

Accounting

Advanced GCE A2 H401

Advanced Subsidiary GCE AS H001

Mark Schemes for the Units

June 2009

H001/H401/MS/R/09

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F001 Unit 1 – Accounting Principles

1*

Patsy Pinoak

Trading and Profit and Loss Account for the year ended 31 March 2009

Sales		260,000	
Sales returns		<u>1,200</u>	
		258,800	(1)
Opening stock	18,000		
Purchases	96,000	(1)	
Carriage inwards	<u>850</u>	(1)	
	114,850		
Drawings	<u>1,000</u>	(1)	
	113,850		
Purchase returns	<u>3,600</u>	(1)	
	110,250		
Closing stock	<u>25,200</u>		
Cost of sales		<u>85,050</u>	(1)
Gross Profit		173,750	
Discounts received		1,250	(1)
Commission receivable		<u>16,700</u>	(2)
		191,700	
Discounts allowed	2,600	(1)	
Carriage outwards	930	(1)	
Loan interest	8,400	(2)	
Bad debts	370	(2)	
Salaries	23,500	(2)	
Insurance	3,800	(2)	
Motor expenses	6,200	(1)	
General expenses	12,300	(2)	
Provision for doubtful debts	445	(2)	
Depreciation motor vehicles	9,000	(1)	
Depreciation office equipment	<u>3,600</u>	(2)	
		<u>71,145</u>	
Net Profit		<u>120,555</u>	

Balance Sheet as at 31 March 2009Fixed Assets

Premises			450,000		
Motor vehicles			27,000		
Office equipment			<u>20,400</u>		
			497,400	(2)(1of)	
<u>Current Assets</u>					
Stock	25,200				
Debtors	21,805	(2)			
General expenses	300	(1)			
Commission receivable	2,700	(1)			
Cash	<u>900</u>				
	50,905	(1)			
<u>Current Liabilities</u>					
Creditors	18,450	(1)			
Bank	4,700	(1)			
Loan interest	700	(1)			
Salaries	500	(1)			
Insurance	400	(1)			
7% loan	<u>120,000</u>	(1)			
	144,750				
Working capital			<u>(93,845)</u>		
			<u>403,555</u>		
<u>Financed by</u>					
Capital			300,000	(1)	
Net profit			<u>120,555</u>	(1of)	
			420,555		
Drawings			<u>17,000</u>	(1)	
			<u>403,555</u>		
					[43]
				QWC	[2]
				Total marks	[45]

2 (a)

Rent Received					
(i)	Bal b/d	2,000	(1)	Bank	12,000 (1 both)
	Profit and Loss	27,000	(1)	Bank	14,000
				Bal c/d	<u>3,000</u> (1)
		<u>29,000</u>			<u>29,000</u>

[4]

Motor Expenses					
(ii)	Bank	800	(1 both)	Bal b/d	800 (1)
	Bank	1,200		Profit and Loss	1,850 (1)
	Bal c/d	<u>650</u> (1)			<u>2,650</u>
		<u>2,650</u>			<u>2,650</u>

[4]

Stationery					
(iii)	Bal b/d	300	(1)	Bal b/d	500 (1)
	Bank	1,500	(1 both)	Profit and loss	3,150 (1)
	Bank	<u>2,300</u>		Bal c/d	<u>450</u>
		<u>4,100</u>			<u>4,100</u>

[4]

Rates					
(iv)	Bal b/d	2,200	(1)	Profit and Loss	5,340 (1)
	Bank	2,640	(1 both)	Bal c/d	<u>2,500</u> (1)
	Bank	<u>3,000</u>			<u>7,840</u>
		<u>7,840</u>			

[4]

Profit and Loss Account (extract)					
(b)	Motor expenses	1,850	(1)	Rent received	27,000 (1)
	Stationery	3,150	(1)		
	Rates	5,340	(1)		

[4]

Balance Sheet (extract)					
(c)	<u>Current Assets</u>				
	Rent received	3,000			
	Stationery	450	(1 mark for all three)		
	Rates	2,500			
	<u>Current Liabilities</u>				
	Motor expenses	650	(1)		

[2]

- (d) (i) To ensure that income and expenditure is matched to the period in which it was incurred/earned, rather than the period in which it was paid/received.

