

# Mark Scheme (Results)

Summer 2012

GCE Accounting (6002)  
Paper 01

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Summer 2012

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark	
<b>1(a)</b>	<b>Q1a Mark Scheme</b>		
	<b>Statement of Comprehensive Income for Colombo Fireworks plc for Y/e 31st March 2012</b> ✓		
	Revenue	3321765 ✓	
	Cost of sales	1036070 ✓ o/f	
	Gross profit	2285695 ✓ o/f	
	Other Income	75201 ✓ o/f	
	Distribution cost	1250902 ✓ o/f	
	Administrative expenses	665902 ✓ o/f	
	Financial cost	47980 ✓ o/f	
	Profit on ordinary activities before tax	396112 ✓ o/f	
	Corporation tax	110000 ✓	
	Profit on ordinary activities after tax	286112 ✓o/f✓C	
		<b>12 x ✓</b>	
	<b>TOTAL 40 marks</b>		
	Discount Allowed also accepted in Distribution Costs		
		<b>W1 Cost of Sales</b>	
		Direct Materials	447760 ✓
		Less Discount Received	(68740) ✓
		Factory Depreciation	126000 ✓
		Machinery Depreciation	168750 ✓ <b>8 x ✓</b>
		Hire of Plant and machinery	24300 ✓
		Factory staff	350000 ✓
		Stock Adjust Finished Goods	(12000) ✓
			1036070
		<b>W2 Distribution Costs</b>	
		Commission on sales	147500 ✓
		Delivery charges	215670 ✓
	Marketing and advertising	37584 ✓ <b>7 x ✓</b>	
	Rent on shop premises	52855 ✓	
	Sales staff travel and entertaining	32750 ✓	
	Shop staff wages	126000 ✓	
	Warehousing	638543 ✓	
		1250902	
	<b>W3 Administrative Expenses</b>		
	Bad Debts Written Off	9450 ✓	
	Discount allowed	96432 ✓	
	Computer depreciation	26600 ✓	
	Fees to debt collection agency	2000 ✓	
	Hire of photocopiers	7300 ✓ <b>8 x ✓</b>	
	Insurance	11120 ✓	
	Administration staff wages	289000 ✓	
	Accountancy staff wages	224000 ✓	
		665902	
	<b>W4 Other Income</b>		
	Dividends received	32810 ✓	
	Interest on bank balance	4651 ✓	
	Rent received	37740 ✓ <b>3 x ✓</b>	
		75201	
	<b>W5 Financial cost</b>		
	Interest on overdraft	2980 ✓	
	Interest on bank loan	45000 ✓ <b>2 x ✓</b>	
		47980 ✓	
		<b>(40)</b>	

Question Number	Answer	Mark
<b>1(b)</b>	<p>Answers may include:</p> <p>The fireworks activities should be shown as Continued Operations✓ in the accounts next year. All revenues and expenses relating to these should be shown separately. ✓</p> <p><b>For usefulness</b>  This will benefit users of accounts because they can see that profits or losses from the Discontinued Operations will not be expected to be realised in the future✓✓ This allows reader to predict more accurately future expected performance. ✓  This may help future potential investors /shareholders /creditors ✓ etc with decision making. Eg buy more shares/allow credit✓  Should be beneficial if required to be shown ✓ by FRS3 / IFRS 5 ✓</p> <p><b>Against usefulness</b>  Adds more figures and details to the accounts ✓ so makes them more difficult to understand. ✓ especially for those with little accounting knowledge. ✓  Takes time to add extra detail ✓ and therefore this means extra expense ✓</p> <p>Maximum for arguing only one side 8 x ✓ = 4 marks</p> <p><b>Evaluation</b>  Should conclude that it is beneficial to show Discontinued Activities. ✓✓</p>	<b>(12)</b>

Question Number	Answer	Mark
<b>2(a)</b>	<p>(i) Kilograms of clay per tile = <math>\frac{341\ 120}{83\ 200} \checkmark = 4.1 \text{ kilos } \checkmark</math></p> <p>(ii) Cost per kilogram of clay = <math>\frac{£17\ 056}{341\ 120} \checkmark = 0.05 \text{ pence per kilo } \checkmark</math></p> <p>(iii) Standard time to produce budgeted output = <math>\frac{83\ 200}{40} \checkmark =</math> 2 080 hours <math>\checkmark</math></p> <p>(iv) Actual wage rate per hour = <math>\frac{£12\ 792}{2\ 132} \checkmark = £6.00 \text{ per hour } \checkmark</math></p>	<b>(12)</b>

