

**GCE**

**Accounting**

Unit **F013**: Company Accounts and Interpretation

Advanced GCE

**Mark Scheme for June 2014**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

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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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These are the annotations, (including abbreviations), including those used in scoris, which are used when marking

Annotation	Meaning of annotation
	Blank Page – this annotation <b>must</b> be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.

1		281	?	Unclear
2		31	BOD	Benefit of doubt
3		21	Cross	Cross
4		721	OFR	Own figure rule
5		271	REP	Repeat
6		811	SEEN	Noted but no credit given
7		11	Tick	Tick
8			L1	Level 1
9			L2	Level 2
10			L3	Level 3
11			L4	Level 4

**Subject-specific Marking Instructions**

The mark scheme for this unit reflects terminology and formats in line with the specification.

In addition terminology and formats in line with International Accounting Standards will also be acceptable.

**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 data-bbox="353 316 1084 379"><u>Future plc</u> <u>Manufacturing Account for the year ended 31 May 2014</u></p> <table data-bbox="353 414 1411 1021"> <tr> <td data-bbox="353 414 1220 446">Opening stock of raw materials</td> <td data-bbox="1220 414 1411 446">42,000</td> <td data-bbox="1220 446 1411 478"></td> <td data-bbox="1220 478 1411 510"></td> </tr> <tr> <td data-bbox="353 446 1220 478">Purchases of raw materials</td> <td data-bbox="1220 446 1411 478">830,000</td> <td data-bbox="1220 478 1411 510"></td> <td data-bbox="1220 510 1411 542"></td> </tr> <tr> <td data-bbox="353 478 1220 510">Carriage inwards on raw materials</td> <td data-bbox="1220 478 1411 510"><u>12,000</u></td> <td data-bbox="1220 510 1411 542"></td> <td data-bbox="1220 542 1411 574"></td> </tr> <tr> <td data-bbox="353 510 1220 542"></td> <td data-bbox="1220 510 1411 542">884,000</td> <td data-bbox="1220 542 1411 574"></td> <td data-bbox="1220 574 1411 606"></td> </tr> <tr> <td data-bbox="353 542 1220 574">Purchase returns of raw materials</td> <td data-bbox="1220 542 1411 574"><u>26,000</u></td> <td data-bbox="1220 574 1411 606"></td> <td data-bbox="1220 606 1411 638"></td> </tr> <tr> <td data-bbox="353 574 1220 606"></td> <td data-bbox="1220 574 1411 606">858,000</td> <td data-bbox="1220 606 1411 638"></td> <td data-bbox="1220 638 1411 670"></td> </tr> <tr> <td data-bbox="353 606 1220 638">Closing stock of raw materials</td> <td data-bbox="1220 606 1411 638"><u>44,000</u></td> <td data-bbox="1220 638 1411 670"></td> <td data-bbox="1220 670 1411 702"></td> </tr> <tr> <td data-bbox="353 638 1220 670">Direct materials</td> <td data-bbox="1220 638 1411 670">814,000 (2)</td> <td data-bbox="1220 670 1411 702"></td> <td data-bbox="1220 702 1411 734"></td> </tr> <tr> <td data-bbox="353 670 1220 702">Direct wages</td> <td data-bbox="1220 670 1411 702"><u>210,000 (1)</u></td> <td data-bbox="1220 702 1411 734"></td> <td data-bbox="1220 734 1411 766"></td> </tr> <tr> <td data-bbox="353 702 1220 734">Prime cost</td> <td data-bbox="1220 702 1411 734">1,024,000</td> <td data-bbox="1220 734 1411 766"></td> <td data-bbox="1220 766 1411 798"></td> </tr> <tr> <td data-bbox="353 734 1220 766">Indirect wages</td> <td data-bbox="1008 734 1220 766">72,000</td> <td data-bbox="1220 766 1411 798"></td> <td data-bbox="1220 798 1411 829"></td> </tr> <tr> <td data-bbox="353 766 1220 798">Depreciation plant and machinery</td> <td data-bbox="1008 766 1220 798">65,000 (1)</td> <td data-bbox="1220 798 1411 829"></td> <td data-bbox="1220 829 1411 861"></td> </tr> <tr> <td data-bbox="353 798 1220 829">Rates and insurance</td> <td data-bbox="1008 798 1220 829">8,000 (1)</td> <td data-bbox="1220 829 1411 861"></td> <td data-bbox="1220 861 1411 893"></td> </tr> <tr> <td data-bbox="353 829 1220 861">Factory overheads</td> <td data-bbox="1008 829 1220 861">104,000 (1)</td> <td data-bbox="1220 861 1411 893"></td> <td data-bbox="1220 893 1411 925"></td> </tr> <tr> <td data-bbox="353 861 1220 893"></td> <td data-bbox="1220 861 1411 893"><u>249,000 (1)</u></td> <td data-bbox="1220 893 1411 925"></td> <td data-bbox="1220 