1 mark for explaining the matching of income/expenditure total period.

1 mark for development that it is not the period when it was paid. Candidates are expected to explain the application of the accruals concept, reference can be made to examples in the question.

[1+1]

[2]

- (ii) At the year end, accruals of income and expenditure are added to the amount paid, and this amount is placed in the expenses in the Profit and Loss Account.

End of year prepayments of income and expenditure are deducted from the amount paid, and again the adjusted figure is used in the Profit and Loss Account.

Prepaid expenditure and accrued income are entered in the current assets in the Balance Sheet.

Accrued expenditure and prepaid income are entered in the current liabilities in the Balance Sheet.

Ensures that the net profit is calculated using the expenses that have been incurred rather than the expenses paid during the period, and the Balance Sheet values are correct.

Analysis/evaluation should also include information relating to the calculation of profit and the value of assets.

Maximum 4 marks for analysis and maximum 2 marks for evaluation.

[(1+2)x2]

QWC

[6]

[2]

Total marks

[32]

3 (a)
(i)

Bad Debts					
Debtors	2,400	(1)	Profit and Loss	4,640	(1)
Y. Arra	1,600	(1)			
R. Iver	<u>640</u>	(1)			
	<u>4,640</u>			<u>4,640</u>	
					[4]

[4]

(ii)	Provision for Doubtful Debts					
	Bal c/d	4,710	(1)	Bal b/d	4,200	(1)
			(1of)	Profit and Loss	510	(1)
		<u>4,710</u>			<u>4,710</u>	
						[4]

[4]

(iii)	R. Iver					
	Bal b/d	800	(1)	Bank	160	(1)
				Bad debts	<u>640</u>	(1)
		<u>800</u>			<u>800</u>	
						[3]

[3]

Balance Sheet (extract)			
<u>Current Assets</u>			
Debtors	141,600		
Provision for doubtful debts	<u>4,710</u>		
	<u>136,890</u>	(2)(1of)	

[2]

- (c) Doubtful debts are an estimate of the amounts owed by credit customers who might be unable to pay their debt. It is prudent to show this in the Profit and Loss Account so that profits are not overstated. The debtors figure in the Balance Sheet is also reduced so that the debtors are not overstated.

Candidates are expected to discuss two reasons why businesses make a provision for doubtful debts and the effect on the final accounts.

Max 2 marks for analysis and 2 marks for evaluation.

[2x2]

[4]

- (d) Previous history of the amount of debts that have turned into bad debts in previous years. Specific knowledge of companies that may be having problems repaying debts. The state of the economy at the present time.

Candidates are expected to discuss two factors. 1 mark for analysis and 2 marks for evaluation for each factor.

[(1+2)x2]

[6]

Total marks [23]

F002 Unit 2 – Financial Accounting

1(a)*

The Journal

	Dr	Cr
(i) Suspense	81,000 (1)	
Sales		81,000 (1)
(ii) Drawings	11,000 (1)	
Suspense		11,000 (1)
(iii) Sales	15,500 (1)	
Suspense		15,500 (1)
(iv) M.Walls	7,800 (1)	
Suspense		7,800 (1)
R.Willis	7,800 (1)	
Suspense		7,800 (1)
(v) Sales Returns	10,500 (1)	
Purchases Returns		10,500 (1)
(vi) Suspense	4,000 (1)	
B.Valentine		4,000 (1)

<u>Suspense Account</u>			
Sales	81,000 (1)	Bal b/d	42,900 (1)
B.Valentine	4,000 (1)	Drawings	11,000 (1)
		Sales	15,500 (1)
		M.Walls	7,800 (1)
		R.Willis	<u>7,800 (1)</u>
	<u>85,000</u>		<u>85,000</u>

[21]

QWC [2]

1(b) Net Profit per Balance Sheet:	41,000 (1)	
Add Increase in Sales	81,000 (2)	
Less Reduction in Sales	<u>(15,500) (1)</u>	
Revised Net Profit	<u>106,500 (1)</u>	[5]