Question Number	Answer	Mark
<b>2(b)(i)</b>	<p>Material Usage Variance = (Actual Usage - Standard Usage) x Standard Price <math>\checkmark</math></p> $= (4.1 \text{ o/f} - 4.0) \times 83\ 200 \checkmark \times 0.06 \checkmark$ $= £499.20 \text{ o/f Adverse } \checkmark$ <p>Materials Price Variance = (Actual Price - Standard Price) x Actual Usage <math>\checkmark</math></p> $= (0.05 \text{ o/f} - 0.06) \checkmark \times 341\ 120 \checkmark$ $= £3\ 411.20 \text{ o/f Favourable } \checkmark$ <p>Material Cost Variance = (Actual Usage x Actual Price) - (Standard Usage x Standard Price) <math>\checkmark</math></p> $= (341\ 120 \times 0.05 \text{ o/f}) \checkmark - (332\ 800 \times 0.06) \checkmark$ $= £17\ 056 - £19\ 968 = £2\ 912 \text{ o/f Favourable } \checkmark$	<b>(12)</b>

Question Number	Answer	Mark
<b>2(b)(ii)</b>	<p>Labour Efficiency Variance = (Actual Hours - Standard Hours) x Standard Rate ✓</p> $= (2\,132 - 2\,080 \text{ o/f}) \checkmark \times \pounds 5.85 \checkmark$ $= \pounds 304.20 \text{ o/f Adverse } \checkmark$ <p>Labour Rate Variance = (Actual Rate - Standard Rate) x Actual Hours ✓</p> $= (\pounds 6.00 \text{ o/f} - \pounds 5.85) \checkmark \times 2\,132 \checkmark$ $= (\pounds 0.15 \times 2\,132) = \pounds 319.80 \text{ o/f Adverse } \checkmark$ <p>Total Labour Variance = (Actual Hours x Actual Rate) - (Standard Hours x Standard Rate) ✓</p> $= (2\,132 \times \pounds 6.00 \text{ o/f}) \checkmark - (2\,080 \times \pounds 5.85) \checkmark$ $= \pounds 12\,792 - \pounds 12\,168 = \pounds 624 \text{ o/f Adverse } \checkmark$	<b>(12)</b>

Question Number	Answer	Mark
<b>2(c)</b>	<p>Sales (83 200 x 0.75) =            £62 400 ✓</p> <p>Material cost                        £17 056</p> <p>Labour cost                            £12 792</p> <p>Fixed cost                             £12 500 (✓ all 3)</p> <p>Total cost                             £42 348</p> <p>Profit for month                    £20 052 ✓o/f✓C</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>2(d)</b>	<p>Evaluation Answers may include:</p> <p><b><u>For statement</u></b>            If this is a cost variance ✓ then expenditure has been more than expected ✓            If budget is realistic, this is bad ✓ and may be caused by :            Workers not working as hard as they could ✓            Workers being paid more than a market rate wage ✓            Inefficient machinery ✓            Materials being wasted ✓            Paying more than the market rate for materials ✓            If this is a sales variance, ✓ then revenue is less than expected ✓            This could be caused by:            Sales volume being less than expected ✓            Sales price being less than expected ✓</p> <p><b><u>Against statement</u></b>            Budget set may be unrealistic ✓ and actually the business has performed well. ✓            There may be a positive aspect to the adverse variance eg:            Material prices have risen on the world market, ✓ but our buyers are still getting a comparatively good price ✓            Adverse variances may be due to production being greater than expected ✓ which is good for the business ✓</p> <p>Maximum of 8 marks for one side of argument.</p> <p><b><u>Conclusion</u></b>            Statement is (correct)/not correct ✓✓</p>	<b>(12)</b>



Question Number	Answer			Mark
<b>3(a)</b>		<u>Created by</u>	<u>Used for / Utilised examples</u>	<b>(12)</b>
	(i) Retained earnings	Trading profits built up over past and present years	Dividends paid to ordinary shareholders	
	(ii) General reserve	Transfer from Retained earnings/ profits	Any, perhaps unspecified, use. Issue bonus shares Transfer back to Retained earnings	
	(iii) Share premium reserve	Issue of ordinary shares above their nominal value	Write off preliminary expenses on formation of company or a share issue. Pay premium on redemption of shares or debentures Issue Bonus Shares	
	(iv) Capital redemption reserve	Transfer from revenue reserves ✓ when shares are redeemed. ✓	Acts as creditors buffer.	
	(v) Revaluation reserve	Upward revaluation of non-current asset.	When asset is sold ✓ transferred to Income statement/ retained earnings. ✓	
	One ✓ per box for one example, except where shown otherwise.			

