

Mark Scheme for June 2013

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.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

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.

© OCR 2013

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 it contains working or not – must be stamped as ‘seen’.

Blank answer spaces

To be sure you have not missed any candidate responses you must check every page of the question paper and annotate any blank answer spaces with the following annotation:



Additional Objects

You must also check any additional pages (shown as Additional Objects) which the candidate has chosen to use.

Before you begin marking, use the Linking Tool, to ‘link’ any additional page(s) to the relevant question(s) and mark the response as normal.

All additional pages must be annotated with the ‘SEEN’ stamp, so it is clear to centres that the additional pages have been viewed by the marker.

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)*	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Profit and loss</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">270,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Bal b/d</td> <td></td> <td style="text-align: right;"><u>80,000</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">350,000</td> <td></td> <td></td> </tr> <tr> <td>Tax</td> <td></td> <td style="text-align: right;"><u>130,000</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Profit after tax</td> <td></td> <td style="text-align: right;">220,000</td> <td></td> <td></td> </tr> <tr> <td>Proposed dividends</td> <td style="text-align: right;">100,000</td> <td></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Transfer to reserves</td> <td style="text-align: right;"><u>20,000</u></td> <td style="text-align: right;"><u>120,000</u></td> <td></td> <td></td> </tr> <tr> <td>Retained profit</td> <td></td> <td style="text-align: right;"><u>100,000</u></td> <td></td> <td></td> </tr> <tr> <td colspan="5"> </td> </tr> <tr> <td colspan="5">Net cash flow from operating activities</td> </tr> <tr> <td>Net profit for the year</td> <td></td> <td style="text-align: right;">270,000</td> <td></td> <td></td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">255,000</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Loss on sale</td> <td></td> <td style="text-align: right;">13,000</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Increase in stock</td> <td></td> <td style="text-align: right;">(110,000)</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Increase in debtors</td> <td></td> <td style="text-align: right;">(60,000)</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Increase in creditors</td> <td></td> <td style="text-align: right;">30,000</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>398,000</u></td> <td></td> <td></td> </tr> </table>	Profit and loss		270,000	(1)		Bal b/d		<u>80,000</u>	(1)				350,000			Tax		<u>130,000</u>	(1)		Profit after tax		220,000			Proposed dividends	100,000		(1)		Transfer to reserves	<u>20,000</u>	<u>120,000</u>			Retained profit		<u>100,000</u>								Net cash flow from operating activities					Net profit for the year		270,000			Depreciation		255,000	(2)		Loss on sale		13,000	(2)		Increase in stock		(110,000)	(1)		Increase in debtors		(60,000)	(1)		Increase in creditors		30,000	(1)				<u>398,000</u>			21	
Profit and loss		270,000	(1)																																																																																						
Bal b/d		<u>80,000</u>	(1)																																																																																						
		350,000																																																																																							
Tax		<u>130,000</u>	(1)																																																																																						
Profit after tax		220,000																																																																																							
Proposed dividends	100,000		(1)																																																																																						
Transfer to reserves	<u>20,000</u>	<u>120,000</u>																																																																																							
Retained profit		<u>100,000</u>																																																																																							
Net cash flow from operating activities																																																																																									
Net profit for the year		270,000																																																																																							
Depreciation		255,000	(2)																																																																																						
Loss on sale		13,000	(2)																																																																																						
Increase in stock		(110,000)	(1)																																																																																						
Increase in debtors		(60,000)	(1)																																																																																						
Increase in creditors		30,000	(1)																																																																																						
		<u>398,000</u>																																																																																							

Question	Answer	Marks	Guidance
	<u>Roy plc</u> <u>Cash Flow Statement for the year ended 31 March 2013</u> Net cash flow from operating activities 398,000 Taxation Corporation tax (90,000) (1) Capital expenditure Purchase of fixed assets (920,000) (2) Proceeds of sale 12,000 (1) Equity dividends paid <u>(80,000) (1)</u> (680,000) Financing Issue of shares 450,000 (2) Loan 120,000 (1) Decrease in cash <u>(110,000) (1)</u>		
	QWC	2	
	Total	23	

Question		Answer	Marks	Guidance
	(b) (i)	<p>The directors of Roy plc may require extra finance and believe that the company would be attractive to investors.</p> <p>Shareholders would be willing to pay above the nominal value because they expect a good return on the investment.</p> <p>If the market value of its shares is expected to increase then investors will hope to be able to resell the shares for more than the premium price.</p>	4	Maximum 4 marks (1 for point plus 1 for development) x 2
	(ii)*	<p>It reduces/dilutes the value of each share for Roy plc, making shares more marketable on the stock market.</p> <p>Shareholders do not have to find the cash to pay for their new shares because the company will use the capital reserve for the issue of shares.</p> <p>Shareholders may prefer a cash dividend and decide to sell the shares which could reduce the market value of the shares of Roy plc.</p> <p>Making a bonus issue helps maintain the company's cash balances because the cash outflow on dividends will not take place.</p> <p>Bonus shares can be issued from the company's share premium account without reducing the company's revenue reserves.</p>	10	<p>Maximum 6 marks (for either Roy plc or shareholders) (1 for point plus 2 for development)</p> <p>One mark per correct identification/point up to a maximum of five identifications/points plus up to an additional two marks for each of five developments. Maximum ten marks, plus two marks for QWC.</p>
		QWC	2	
		Total	39	