1(c) Corrected Balance Sheet as at 31 December 2008

<u>Fixed Assets (Net)</u>		465,000	
<u>Current Assets</u>			
Stock	30,000		
Debtors	21,000	(2)	
Cash	<u>5,500</u>		
	56,500		
<u>Current Liabilities</u>			
Creditors	18,900	(2)	
Bank	<u>9,750</u>		
	28,650		
Working Capital		<u>27,850</u>	
		<u>492,850</u>	(1)
<u>Financed by</u>			
Capital		442,350	
Net Profit		<u>106,500</u>	(1of)
		548,850	
Drawings		<u>56,000</u>	(2)
		<u>492,850</u>	

[8]

- 1(d)**
- (i) Omission: A transaction has been completely omitted from the accounts, therefore neither a debit nor a credit entry has been processed.
 - (ii) Commission: A transaction has been posted to the right class of account but to the wrong individual account.
 - (iii) Principle: A transaction has been posted at the correct value but to the wrong class of account.
 - (iv) Complete reversal: A transaction has been posted at the correct value, but the account which should have been debited has been credited and vice versa.
 - (v) Error of original entry: The transaction has been posted to the accounts but using the wrong value both for debit and credit.
 - (vi) Compensating: Where multiple errors happen to cancel each other out.
Transposition: where there has been an error in the ordering of figures on both sides of the double entry
 - (vii)

(3x3)(1 for point plus up to 2 for development)**[9]****Total marks****[45]**

2(a) Stock valuation as at 12 April 2009 225,750 (1)

	<u>Inc</u>	<u>Dec</u>		
(i) Sales	160,000 (2)			
(ii) Purchases		140,000 (1)		
(iii) Cleaning materials		6,600 (1)		
(iv) Damaged stock		11,600 (2)		
(v) Free samples		6,000 (2)		
(vi) Purchases returns	23,000 (1)			
(vii) Sales returns		8,400 (2)		
	<u>183,000</u>	<u>172,600</u>	<u>10,400</u>	
Stock valuation as at 31 March 2009 (1)			<u>236,150 (1)</u>	[14]

2(b) Item (i): As these goods were not delivered until 11 April they would have been in stock on 31 March (1) and, therefore, must be included in the stocktake (1). Stock must be valued at cost and not selling price (1). [2]

Item (iii): Cleaning materials are brought for use within the business and not for resale to customers (1). They should therefore not be included in the business' stock records (1). [2]

Item (iv): Stock must be valued at the lower of cost (1) and net realisable value (1). SSAP 9 (1). Due to damage, these goods can no longer be sold at cost price (or more) (1) and, therefore, net realisable value must be used (1). [2]

Item (v): Free samples are provided by a supplier to help and encourage a potential customer to purchase more of these products (1). Free samples are not provided for re-sale (1), therefore, they should not be included (1) in the recipient's business accounts. H.Clarke, therefore, needs to remove (1) this item from the 12 April stock-take. [2]

2(c) Advantages: speed, instant access eg to stock records, instant stock reordering, accuracy, volume of data processing, storage, security.

Disadvantages: cost, training, technical problems, operator error, security.

Candidates are expected to evaluate both advantages and disadvantages.

Max 4 marks for analysis max 6 for evaluation.

[10]

Total marks [32]

3(a) Kevin EdwinsTrading and Profit and Loss Account for the year ended 31 December 2008

Sales		2,100,000	
Opening stock	176,000 (1)		
Purchases	<u>1,691,000 (1)</u>		
	1,867,000		
Closing stock	<u>187,000 (1)</u>		
Cost of Sales		<u>1,680,000 (1)</u>	
Gross Profit		420,000 (1)	
Business expenses	117,669 (4)		
(119,000+6350-7065-8946+8330)			
Depreciation	<u>105,000</u>	<u>222,669</u>	
Net Profit		<u><u>197,331 (2)(1of)</u></u>	[11]

3(b)* Advantages:

Help with running the business, more flexible working/division of labour.
 Shared responsibility, help with decision making.
 New skills/more expertise; help to make the business more successful.
 Holiday/sickness cover; will not need to close due to staff shortages.
 More finance capital for business allowing the business to expand.
 Will benefit from limited liability. Home and personal possessions will be secure in the event of the business failing.