Question Number	Answer					Mark	
<b>3(b)</b>	<u>Ordinary Share Capital Account</u>						
				Apr 1	Balance b/d	250√	
				June 16	Application & Allotment	25√	
				July 31	Application & Allotment	15√	
	Mar31	Balance c/d	<u>300</u>	Oct 1	First & Final Call	<u>10</u> √	
			<u>300</u>			<u>300</u>	
				Apr 1	Balance b/d	300	
	+ √ if balanced off correctly						5
	<u>Share Premium Account</u>						
				Apr 1	Balance b/d	50√	
	Mar31	Balance c/d	<u>60</u>	Oct 1	First & final call	<u>10</u> √	
			<u>60</u>			<u>60</u>	
				Apr 1	Balance b/d	60	
	+ √ if balanced off correctly						3
	<u>Application and Allotment Account</u>						
	June 16	Ordinary Share Capital	25√	June 16	Bank	32 √	
	June 26	Bank	2√	July 31	Bank	10 √ + √ for fig	
	July 31	Ordinary Share Capital	15 √ + √forfig				
			<u>42</u>			<u>42</u>	
	+ √ if balanced off correctly						8
	<u>First and Final Call Account</u>						
	Oct 1	Ordinary Share Capital	10√	Oct 31	Bank	20√	
	Oct 1	Share Premium	<u>10</u> √			—	
			<u>20</u>			<u>20</u>	
	+ √ if balanced off correctly						4
					<b>(20)</b>		

Question Number	Answer	Mark
<b>3(c)</b>	Gearing ratio = $\frac{\text{Prior charge capital } \checkmark}{\text{Capital employed } \checkmark} \times 100$ $= \frac{75 \checkmark + 150 \checkmark + 175 \checkmark}{568 + 325 \checkmark} \times 100$ $= \frac{400}{893} \times 100 = 44.79\% \checkmark \text{ o/f } \checkmark C$ Other formulas are acceptable	<b>(8)</b>

Question Number	Answer	Mark
<b>3(d)</b>	<p>Answers may include</p> <p><b><u>Case for Ordinary shares / Case Against Debentures</u></b></p> <ul style="list-style-type: none"> <li>• Shareholders do not have to be paid dividends, ✓ useful when short of funds / making a loss ✓ Dividends could be variable ✓ interest on debentures <u>must</u> be paid ✓</li> <li>• No “outside” parties having any influence on running of company ✓ eg place on Board ✓</li> <li>• No interest has to be paid, ✓ so profits of company higher. ✓</li> <li>• No assets offered as security, ✓ so no claims on assets by debenture holders, if debenture not repaid, or company fails. ✓</li> <li>• Reduces gearing ratio ✓ and therefore risk ✓</li> <li>• Debenture results in higher gearing ✓ which increases risk to company ✓</li> <li>• Very important here as if debenture used, gearing goes above 50% ✓ at 51.5% ✓✓</li> </ul> <p><b><u>Case for Debentures / Case Against Ordinary Shares</u></b></p> <ul style="list-style-type: none"> <li>• Interest is allowable for tax, ✓ so company may be able to retain more funds than if paying dividends. ✓</li> <li>• Debenture issuer may bring expertise and experience to company, ✓ and maybe Board. ✓</li> <li>• No possible dilution of ownership for existing shareholders ✓ which means earnings per a share will fall ✓</li> <li>• May be quicker to issue than ordinary shares ✓</li> <li>• Costs of arranging debenture may be lower ✓ eg no prospectus to issue ✓</li> </ul> <p>Maximum of 8 marks for arguing one side</p> <p><b><u>Conclusion</u></b> Should relate to above points made. E.g. Ordinary shares are a preferable source of finance. ✓✓</p>	<b>(12)</b>