Question	Answer	Marks	Guidance																																																												
2	<p>Pang Ltd <u>Schedule of Fixed Assets for the year ended 31 December 2012</u></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;"></th> <th style="width: 15%; text-align: right;">Land and buildings</th> <th style="width: 15%; text-align: right;">Motor vehicles</th> <th style="width: 15%; text-align: right;">Equipment</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Cost as at 1 January</td> <td style="text-align: right;">400,000</td> <td style="text-align: right;">220,000</td> <td style="text-align: right;">110,000</td> <td>(1) for line</td> </tr> <tr> <td>Additions</td> <td></td> <td style="text-align: right;">20,000</td> <td style="text-align: right;">10,000</td> <td>(1)</td> </tr> <tr> <td>Disposals</td> <td></td> <td style="text-align: right;">(30,000)</td> <td></td> <td>(1)</td> </tr> <tr> <td>Revaluations</td> <td style="text-align: right;">80,000</td> <td></td> <td></td> <td>(2)</td> </tr> <tr> <td>Cost as at 31 December</td> <td style="text-align: right; border-top: 1px solid black;">480,000</td> <td style="text-align: right; border-top: 1px solid black;">210,000</td> <td style="text-align: right; border-top: 1px solid black;">120,000</td> <td>(1) for line</td> </tr> <tr> <td> </td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Total depreciation as at 1 January</td> <td style="text-align: right;">50,000</td> <td style="text-align: right;">95,000</td> <td style="text-align: right;">35,000</td> <td>(1) for line</td> </tr> <tr> <td>Profit and loss</td> <td style="text-align: right;">6,000</td> <td style="text-align: right;">25,720</td> <td style="text-align: right;">10,700</td> <td>(2)</td> </tr> <tr> <td>Disposals</td> <td></td> <td style="text-align: right;">(9,480)</td> <td></td> <td>(2)</td> </tr> <tr> <td>Total depreciation as at 31 December</td> <td style="text-align: right; border-top: 1px solid black;">56,000</td> <td style="text-align: right; border-top: 1px solid black;">111,240</td> <td style="text-align: right; border-top: 1px solid black;">45,700</td> <td>(1) for line</td> </tr> <tr> <td>Net book value as at 31 December</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">424,000</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">98,760</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">74,300</td> <td>(1) for line</td> </tr> </tbody> </table>		Land and buildings	Motor vehicles	Equipment		Cost as at 1 January	400,000	220,000	110,000	(1) for line	Additions		20,000	10,000	(1)	Disposals		(30,000)		(1)	Revaluations	80,000			(2)	Cost as at 31 December	480,000	210,000	120,000	(1) for line	 					Total depreciation as at 1 January	50,000	95,000	35,000	(1) for line	Profit and loss	6,000	25,720	10,700	(2)	Disposals		(9,480)		(2)	Total depreciation as at 31 December	56,000	111,240	45,700	(1) for line	Net book value as at 31 December	424,000	98,760	74,300	(1) for line	18	
	Land and buildings	Motor vehicles	Equipment																																																												
Cost as at 1 January	400,000	220,000	110,000	(1) for line																																																											
Additions		20,000	10,000	(1)																																																											
Disposals		(30,000)		(1)																																																											
Revaluations	80,000			(2)																																																											
Cost as at 31 December	480,000	210,000	120,000	(1) for line																																																											
Total depreciation as at 1 January	50,000	95,000	35,000	(1) for line																																																											
Profit and loss	6,000	25,720	10,700	(2)																																																											
Disposals		(9,480)		(2)																																																											
Total depreciation as at 31 December	56,000	111,240	45,700	(1) for line																																																											
Net book value as at 31 December	424,000	98,760	74,300	(1) for line																																																											
	Total	18																																																													