Disadvantages:

Decisions cannot be taken on your own, difficult for the original owner.
 Risk of disagreement between directors, could damage the business.
 Shareholders are entitled to a share of the profits in the form of dividend payments, so the original owner may make less profit.
 In the event of the business failing all shareholders, including the original owner, could lose all the capital they have invested in the business.

Candidates are expected to evaluate both advantages and disadvantages.

Max 6 marks for analysis max 4 marks for evaluation.

[10]

QWC [2]

Total marks [23]

F003 Unit 3 – Management Accounting

1 (a) (i) FIFO 22(1) @ 129(1) = 2,838(1)

[3]

(ii) LIFO 16(1) @ 124(1) = 1,984
 6(1) @ 125(1) = 750
 2,734(1)

[5]

(b) Trading and Profit and Loss Account for the six months ended 30 April 2009

Sales		57,744(2)
Opening stock	1,984(1)	
Purchases	<u>36,886(2)</u>	
	38,870	
Closing stock	<u>2,838</u>	
Cost of sales		<u>36,032</u>
Gross Profit		21,712
Expenses		<u>12,712(1)</u>
Net Profit		<u>9,000(1of)</u>

[7]

(c) FIFO

Advantages

Stock valuation is based on the most recent purchase costs and will be nearer current prices.

Basis of good store-keeping with the assumption that the oldest stock is issued first.

Acceptable to Inland Revenue for taxation purposes and conforms to SSAP 9.

Disadvantages

Issued prices are from earliest receipts and not likely to be in line with most recent prices.

In periods of inflation, stock is valued at the highest (latest) prices, cost of sales is reduced and profit overstated. Could result in more tax being paid.

Candidates are expected to discuss three points to include at least one advantage and one disadvantage. Max 4 marks for analysis and max 4 marks for evaluation.

[8]

- (d) Based on a formula with a number of factors such as demand, purchase price, order charge and stock-holding costs. Accurate projections are needed.

Information given for Richard Staverton shows variable purchase price and demand. Each change would require a recalculation of EOQ.

Factors are unlikely to be constant and, therefore, inappropriate to the business.

Candidates are expected to consider a minimum of two points. Max 3 marks for analysis and max 3 marks for evaluation.

[6]

Total marks [29]

2 (a)*

	<u>A</u>	<u>B</u>	<u>C</u>
Selling price	72	74	58
Variable costs	<u>51</u>	<u>52</u>	<u>41</u>
Contribution per unit	<u>21(1)</u>	<u>22(1)</u>	<u>17(1)</u>

Profit each month if no limiting factor

A contribution	21 x 9,000	189,000(1)
B contribution	22 x 12,000	264,000(1)
C contribution	17 x 7,000	<u>119,000(1)</u>
		572,000
Fixed cost		<u>250,000(1)</u>
Profit		<u>322,000(1)</u>

Limiting factor

	<u>A</u>	<u>B</u>	<u>C</u>
<u>Contribution</u>	<u>21</u>	<u>22</u>	<u>17</u>
<u>Limiting factor</u>	<u>18</u>	<u>25</u>	<u>16</u>
	1.17	0.88	1.06
Priority(2)	1st	3rd	2nd

Material required

A	18 x 9,000	162,000
B	25 x 12,000	300,000
C	16 x 7,000	<u>112,000</u>
		574,000
20% reduction Sept		<u>114,800</u>
Available for Sept		<u>459,200</u>

Material available Sept	459,200(1)
A 18 x 9,000	<u>(162,000)</u>
	297,200
C 16 x 7,000	<u>(112,000)</u>
	185,200
B 25 x 7,408	<u>(185,200)(1)</u>

Profit for Sept

A 21 x 9,000	189,000(1)
B 22 x 7,408	162,976(1)
C 17 x 7,000	<u>119,000(1)</u>
	470,976
Fixed cost	<u>250,000(1)</u>
Profit	<u>220,976(1)</u>