925 1411 957"></td> </tr> <tr> <td data-bbox="353 893 1220 925"></td> <td data-bbox="1220 893 1411 925">1,273,000</td> <td data-bbox="1220 925 1411 957"></td> <td data-bbox="1220 957 1411 989"></td> </tr> <tr> <td data-bbox="353 925 1220 957">Work in progress at start</td> <td data-bbox="1220 925 1411 957">50,000</td> <td data-bbox="1220 957 1411 989"></td> <td data-bbox="1220 989 1411 1021"></td> </tr> <tr> <td data-bbox="353 957 1220 989">Work in progress at end</td> <td data-bbox="1220 957 1411 989"><u>(38,000)</u></td> <td data-bbox="1220 989 1411 1021"></td> <td data-bbox="1220 1021 1411 1053"></td> </tr> <tr> <td data-bbox="353 989 1220 1021">Production cost of finished goods</td> <td data-bbox="1220 989 1411 1021"><u>1,285,000 (1)</u></td> <td data-bbox="1220 1021 1411 1053"></td> <td data-bbox="1220 1053 1411 1085"></td> </tr> </table>	Opening stock of raw materials	42,000			Purchases of raw materials	830,000			Carriage inwards on raw materials	<u>12,000</u>				884,000			Purchase returns of raw materials	<u>26,000</u>				858,000			Closing stock of raw materials	<u>44,000</u>			Direct materials	814,000 (2)			Direct wages	<u>210,000 (1)</u>			Prime cost	1,024,000			Indirect wages	72,000			Depreciation plant and machinery	65,000 (1)			Rates and insurance	8,000 (1)			Factory overheads	104,000 (1)				<u>249,000 (1)</u>				1,273,000			Work in progress at start	50,000			Work in progress at end	<u>(38,000)</u>			Production cost of finished goods	<u>1,285,000 (1)</u>			8	
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Question	Answer	Marks	Guidance																																																
(b)*	<p><u>Future plc</u>  <u>Profit and Loss Account for the year ended 31 May 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Turnover</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">2,100,000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>1,299,000</u> (2)</td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">801,000</td> <td></td> </tr> <tr> <td>Distribution costs</td> <td style="text-align: right;">149,375 (3)</td> <td></td> <td></td> </tr> <tr> <td>Administrative expenses</td> <td style="text-align: right;"><u>162,875</u> (4)</td> <td style="text-align: right;"><u>312,250</u></td> <td></td> </tr> <tr> <td>Profit on ordinary activities</td> <td></td> <td style="text-align: right;">488,750</td> <td></td> </tr> <tr> <td>Interest payable</td> <td></td> <td style="text-align: right;"><u>6,400</u> (1)</td> <td></td> </tr> <tr> <td>Profit on ordinary activities before tax</td> <td></td> <td style="text-align: right;">482,350</td> <td></td> </tr> <tr> <td>Corporation tax</td> <td></td> <td style="text-align: right;"><u>180,000</u></td> <td></td> </tr> <tr> <td>Profit after tax</td> <td></td> <td style="text-align: right;">302,350</td> <td></td> </tr> <tr> <td>General reserve</td> <td></td> <td style="text-align: right;"><u>300,000</u> (1)</td> <td></td> </tr> <tr> <td>Retained profit</td> <td></td> <td style="text-align: right;"><u><u>2,350</u></u></td> <td></td> </tr> </table> <p>Distribution costs  116,000 + 17,000 + 4,000 + 12,375</p> <p>Administrative Expenses  137,000 + 3,000 + 8,000 + 12,375 + 5,500</p>	Turnover		2,100,000		Cost of sales		<u>1,299,000</u> (2)		Gross profit		801,000		Distribution costs	149,375 (3)			Administrative expenses	<u>162,875</u> (4)	<u>312,250</u>		Profit on ordinary activities		488,750		Interest payable		<u>6,400</u> (1)		Profit on ordinary activities before tax		482,350		Corporation tax		<u>180,000</u>		Profit after tax		302,350		General reserve		<u>300,000</u> (1)		Retained profit		<u><u>2,350</u></u>		22	
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2	a	<p>Net profit before tax 120,000 <b>(1)</b>  Taxation <u>113,000</u> <b>(1)</b>  7,000  Profit and loss b/f <u>83,000</u>  Profit and loss c/f <u>90,000</u> <b>(1)</b></p> <p><u>Net cash flow from operating activities</u>  Operating profit for the year 120,000  Depreciation 51,000 <b>(2)</b>  Profit on sale (5,000) <b>(1)</b>  Increase in stock (18,000) <b>(1)</b>  Increase in debtors (3,000) <b>(1)</b>  Decrease in creditors <u>(12,000)</u> <b>(1)</b>  Net cash flow from operating activities <u>133,000</u> <b>(1)</b></p>	10	