Question Number	Answer						Mark
<b>4(a)</b>							<b>(16)</b>
	<u>Outflow</u>						
	Salaries	100000	420000		520000	✓	
	Running	800000	260000		540000	✓✓	
					1060000	✓	
	<u>Income</u>						
		Prizes	Sponsors	TV	Total		
	1	600000	400000	250000	1250000	✓	
	2	850000	400000	250000	1500000	✓	
	3	1100000	400000	300000	1800000	✓	
	4	900000	400000	300000	1600000	✓	
					Discount	Discounted	
	Year	Income	Outflow	Net Cash Flow	Factor	NCF	
	0		-1500000	-1500000	1	-1500000 ✓✓	
	1	1250000	1060000	190000	0.917	174230 ✓ o/f	
	2	1500000	1060000	440000	0.842	370480 ✓o/f	
3	1800000	1060000	740000	0.772	571280 ✓ o/f		
4	1600000	1060000	540000	0.708	382320 ✓ o/f		
				NPV	-1690 ✓o/f✓ C		

Question Number	Answer	Mark
<b>4(b)(i)</b>	The Internal rate of return for the project is very close to 9% ✓✓	<b>(2)</b>

Question Number	Answer	Mark
<b>4(b)(ii)</b>	The IRR is 9% because the NPV is very close to zero. ✓✓ If the NPV were a large positive figure, ✓ then the IRR is greater than 9% ✓ If the NPV were a large negative figure, ✓ then the IRR is less than 9% ✓	<b>(6)</b>

Question Number	Answer	Mark
<b>4(c)</b>	<p>Answers may include:</p> <p><b><u>Case For IRR</u></b>  An accurate return can be calculated. ✓  Takes account of falling value of money over time. ✓  Can be compared to target value of business ✓ to decide whether to invest in project. ✓  Can be calculated fairly easily by computer. ✓</p> <p><b><u>Case against IRR</u></b>  Calculation of IRR involves use of complicated formula ✓ requiring numerical skill ✓  Or calculation may involve much "trial and error" to arrive at the IRR. ✓  May need a computer ✓ and computing skills to calculate IRR. ✓</p> <p>Maximum of 4 ✓ 's for arguing one side only.</p> <p><b><u>Conclusion</u></b>  IRR is a good / not a good method of project appraisal. ✓✓</p>	<b>(8)</b>

Question Number	Answer	Mark				
<b>5(a)</b>	<u>Calculation of Goodwill</u>					
	Property	12800000	Purchase Price	18590000	√	
	Plant	1 000000	Value of Net Assets	11528590	√ o/f	
	Equipment	1 250000	√ (3)	Goodwill	7 061410	√ o/f √ C
	Inventories	115 000				
	Trade Receivables	9 900	√ (2)			
	Bank Loan	-2500000				
	Loan repayable in 12 months	-1000000				
	Trade Payables	-146 310	√ (3)			
	Value of Net assets acquired	11528590	√ o/f			
		<b>(8)</b>				

Question Number	Answer	Mark
<b>5(b)</b>	<p>Amount received per share = <math>\frac{£18\,590\,000}{11\,000\,000} = £1.69</math> per share √</p> <p>Cash received per share = <math>£1.69 - (£1 + 60\text{p premium}) = £0.09</math> per share √</p> <p><math>\frac{£639}{£0.09} = 7\,100</math> shares √ o/f √ C</p>	<b>(4)</b>