Profit for the three months ending 30 Sept 2009

Jul	322,000
Aug	322,000
Sept	<u>220,976</u>
Profit	<u>864,976(1)</u>

[18]

QWC [2]

(b)

Selling price	50
Variable costs	<u>41</u>
Contribution per unit	9
Qty	<u>x 3,000</u>
	27,000(1)
Fixed cost	<u>15,000(1)</u>
Profit	<u>12,000(1)</u>

[3]

- (c) Customers paying full price will be annoyed to discover others paying less. Possible business will be taken elsewhere.

Reaction of competitors needs consideration. They may respond by cutting their prices and start a price war.

Will acceptance of the offer take up capacity that could be better used for future full price business? It is assumed that no better opportunities will arise during the period.

An over reliance on special orders is not a long term solution and the company should put priority on achieving full price orders.

Candidates are expected to discuss three factors. Max 3 marks for analysis and max 6 marks for evaluation.

[9]

Total marks [32]

3 (a)Product X

<u>Year</u>	<u>SP – VC</u>	<u>x Demand</u>	<u>- FC</u>	<u>Cash flow</u>
2010	14.00 - 7.10 = 6.90(1)	x 11,000 =	75,900 - 29,900 =	46,000(1)
2011	14.50 - 7.30 = 7.20	x 12,000 =	86,400 - 32,400 =	54,000(1)
2012	15.20 - 7.80 = 7.40	x 13,000 =	96,200 - 35,200 =	61,000(1)
2013	15.50 - 8.00 = 7.50	x 14,000 =	105,000 - 37,000 =	68,000(1)

Product Y

<u>Year</u>	<u>SP – VC</u>	<u>x Demand</u>	<u>- FC</u>	<u>Cash flow</u>
2010	14.80 - 7.40 = 7.40(1)	x 10,000 =	74,000 - 36,000 =	38,000(1)
2011	15.50 - 7.60 = 7.90	x 11,000 =	86,900 - 39,900 =	47,000(1)
2012	16.00 - 8.00 = 8.00	x 15,000 =	120,000 - 43,000 =	77,000(1)
2013	16.30 - 8.10 = 8.20	x 18,000 =	147,600 - 47,000 =	100,500(1)

[10]

(b) (i)

Payback: Product X 2.16 yrs(2)

Product Y 2.58 yrs(2)

[4]

(ii)Product X

<u>Year</u>	<u>Cash flow</u>	<u>DF(1)</u>	<u>PV</u>
2010	46,000	0.893	41,078(1)
2011	54,000	0.797	43,038(1)
2012	61,000	0.712	43,432(1)
2013	68,000	0.636	43,248(1)
			170,796
Capital cost			110,000(1)
Net present value			60,796(1of)

Product Y

<u>Year</u>	<u>Cash flow</u>	<u>DF(1)</u>	<u>PV</u>
2010	38,000	0.893	33,934
2011	47,000	0.797	37,459
2012	77,000	0.712	54,824
2013	100,500	0.636	63,918
2013	5,000	0.636	3,180(1)
			193,315
Capital cost			130,000(1)
Net present value			63,315(1of)

[11]

- (c)* Payback favours X, which gives the earliest payback. However, future cash flows/timings are not taken into account. Product X has the higher cash flows in earlier years.

NPV favours Y, which has the highest NPV. All cash flows and timings are taken into account. The difference with product X is small. Product X has the higher present values in earlier years. The residual value with product Y is an estimate and may not materialise.

Product X is £20,000 cheaper than product Y and if this amount was invested for the period, then the interest received may exceed the difference in NPV between the two products.

The market for product X is higher for the first two years, and the market for product Y increases for years 3 and 4. Selling price for product Y is higher each year, although the gap narrows in year 4.

All estimated figures are likely to be less reliable in later years which is when product Y gives its best results.

Named product recommended.

Candidates are expected to select product. Each method is to be evaluated with reasoned recommendation. Max 4 marks for analysis and max 8 marks for evaluation.