Question			Answer		Marks	Guidance														
3	(a)	(i)	<p style="text-align: center;"><u>Ordinary Share Capital</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal c/d</td> <td style="width: 50%; text-align: right;">625,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>625,000</u></td> </tr> </table> </td> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">400,000 (1)</td> </tr> <tr> <td>Bank (1)</td> <td style="text-align: right;">100,000 (1)</td> </tr> <tr> <td>Share premium (1)</td> <td style="text-align: right;">125,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>625,000</u></td> </tr> </table> </td> </tr> </table>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal c/d</td> <td style="width: 50%; text-align: right;">625,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>625,000</u></td> </tr> </table>	Bal c/d	625,000 (1)		<u>625,000</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">400,000 (1)</td> </tr> <tr> <td>Bank (1)</td> <td style="text-align: right;">100,000 (1)</td> </tr> <tr> <td>Share premium (1)</td> <td style="text-align: right;">125,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>625,000</u></td> </tr> </table>	Bal b/d	400,000 (1)	Bank (1)	100,000 (1)	Share premium (1)	125,000 (1)		<u>625,000</u>	6	Allow 1 mark if narrative cash is given
		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal c/d</td> <td style="width: 50%; text-align: right;">625,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>625,000</u></td> </tr> </table>	Bal c/d	625,000 (1)		<u>625,000</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">400,000 (1)</td> </tr> <tr> <td>Bank (1)</td> <td style="text-align: right;">100,000 (1)</td> </tr> <tr> <td>Share premium (1)</td> <td style="text-align: right;">125,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>625,000</u></td> </tr> </table>	Bal b/d	400,000 (1)	Bank (1)	100,000 (1)	Share premium (1)	125,000 (1)		<u>625,000</u>					
		Bal c/d	625,000 (1)																	
	<u>625,000</u>																			
Bal b/d	400,000 (1)																			
Bank (1)	100,000 (1)																			
Share premium (1)	125,000 (1)																			
	<u>625,000</u>																			
(ii)	<p style="text-align: center;"><u>Share Premium</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Ordinary share capital (1)</td> <td style="width: 50%; text-align: right;">125,000 (1)</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;">225,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>350 000</u></td> </tr> </table> </td> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">200,000 (1)</td> </tr> <tr> <td>Bank (1)</td> <td style="text-align: right;">150,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>350 000</u></td> </tr> </table> </td> </tr> </table>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Ordinary share capital (1)</td> <td style="width: 50%; text-align: right;">125,000 (1)</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;">225,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>350 000</u></td> </tr> </table>	Ordinary share capital (1)	125,000 (1)	Bal c/d	225,000 (1)		<u>350 000</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">200,000 (1)</td> </tr> <tr> <td>Bank (1)</td> <td style="text-align: right;">150,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>350 000</u></td> </tr> </table>	Bal b/d	200,000 (1)	Bank (1)	150,000 (1)		<u>350 000</u>	6	Allow 1 mark if narrative cash is given		
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Ordinary share capital (1)</td> <td style="width: 50%; text-align: right;">125,000 (1)</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;">225,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>350 000</u></td> </tr> </table>	Ordinary share capital (1)	125,000 (1)	Bal c/d	225,000 (1)		<u>350 000</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">200,000 (1)</td> </tr> <tr> <td>Bank (1)</td> <td style="text-align: right;">150,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>350 000</u></td> </tr> </table>	Bal b/d	200,000 (1)	Bank (1)	150,000 (1)		<u>350 000</u>							
Ordinary share capital (1)	125,000 (1)																			
Bal c/d	225,000 (1)																			
	<u>350 000</u>																			
Bal b/d	200,000 (1)																			
Bank (1)	150,000 (1)																			
	<u>350 000</u>																			
(iii)	<p style="text-align: center;"><u>Loan</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal c/d</td> <td style="width: 50%; text-align: right;">500,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>500,000</u></td> </tr> </table> </td> <td style="width: 50%; vertical-align: top;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bank (1)</td> <td style="width: 50%; text-align: right;">500,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>500,000</u></td> </tr> </table> </td> </tr> </table>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal c/d</td> <td style="width: 50%; text-align: right;">500,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>500,000</u></td> </tr> </table>	Bal c/d	500,000 (1)		<u>500,000</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bank (1)</td> <td style="width: 50%; text-align: right;">500,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>500,000</u></td> </tr> </table>	Bank (1)	500,000 (1)		<u>500,000</u>	3							
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal c/d</td> <td style="width: 50%; text-align: right;">500,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>500,000</u></td> </tr> </table>	Bal c/d	500,000 (1)		<u>500,000</u>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bank (1)</td> <td style="width: 50%; text-align: right;">500,000 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>500,000</u></td> </tr> </table>	Bank (1)	500,000 (1)		<u>500,000</u>											
Bal c/d	500,000 (1)																			
	<u>500,000</u>																			
Bank (1)	500,000 (1)																			
	<u>500,000</u>																			

Question	Answer	Marks	Guidance
(b)	<p>This is a key profitability ratio for Mann plc and it shows how much profit the company has earned for every pound of capital employed by Mann plc.</p> <p>A low return on capital employed is always a problem because there is the possibility of Mann plc becoming loss-making if trading conditions deteriorate.</p> <p>Comparison of the return on capital employed of a company with similar companies in the same sector is a far better measure of how Mann plc is performing than a comparison with the market as a whole.</p> <p>Mann plc can compare past results and profits over a period of time and identify if there is an upward or downward trend in profitability.</p> <p>Mann plc can compare with forecasts which have been prepared and the return on capital employed of a company should always be compared with the current cost of borrowing from a banks.</p>	8	<p>Maximum 8 marks (1 for point plus 2 for development)</p> <p>One mark for each correct identification/ point up to a maximum of four identifications/points, plus up to a further two marks for each of four points. Maximum eight marks.</p>
	Total	23	

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

Oxford Cambridge and RSA Examinations
is a Company Limited by Guarantee
Registered in England
Registered Office; 1 Hills Road, Cambridge, CB1 2EU
Registered Company Number: 3484466
OCR is an exempt Charity

OCR (Oxford Cambridge and RSA Examinations)
Head office
Telephone: 01223 552552
Facsimile: 01223 552553

© OCR 2013