Question Number	Answer	Mark																																																																																																																																		
5(c)	<p><b>Statement of Financial Position of Panoramic Cinemas Limited as at April 1<sup>st</sup> 2012</b></p> <table border="1" data-bbox="323 383 1337 2045"> <thead> <tr> <th data-bbox="323 383 632 427"><b>Assets</b></th> <th data-bbox="632 383 826 427"></th> <th data-bbox="826 383 922 427"></th> <th data-bbox="922 383 1158 427">£</th> <th data-bbox="1158 383 1337 427"></th> </tr> </thead> <tbody> <tr> <td colspan="5" data-bbox="323 427 1337 506"><b>Non-current Assets</b></td> </tr> <tr> <td data-bbox="323 506 632 573">Property, plant and equipment</td> <td data-bbox="632 506 826 573">136050000</td> <td data-bbox="826 506 922 573">✓</td> <td data-bbox="922 506 1158 573"></td> <td data-bbox="1158 506 1337 573"></td> </tr> <tr> <td data-bbox="323 573 632 685">Intangible assets (2000000 ✓ + 7061410 o/f ✓)</td> <td data-bbox="632 573 826 685">9061410</td> <td data-bbox="826 573 922 685">✓✓ o/f</td> <td data-bbox="922 573 1158 685"></td> <td data-bbox="1158 573 1337 685"></td> </tr> <tr> <td data-bbox="323 685 632 752"></td> <td data-bbox="632 685 826 752"></td> <td data-bbox="826 685 922 752"></td> <td data-bbox="922 685 1158 752">145111410</td> <td data-bbox="1158 685 1337 752"></td> </tr> <tr> <td colspan="5" data-bbox="323 752 1337 808"><b>Current Assets</b></td> </tr> <tr> <td data-bbox="323 808 632 875">Inventories</td> <td data-bbox="632 808 826 875">771 000</td> <td data-bbox="826 808 922 875"></td> <td data-bbox="922 808 1158 875"></td> <td data-bbox="1158 808 1337 875"></td> </tr> <tr> <td data-bbox="323 875 632 920">Trade Receivables</td> <td data-bbox="632 875 826 920">83 900</td> <td data-bbox="826 875 922 920">✓(2)</td> <td data-bbox="922 875 1158 920"></td> <td data-bbox="1158 875 1337 920"></td> </tr> <tr> <td data-bbox="323 920 632 965">Cash</td> <td data-bbox="632 920 826 965">790 000</td> <td data-bbox="826 920 922 965">✓✓</td> <td data-bbox="922 920 1158 965"></td> <td data-bbox="1158 920 1337 965"></td> </tr> <tr> <td data-bbox="323 965 632 1032"></td> <td data-bbox="632 965 826 1032"></td> <td data-bbox="826 965 922 1032"></td> <td data-bbox="922 965 1158 1032">1644900</td> <td data-bbox="1158 965 1337 1032"></td> </tr> <tr> <td data-bbox="323 1032 632 1111"><b>Total Assets</b></td> <td data-bbox="632 1032 826 1111"></td> <td data-bbox="826 1032 922 1111"></td> <td data-bbox="922 1032 1158 1111"><b>146756310</b></td> <td data-bbox="1158 1032 1337 1111"></td> </tr> <tr> <td colspan="5" data-bbox="323 1111 1337 1155"></td> </tr> <tr> <td colspan="5" data-bbox="323 1155 1337 1234"><b>Equity and Liabilities</b></td> </tr> <tr> <td colspan="5" data-bbox="323 1234 1337 1279"><b>Equity</b></td> </tr> <tr> <td data-bbox="323 1279 632 1346">Ordinary Shares of £1 each</td> <td data-bbox="632 1279 826 1346">91 000000</td> <td data-bbox="826 1279 922 1346">✓</td> <td data-bbox="922 1279 1158 1346"></td> <td data-bbox="1158 1279 1337 1346"></td> </tr> <tr> <td data-bbox="323 1346 632 1391">Share Premium</td> <td data-bbox="632 1346 826 1391">26 600000</td> <td data-bbox="826 1346 922 1391">✓</td> <td data-bbox="922 1346 1158 1391"></td> <td data-bbox="1158 1346 1337 1391"></td> </tr> <tr> <td data-bbox="323 1391 632 1435">Retained earnings</td> <td data-bbox="632 1391 826 1435">20 342660</td> <td data-bbox="826 1391 922 1435">✓</td> <td data-bbox="922 1391 1158 1435"></td> <td data-bbox="1158 1391 1337 1435"></td> </tr> <tr> <td data-bbox="323 1435 632 1514"></td> <td data-bbox="632 1435 826 1514"></td> <td data-bbox="826 1435 922 1514"></td> <td data-bbox="922 1435 1158 1514">137942660</td> <td data-bbox="1158 1435 1337 1514"></td> </tr> <tr> <td colspan="5" data-bbox="323 1514 1337 1581"><b>Non-current liabilities</b></td> </tr> <tr> <td data-bbox="323 1581 632 1637">Bank Loan</td> <td data-bbox="632 1581 826 1637">7 500 000</td> <td data-bbox="826 1581 922 1637"></td> <td data-bbox="922 1581 1158 1637"></td> <td data-bbox="1158 1581 1337 1637"></td> </tr> <tr> <td data-bbox="323 1637 632 1704"></td> <td data-bbox="632 1637 826 1704"></td> <td data-bbox="826 1637 922 1704"></td> <td data-bbox="922 1637 1158 1704">7500000</td> <td data-bbox="1158 1637 1337 1704"></td> </tr> <tr> <td colspan="5" data-bbox="323 1704 1337 1749"><b>Current Liabilities</b></td> </tr> <tr> <td data-bbox="323 1749 632 1827">Loans Repayable within 12 months</td> <td data-bbox="632 1749 826 1827">1 000 000</td> <td data-bbox="826 1749 922 1827">✓ (2)</td> <td data-bbox="922 1749 1158 1827"></td> <td data-bbox="1158 1749 1337 1827"></td> </tr> <tr> <td data-bbox="323 1827 632 1895">Trade Payables</td> <td data-bbox="632 1827 826 1895">313 650</td> <td data-bbox="826 1827 922 1895">✓</td> <td data-bbox="922 1827 1158 1895"></td> <td data-bbox="1158 1827 1337 1895"></td> </tr> <tr> <td data-bbox="323 1895 632 1962"></td> <td data-bbox="632 1895 826 1962"></td> <td