[12]

QWC [2]

Total marks [39]

F004 Unit 4 – Company Accounts and Interpretation

1 (a)*

Keith Manufacturing Ltd

Manufacturing, Trading and Profit and Loss Account for the year ended 28 February 2009

Opening stock of raw materials		46,000	
Purchases of raw materials		<u>720,000</u>	
		766,000	
Closing stock of raw materials		<u>53,000</u>	
Direct materials		713,000	(2)
Direct wages		<u>180,000</u>	(1)
Prime cost		893,000	(1)
<u>Factory overheads</u>			
Indirect wages	90,000		
Rent and rates	45,000	(1)	
Insurance	3,750	(1)	
Depreciation of premises	19,500	(2)	
Depreciation of equipment	<u>20,000</u>	(2)	
		<u>178,250</u>	
		1,071,250	
Work in progress at the start		<u>32,500</u>	
		1,103,750	
Work in progress at the end		<u>57,250</u>	(1)
Production cost		1,046,500	
Manufacturing profit		<u>104,650</u>	(1)
Transfer to Trading Account		<u>1,151,150</u>	
Sales		1,750,000	
Sales returns		<u>26,000</u>	
		1,724,000	(1)
Opening stock of finished goods	60,000		
Transfer from the manufacturing account	<u>1,151,150</u>	(1of)	
	1,211,150		
Closing stock of finished goods	<u>66,000</u>		
Cost of sales		<u>1,145,150</u>	
Gross Profit		578,850	
Rent and rates	15,000	(1)	
Bad debts	7,000	(1)	
Loan interest	4,000	(1)	
Insurance	1,250	(1)	
Office expenses	24,700	(1)	
Salaries	110,000	(1)	
Depreciation - premises	6,500	(1)	
Depreciation - equipment	4,000	(1)	
Increase in doubtful debts provision	<u>700</u>	(1)	
		<u>173,150</u>	
		405,700	
Manufacturing profit	104,650	(1of)	
Provision for unrealised profit	<u>(545)</u>	(2)	
Net Profit		<u>509,805</u>	

[26]
QWC [2]

- (b) Stock must be valued at the lower of cost and net realisable value according to SSAP 9 stocks and work in progress.

The closing stock of Keith Manufacturing Ltd includes 10% manufacturing profit which will value the stock at higher than the cost.

A provision for unrealised profit in stock must be created to follow the concept of prudence and SSAP 9.

Keith Manufacturing Ltd will then show the stock in the Balance Sheet as finished goods less the provision for unrealised profit on the closing stock.

Candidates are expected to consider a minimum of two points. Max 4 marks.

[4]

- (c) It is important that an independent auditor samples the accounts of Keith Manufacturing Ltd and states that the accounts present a true and fair view of the financial position. The concept of prudence must be followed and assets and profit must not be overstated.

The audit report is important because existing shareholders and prospective investors will make financial decisions based on the accounts of the company.

If the auditor believes that the accounts do not state a true and fair view then the auditors should state why in the report.

The managing director of the company Keith Wiggins has used the cash of the company to pay for his holiday and an audit should highlight this transaction. Keith Wiggins cannot use the cash of the company in this way. The accounts of Keith Manufacturing Ltd are separate from the private transactions of Keith Wiggins.

Candidates are expected to discuss at least two points. Max 2 marks for analysis and max 6 marks for evaluation.

[8]

Total marks [40]

2 (a)

	Dr	Cr
Bank	225,000 (1)	
Application and allotment		225,000 (1)
Bank	425,000 (1)	
Application and allotment (1)		425,000 (1)
Application and allotment (1)	520,000 (1)	
Share premium		520,000 (1)
Application and allotment	130,000 (1)	
Ordinary share capital		130,000 (1)
Bank	65,000 (1)	
First call		65,000 (1)
First call	65,000 (1)	
Ordinary share capital		65,000 (1)
Bank	116,000 (1)	
Final call		116,000 (1)
Final call	130,000 (1)	
Ordinary share capital		130,000 (1)

[18]

- (b) Long term loan capital is debt capital and would not be giving any equity to the bank. The bank would not have any voting rights, as would an ordinary shareholder.