Question	Answer	Marks	Guidance
(b)*	<p>The financial information that is presented by Ball plc must be relevant and show all the transactions for the accounting year. The final accounts that are presented by Ball plc should help the help the shareholders make important financial decisions about the company.</p> <p>The information that is presented in the final accounts of Ball plc must be reliable and not include errors. The account must represent a true and fair picture of the company. Appropriate accounting policies must be used by Ball plc which will result in accounting</p> <p>The financial information that is presented by Ball plc must be relevant and show all the transactions for the accounting year. The final accounts that are presented by Ball plc should help the help the shareholders make important financial decisions about the company.</p> <p>The information that is presented in the final accounts of Ball plc must be reliable and not include errors. The account must represent a true and fair picture of the company. Appropriate accounting policies must be used by Ball plc which will result in accounting information which can be relied upon by the shareholders of Ball plc.</p> <p>It is very important that the financial information presented in the Profit and Loss Account and Balance Sheet of Ball plc can be compared. The shareholders of Ball plc can compare previous year's performance. The shareholders of Ball plc can also compare the performance with similar firms.</p> <p>Financial Information presented in the profit and loss account and balance sheet must be capable of being understood by shareholders and investors who do not have a detailed knowledge of accounting.</p>	<p>12</p> <p>QWC 2</p>	

Question			Answer	Marks	Guidance
			(1 for point plus up to 2 for development)		
			Maximum 12 marks		
			<b>Total</b>	<b>24</b>	

Question			Answer		Marks	Guidance
3	a	i	Bank (1) 100,000(1) Share premium 475,000 (1) Share capital <u>625,000 (1)</u> <u>1,200,000</u>	Application and Allotment Account Bank 350,000(1) Bank 850,000(1)  <u>1,200,000</u>	6	
3	a	ii	Balance c/d 2,500,000(1)  <u>2,500,000</u>	Share Capital Balance b/d 1,875,000(1) Application and allotment (1) 625,000(1)  <u>2,500,000</u>	4	

Question			Answer	Marks	Guidance																
3	a	iii	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">Share Premium</td> <td style="width: 30%;"></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">1,600,000 (1)</td> <td>Balance b/d</td> <td style="text-align: right;">1,125,000 (1)</td> </tr> <tr> <td></td> <td></td> <td>Application and allotment (1)</td> <td style="text-align: right;">475,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1,600,000</u></td> <td></td> <td style="text-align: right;"><u>1,600,000</u></td> </tr> </table>			Share Premium		Balance c/d	1,600,000 (1)	Balance b/d	1,125,000 (1)			Application and allotment (1)	475,000 (1)		<u>1,600,000</u>		<u>1,600,000</u>	4	
		Share Premium																			
Balance c/d	1,600,000 (1)	Balance b/d	1,125,000 (1)																		
		Application and allotment (1)	475,000 (1)																		
	<u>1,600,000</u>		<u>1,600,000</u>																		
3	b		<p>Employees are interested in information about the liquidity and profitability of their employers.</p> <p>Does Talbot plc have good liquidity and is it profitable and therefore can continue to be able to pay wages and salaries, pension benefits and future employment opportunities.</p> <p>Employees will want to plan for the future and if Talbot plc is considering new factory equipment this could provide more job security.</p> <p>Jobs could be lost if the production process becomes more reliant on computer technology and employees without the relevant skills may want to start to look for alternative employment</p> <p>Maximum 6 marks (1 for point plus 1 for development)</p>	6																	

Question		Answer	Marks	Guidance
3	c	<p>The audit report is important because the shareholders of Talbot plc will make financial decisions based on the accounts of the company.</p> <p>It is important that an independent audit of the accounting transactions and systems is undertaken. The final accounts should present a true and fair view of the financial position of Talbot plc.</p> <p>The concept of prudence should have been applied and the profits and assets of Talbot plc must not be overstated which would mislead shareholders.</p> <p>Maximum 4 marks (1 for point plus 1 for development)</p>	4	
		<b>Total</b>	<b>24</b>	

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