data-bbox="826 1895 922 1962"></td> <td data-bbox="922 1895 1158 1962">1313650</td> <td data-bbox="1158 1895 1337 1962"></td> </tr> <tr> <td data-bbox="323 1962 632 2045"><b>Total Equity and Liabilities</b></td> <td data-bbox="632 1962 826 2045"></td> <td data-bbox="826 1962 922 2045"></td> <td data-bbox="922 1962 1158 2045"><b>146756310</b></td> <td data-bbox="1158 1962 1337 2045">✓</td> </tr> </tbody> </table>	<b>Assets</b>			£		<b>Non-current Assets</b>					Property, plant and equipment	136050000	✓			Intangible assets (2000000 ✓ + 7061410 o/f ✓)	9061410	✓✓ o/f						145111410		<b>Current Assets</b>					Inventories	771 000				Trade Receivables	83 900	✓(2)			Cash	790 000	✓✓						1644900		<b>Total Assets</b>			<b>146756310</b>							<b>Equity and Liabilities</b>					<b>Equity</b>					Ordinary Shares of £1 each	91 000000	✓			Share Premium	26 600000	✓			Retained earnings	20 342660	✓						137942660		<b>Non-current liabilities</b>					Bank Loan	7 500 000							7500000		<b>Current Liabilities</b>					Loans Repayable within 12 months	1 000 000	✓ (2)			Trade Payables	313 650	✓						1313650		<b>Total Equity and Liabilities</b>			<b>146756310</b>	✓	<b>(12)</b>
<b>Assets</b>			£																																																																																																																																	
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Property, plant and equipment	136050000	✓																																																																																																																																		
Intangible assets (2000000 ✓ + 7061410 o/f ✓)	9061410	✓✓ o/f																																																																																																																																		
			145111410																																																																																																																																	
<b>Current Assets</b>																																																																																																																																				
Inventories	771 000																																																																																																																																			
Trade Receivables	83 900	✓(2)																																																																																																																																		
Cash	790 000	✓✓																																																																																																																																		
			1644900																																																																																																																																	
<b>Total Assets</b>			<b>146756310</b>																																																																																																																																	
<b>Equity and Liabilities</b>																																																																																																																																				
<b>Equity</b>																																																																																																																																				
Ordinary Shares of £1 each	91 000000	✓																																																																																																																																		
Share Premium	26 600000	✓																																																																																																																																		
Retained earnings	20 342660	✓																																																																																																																																		
			137942660																																																																																																																																	
<b>Non-current liabilities</b>																																																																																																																																				
Bank Loan	7 500 000																																																																																																																																			
			7500000																																																																																																																																	
<b>Current Liabilities</b>																																																																																																																																				
Loans Repayable within 12 months	1 000 000	✓ (2)																																																																																																																																		
Trade Payables	313 650	✓																																																																																																																																		
			1313650																																																																																																																																	
<b>Total Equity and Liabilities</b>			<b>146756310</b>	✓																																																																																																																																