North Cliff plc would not be issuing any ordinary shares to raise the capital and by using the bank for debt capital reduces the risk of a change in control of the company by a majority shareholder.

If the money can be borrowed at a low interest rate and fixed for the period of the loan although it will increase the gearing ratio if North Cliff plc can be a profitable company it will benefit the equity holder by an increase in the earnings per share.

North Cliff plc will know how much to budget in the cash budget for the payment of interest and principal sum to the bank. If North Cliff Plc has extra cash reserves it could pay back the loan early and save on interest paid to the bank.

Candidates are expected to discuss at least two points. Max 2 marks for analysis and 8 marks for evaluation.

[10]

3 (a)

Net Profit		239,000	
Corporation Tax		<u>86,000</u>	(1)
		153,000	
Balance b/d		<u>59,000</u>	(1)
		212,000	
Proposed ordinary dividend	130,000		(1)
General reserve transfer	<u>50,000</u>	<u>180,000</u>	(1)
Bal c/d		<u><u>32,000</u></u>	(1)

Net cash flow from operating activities:

Net profit before tax		239,000	
Depreciation machinery	45,000		(1)
Depreciation vehicles	<u>21,800</u>	66,800	(2)
Loss on sale of vehicle		1,200	(1)
Increase in stock		(4,000)	(1)
Decrease in debtors		2,000	(1)
Increase in creditors		<u>12,000</u>	(1)
		<u><u>317,000</u></u>	(1)

Talbot plcCash Flow Statement for the year ended 31 March 2009

Net cash flow from operating activities 317,000

Taxation

Corporation tax paid (80,000) (1)

Capital expenditure

Purchase of machinery	(285,000)	(1)	
Purchase of vehicle	(8,000)	(1)	
Sales proceeds of vehicle	<u>2,000</u>	(1)	(291,000)

Equity dividends paid

Proposed ordinary dividends (120,000) (1)

Net cash flow before financing (174,000)

Financing

Issue of ordinary shares	<u>125,000</u>	(2)	
Decrease in cash (1)	<u>(49,000)</u>	(1)	

[22]

- (b)* Potential investors can use the information to investigate the liquidity of the company over the last financial year. All items in the cash flow statement can be significantly different from equivalent items in the Profit and Loss Account. This is what makes the cash flow so valuable to the user of the accounts.

Past performance as shown in the statement gives the potential investor information of the financial management of the company and may provide an indicator for the future.

The information in the cash flow statement can be used to reconcile the Profit and Loss Account and the Balance Sheet and shows the movements in assets capital and liabilities. All the items in the statements provide a useful check on items in the other accounting statements.

The movements in cash and working capital can also be identified. A potential investor can see if the cash has been generated through profit and trading activity or through the sale of fixed assets or the introduction of new capital.

The return on investments and servicing of finance section includes dividends received and interest from fixed interest securities and bank deposits. It will also show payments to lenders: both banks and holders of a company's fixed interest securities.

Candidates are expected to discuss at least two points. Max 4 marks for analysis and max 6 marks for evaluation.

[8]

QWC [2]

Total marks [32]

Grade Thresholds

Advanced GCE Accounting (H001 H401)
June 2009 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F001	Raw	100	80	71	62	53	44	0
	UMS	100	80	70	60	50	40	0
F002	Raw	100	74	65	56	47	39	0
	UMS	100	80	70	60	50	40	0
F003	Raw	100	71	62	53	44	35	0
	UMS	100	80	70	60	50	40	0
F004	Raw	100	80	70	61	52	43	0
	UMS	100	80	70	60	50	40	0

Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

Overall Grade	Maximum Mark	A	B	C	D	E
H001	200	160	140	120	100	80
H401	200	160	140	120	100	80

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
H001	15.8	39.5	65.2	82.2	96.1	100	190
H401	16.9	39.8	62.9	82.7	93.7	100	1113

1113 candidates aggregated this series

For a description of how UMS marks are calculated see:

http://www.ocr.org.uk/learners/ums_results.html

Statistics are correct at the time of publication.

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