Total depreciation 31 December		455,000	94,700 (1)	for line	Net book value 31 December	500,000	245,000	55,300 (1)	for line	12	
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Question	Answer	Marks	Guidance
(b)*	<u>Osborne plc</u> <u>Profit and Loss Account for the year ended 31 December 2011</u> Turnover 981,200 (1) Cost of sales <u>464,800</u> (2) Gross profit 516,400 Distribution costs 256,050 (4) Administrative expenses <u>121,222</u> (6) 377,272 Operating profit 139,128 Other income <u>23,000</u> (2) 162,128 Interest payable <u>12,100</u> (1) 150,028 Profit on ordinary activities before tax 150,028 Corporation tax <u>37,500</u> Profit after tax 112,528 Proposed dividends <u>60,000</u> (2) Retained profit <u>52,528</u> (1) Distribution costs (114500 + 600(1) + 2200(1) + 37500(1) + 101250(1) = 256 050) Administrative expenses 89000 – 900 + 1172 – 3000 + 33750 + 6000 – 4800 = 121222 QWC	19	
		2	
		21	
		Total	33

Question		Answer	Marks	Guidance
2	(a)	<p>Net profit before tax 328,000 (1)</p> <p>Taxation <u>63,000</u> (1)</p> <p>265,000</p> <p>Profit and loss b/f <u>45,000</u> (1)</p> <p>310,000</p> <p>Dividends 155,000 (2)</p> <p>Reserves <u>30,000</u> (1)</p> <p>Profit and loss c/f <u>125,000</u> (1)</p> <p><u>Net cash flow from operating activities</u></p> <p>Operating profit for the year 328,000</p> <p>Depreciation 55,000 (2)</p> <p>Profit on sale (3,200) (1)</p> <p>Increase in stock (19,000) (1)</p> <p>Decrease in debtors 14,000 (1)</p> <p>Decrease in creditors <u>(5,000)</u> (1)</p> <p><u>369,800</u></p>	13	

Question		Answer	Marks	Guidance
	(b)	<p>The balance on the share premium account is a capital reserve. Company law will not allow Plum plc to pay ordinary dividends using the capital reserves. The directors of Plum plc could use the balance to make a bonus issue of shares. The balance on the general reserve account is a revenue reserve and is the property of the ordinary share holders. The directors can use the balance on the reserve account to pay dividends, although the company must have the cash available and it will reduce the equity reserves on the balance sheet.</p> <p>Maximum 8 marks (1 for point plus up to 2 for development)</p>	8	
		Total	21	

Question		Answer		Marks	Guidance
3	(a) (i)	<p>Bal c/d</p> <p style="text-align: center;"><u>Ordinary share capital</u></p> <p>100,000 (1)</p> <p style="text-align: center;"><u>100,000</u></p>	<p>Bal b/d</p> <p>40,000</p> <p>Bank 40,000 (1)</p> <p>Share premium (1) 8,000 (1)</p> <p>Profit and loss (1) <u>12,000 (1)</u></p> <p style="text-align: center;"><u>100,000</u></p>	6	
	(ii)	<p>Ordinary share capital (1) <u>8,000 (1)</u></p> <p style="text-align: center;"><u>8,000</u></p>	<p>Bank <u>8,000 (1)</u></p> <p style="text-align: center;"><u>8,000</u></p>	3	
	(iii)	<p>Ordinary share capital (1) 12,000 (1)</p> <p>Bal c/d <u>108,000 (1)</u></p> <p style="text-align: center;"><u>120,000</u></p>	<p><u>Profit and loss</u></p> <p>Bal b/d 120,000</p> <p style="text-align: center;"><u>120,000</u></p>	3	
	(b)*	<p>Relevance – The financial information must be relevant and able to help the user make economic and financial decisions about the company.</p> <p>Reliability – The financial information must be reliable and free from errors and statements. The account must represent a true and fair picture of the company. Appropriate accounting policies must be used which will result in accounting information which can be relied upon by the user.</p> <p>(1 for point plus up to 2 for development)</p>		12	
			QWC	2	

Question			Answer	Marks	Guidance
			<p>Comparability – It is important that the financial information provided by the company can be compared with previous performance and similar companies by the user of the accounts.</p> <p>(1 for point plus up to 2 for development)</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. The user of the accounts should be able use the accounting information to help make an informed decision on the company.</p> <p>(1 for point plus up to 2 for development)</p> <p>Maximum 12 marks</p>		
				14	
			Total	26	

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