Question Number	Answer	Mark
<b>5(d)</b>	<p>Correct treatment of goodwill would be to amortize ✓ over its useful economic life. ✓  Shown as an intangible non-current asset ✓</p> <p><b><u>Case For this treatment</u></b>  Likely to derive benefits from the expenditure over a number of years, ✓ so spread the cost of this expenditure over a number of years ✓ ie matching concept ✓ gives a True and Fair view of the accounts. ✓  To write off immediately may make profit unrealistically low, ✓ and tax charge would be unfairly low. ✓  In line with recommended practice ✓ ie FRS 10 / IAS 38✓</p> <p><b><u>Case Against this Treatment</u></b>  If written off immediately against reserves, ✓ the prudence concept is followed. ✓</p> <p>Maximum of 4 ✓ 's for arguing one side only.</p> <p><b><u>Conclusion</u></b>  Writing off over a number of years is recommended and beneficial as it gives a true and fair view in the accounts. ✓✓</p>	<b>(8)</b>

Question Number	Answer				Mark
<b>6(a)</b>		<u>San Pedro</u>	<u>La Rioja</u>	<u>Copresol</u>	<u>Andacalla</u>
	Sales Revenue	2080000√	1365000 √	812500 √	520000 √
	Direct Labour	1664000	1050000	675000	408000
	Direct Materials	288000	315000	150000	96000
	Fixed Costs	105600	60900	25000	20000
	Profit (Loss)	22400√ o/f	(60900)√o/f	(37500)√o/f	(4000)√o/f
					<b>(8)</b>

Question Number	Answer				Mark
<b>6(b)(i)</b> <b>6(b)(ii)</b>	<b>Per tonne</b>	<u>San Pedro</u>	<u>La Rioja</u>	<u>Copresol</u>	<u>Andacalla</u>
	Sales Revenue	6500	6500	6500	6500
	Direct Labour	5200	5000	5400	5100
	Direct Materials	900 √ (2)	1500 √ (2)	1200 √ (2)	1200 √ (2)
	Fixed Costs	330 √	290 √	200 √	250 √
	Profit (Loss)	70 √ o/f	(290)√ o/f	(300)√ o/f	(50) √ o/f
	Contribution	400 √ o/f	0 √ o/f	(100)√ o/f	200 √ o/f
					<b>(16)</b>

Question Number	Answer				Mark																				
<b>6(c)</b>	<table border="1" data-bbox="290 235 1364 436"> <thead> <tr> <th></th> <th><u>San Pedro</u></th> <th><u>La Rioja</u></th> <th><u>Copresol</u></th> <th><u>Andacalla</u></th> </tr> </thead> <tbody> <tr> <td>Short Term</td> <td>Open</td> <td>Open/close ✓</td> <td>Close</td> <td>Open ✓</td> </tr> <tr> <td></td> <td>✓ either ST or LT</td> <td></td> <td>✓ either ST or LT</td> <td></td> </tr> <tr> <td>Long Term</td> <td>Open</td> <td>Close ✓</td> <td>Close</td> <td>Close ✓</td> </tr> </tbody> </table> <p data-bbox="290 470 1364 638">La Rioja and Andacalla must make mention to time period for ✓  ✓ if mention made for positive contribution / or negative contribution  ✓ if reason given for supporting decision in ST for La Rioja e.g. in future expect price of copper to rise or expect to reduce costs in future.</p>					<u>San Pedro</u>	<u>La Rioja</u>	<u>Copresol</u>	<u>Andacalla</u>	Short Term	Open	Open/close ✓	Close	Open ✓		✓ either ST or LT		✓ either ST or LT		Long Term	Open	Close ✓	Close	Close ✓	<b>(8)</b>
	<u>San Pedro</u>	<u>La Rioja</u>	<u>Copresol</u>	<u>Andacalla</u>																					
Short Term	Open	Open/close ✓	Close	Open ✓																					
	✓ either ST or LT		✓ either ST or LT																						
Long Term	Open	Close ✓	Close	Close ✓																					

Question Number	Answer	Mark
<b>7(a)(i)</b>	£35 768 ✓	<b>(1)</b>

Question Number	Answer	Mark
<b>7(a)(ii)</b>	Increased by 13 745 ✓	<b>(1)</b>

Question Number	Answer	Mark
<b>7(a)(iii)</b>	(£22 654 + £6 320) ✓ = £28 974 ✓	<b>(2)</b>

Question Number	Answer	Mark
<b>7(a)(iv)</b>	(£16 162 - £4 162) ✓ = £12 000 $\frac{£12\,000}{£200\,000} \times 100 = 6\%$ ✓	<b>(4)</b>

