

**ADVANCED GCE**

**ACCOUNTING**

Company Accounts and Interpretation

**F013/RB**

**RESOURCE BOOKLET**

**Wednesday 26 January 2011**

**Morning**

**To be given to candidates at the start of the examination** Duration: 1 hour 30 minutes



**INSTRUCTIONS TO CANDIDATES**

- The information required to answer questions 1–3 is contained within this resource booklet.

**INFORMATION FOR CANDIDATES**

- The quality of your written communication will be taken into account when marking your answers to the two questions/sub-questions labelled with an asterisk (\*).
- 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.
- This document consists of **8** pages. Any blank pages are indicated.

**INSTRUCTION TO EXAMS OFFICER / INVIGILATOR**

- Do not send this resource booklet for marking; it should be retained in the centre or destroyed.

1\* The following are the summarised Balance Sheets for Godfrey plc as at 31 December:

	2009	2010
£	£	£
<i>Fixed assets</i>		
Premises	1 100 000	1 600 000
Machinery	520 000	720 000
Delivery vehicles	340 000	272 000
	<u>1 960 000</u>	<u>2 592 000</u>
<i>Current assets</i>		
Stock	87 500	110 000
Debtors	74 000	92 500
Bank	39 000	26 000
	<u>200 500</u>	<u>228 500</u>
<i>Creditors due in less than one year</i>		
Creditors	52 500	83 000
Corporation tax	47 500	56 000
Proposed dividend	50 000	65 000
	<u>150 000</u>	<u>204 000</u>
<i>Net current assets</i>	<u>50 500</u>	<u>24 500</u>
<i>Total assets less current liabilities</i>	<u><u>2 010 500</u></u>	<u><u>2 616 500</u></u>
<i>Capital and reserves</i>		
£1 Ordinary shares	1 200 000	1 400 000
Share premium	400 000	500 000
Revaluation reserve	100 000	300 000
General reserve	240 500	290 500
Profit and loss	70 000	126 000
	<u>2 010 500</u>	<u>2 616 500</u>

Additional information:

- (i) The amount of depreciation expense for the year ended 31 December 2010 for Machinery was £130 000. There were no disposals of machinery for the year ended 31 December 2010.
- (ii) A delivery vehicle with a book value of £38 000 had been sold during March 2010 for £22 300. This had been immediately replaced by a new delivery vehicle costing £35 000, which was paid for in full at the time of purchase.
- (iii) On 1 July 2010 an interim dividend of 5 pence per share was paid on the ordinary share balance as at 31 December 2009.
- (iv) The premises owned by the company at 31 December 2009 were re-valued in January 2010. Additional premises were purchased in April 2010. Premises are not depreciated.

## REQUIRED

For Godfrey plc, the Cash Flow Statement in accordance with good accounting practice for the year ended 31 December 2010. [25]

**Total marks [25]**

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**PLEASE TURN OVER FOR QUESTION 2**

2 The following is a summary of the final accounts of Bolt plc for the year ended 31 March 2010:

Profit and Loss Account for year ended 31 March 2010

	£	£
Turnover		300 000
Cost of sales		<u>140 000</u>
Gross profit		160 000
Distribution costs	45 000	
Administrative expenses	<u>60 000</u>	105 000
Operating profit		<u>55 000</u>
Interest payable		<u>15 000</u>
Profit before tax		40 000
Corporation tax		<u>12 500</u>
Profit after tax		27 500
Profit and loss brought forward		<u>7 500</u>
Transfer to reserves	5 000	35 000
Ordinary dividend	<u>25 000</u>	<u>30 000</u>
Retained profit		<u>5 000</u>

Balance Sheet as at 31 March 2010

	£	£
<i>Fixed assets</i>		450 000
<i>Current assets</i>		
Stock	110 000	
Debtors	25 000	
Bank	15 000	
	<u>150 000</u>	
<i>Creditors due</i>		
Creditors	65 000	
Dividends	25 000	
Taxation	<u>12 500</u>	
	102 500	
<i>Net current assets</i>		<u>47 500</u>
		497 500
<i>Long term liabilities</i>		
5% Debentures		300 000
		<u>197 500</u>
<i>Capital and reserves</i>		
£1 Ordinary shares		100 000
Share premium		25 000
General reserve		67 500
Retained profit		<u>5 000</u>
		<u>197 500</u>

Authorised Share Capital is 400 000 £1 ordinary shares. The current market value is £1.25 per ordinary share. The stock valuation as at 1 April 2009 was £50 000.

**REQUIRED**

- (a) Calculate each of the following (where appropriate calculations should be to two decimal places):
- (i) return on capital employed; [2]
  - (ii) sales/capital employed; [2]
  - (iii) liquid (acid test) ratio; [2]
  - (iv) rate of stock turnover; [3]
  - (v) dividend yield. [3]
- (b)\* Comment on the limitations of only using the ratios calculated in part (a) as a means of assessing the performance of Bolt plc. [10]
- (c) Bolt plc is considering the option of selling surplus fixed assets for £80 000. The proceeds of the sale would be used to reduce the amount owing to debenture holders. Explain how this would affect the financial position of Bolt plc. [4]

**Total marks [26]**

- 3 Flintoft plc has an authorised share capital of 900 000 ordinary shares at £2.00 each. At 1 January 2010 it had already issued 450 000 fully paid ordinary shares at a premium of £1.00.

Flintoft plc decided to offer to the public a further 200 000 ordinary shares at £4.50 each. The terms of the issue are £1.50 payable on application and £3.00 on allotment.

The public can apply for these shares between 1 March 2010 and 31 March 2010. By 15 March 2010 applications had been received for 150 000 ordinary shares and by 31 March 2010 applications for a further 130 000 ordinary shares had been received. On 1 April 2010 all the excess application money was returned to the unsuccessful applicants.

Four fifths of the allotment money was received on 20 June 2010 and the remaining allotment money was received on 8 July 2010.

### REQUIRED

- (a) For Flintoft plc, prepare the following ledger account to record the share issue. Where appropriate the closing balance should be shown (dates are not required).
- |                                       |     |
|---------------------------------------|-----|
| (i) Application and Allotment Account | [7] |
| (ii) Ordinary Share Capital Account   | [3] |
| (iii) Share Premium Account           | [4] |
- (b) Flintoft plc is planning an issue of preference shares. Explain **three** types of preference shares that it could issue. [9]
- (c) Discuss the implications of an issue of preference shares for the ordinary shareholders of Flintoft plc. [6]

**Total marks [29]**



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