Question Number	Answer	Mark
<b>7(a)(v)</b>	(£135 000 - £45 000) ✓ = £90 000 ✓	<b>(2)</b>

Question Number	Answer	Mark
<b>7(a)(vi)</b>	(£17 000 - £8 000) ✓ = £9 000 ✓	<b>(2)</b>

Question Number	Answer	Mark
<b>7(a)(vii)</b>	(£12 473 + £34 476) ✓ = £46 949 overdraft ✓	<b>(2)</b>

Question Number	Answer	Mark
<b>7(a)(viii)</b>	Bank balance at 31 March 2012 = (£50 141 - £13 685) ✓ = £36 456 ✓  Movement in year = (£46 949 + £36 456 o/f) ✓ = £83 405 Increase ✓	<b>(4)</b>

Question Number	Answer	Mark
<b>7(a)(ix)</b>	(£7 360 + £16 799) ✓ = £24 159 ✓	<b>(2)</b>

Question Number	Answer	Mark
<b>7(b)</b>	<p>A statement of cash flow is for the past 12 months ✓ and includes mostly exact figures ✓ prepared for external users ✓</p> <p>A cash budget is for a future period, ✓ and involves figures that are mostly estimates ✓ prepared for mainly internal use. ✓</p> <p>Maximum of 2 ✓'s for each.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>7(c)</b>	<p>Answers may include the following: Max 4 ✓ available for arguing only one side.</p> <p><b><u>Profit most important</u></b> Without profit, business would close down ✓ in the long run. ✓ If short term liquidity problem, ✓ many sources are available as source of finance ✓ eg banks, shareholders, debt factoring etc (need two sources). ✓ No/low profits may result in firm unable to attract finance ✓ or investors/shareholders. ✓ No/low profits may see share price fall, ✓ as investors lose confidence. ✓</p> <p><b><u>Liquidity most important (or both equally important)</u></b> Liquidity problems result in unable to pay daily bills ✓ eg wages, electricity (need two) ✓ Unable to pay some bills may result in closure of business ✓ eg tax bill ✓ Unable to pay some bills may mean business unable to operate ✓ eg electricity cut off ✓ Can survive short term losses ✓ if previous profits have been built up ✓</p> <p><b>2 ✓</b> for Conclusion eg Profit more important</p>	<b>(8)</b>

**6002 01 Assessment Objectives June 2012**

<b>Qstn</b>	<b>Spec Ref</b>	<b>AO1 Knowlg + Undestng</b>	<b>AO 2 Applicatn</b>	<b>AO 3 Analysis</b>	<b>AO 4 Evaluatn</b>	<b>Total</b>
		<b>48</b>	<b>60</b>	<b>48</b>	<b>44</b>	
1a	1a	12	16	12		<b>40</b>
1b	1a				12	<b>12</b>
						<b>52</b>
2a	5	6	4	2		<b>12</b>
2b	5	6	8	10		<b>24</b>
2c	5		4			<b>4</b>
2d	5				12	<b>12</b>
						<b>52</b>
3a	1b	6	4	2		<b>12</b>
3b	1b	4	9	7		<b>20</b>
3c	2	2	3	3		<b>8</b>
3d	1b				12	<b>12</b>
						<b>52</b>
<b>Sectn A Total 104</b>	<b>Any 2 Qstns</b>	<b>24</b>	<b>32</b>	<b>24</b>	<b>24</b>	<b>104</b>
4a	6	8	4	4		<b>16</b>
4b	6		4	4		<b>8</b>
4c	6				8	<b>8</b>
						<b>32</b>
5a	1c	4	2	2		<b>8</b>
5b	1c		2	2		<b>4</b>
5c	1c	4	4	4		<b>12</b>
5d	1c				8	<b>8</b>
						<b>32</b>
6a	8	4	2	2		<b>8</b>
6b	8	4	6	6		<b>16</b>
6c	8				8	<b>8</b>
						<b>32</b>
7a	3	6	8	6		<b>20</b>
7b	3	2		2		<b>4</b>
7c	3				8	<b>8</b>
						<b>32</b>
<b>Sectn B Total 96</b>	<b>Any 3 questns</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>96</b>
<b>TOTAL</b>		<b>48</b>	<b>56</b>	<b>48</b>	<b>48</b>	<b>200</b>

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Welsh Assembly Government

