

LEAVING CERTIFICATE EXAMINATION, 2000

A C C O U N T I N G - O R D I N A R Y L E V E L

(400 marks)

TUESDAY, 13 JUNE, 2000 - AFTERNOON, 2.00 p.m. - 5.00 p.m.

This paper is divided into 3 Sections:

Section 1: Financial Accounting (120 marks).

This section has 4 questions (Numbers 1-4). The first question carries 120 marks and the remaining three questions carry 60 marks each.

Candidates should answer either **QUESTION 1 only** OR else attempt any **TWO** of the remaining three questions in this section.

Section 2: Financial Accounting (200 marks).

This section has three questions (Numbers 5-7). Each question carries 100 marks.

Candidates should answer any **TWO** questions.

Section 3: Management Accounting (80 marks).

This section has two questions (Numbers 8 and 9). Each question carries 80 marks.

Candidates should answer **ONE** of these questions.

Calculators

Calculators may be used in answering the questions on this paper: however, it is very important that workings are shown in the answer-book(s) so that full credit can be given for correct work.

SECTION 1 (120 Marks)
Answer **Question 1** OR **TWO** other questions

1. Final Accounts of a Sole Trader

The following balances were extracted from the books of B. Saddler, a Sole Trader on 31/12/1999.

	£	£
Buildings.....	280,000	
Motor Vehicles at cost.....	130,000	
Accumulated Depreciation on Motor Vehicles.....		52,000
Office Equipment at cost.....	21,000	
Accumulated Depreciation on Office Equipment.....		6,000
Patents.....	40,000	
Debtors and Creditors.....	32,000	45,000
Capital 1/1/1999.....		327,500
Term Loan received on 1/4/1999.....		100,000
Purchases and Sales.....	420,000	575,000
Carriage.....	9,000	
Wages and Salaries.....	95,000	
Stocks 1/1/1999.....	53,000	
Returns in.....	5,000	
Returns out.....		2,800
Stationery.....	1,500	
Provision for Bad Debts.....		1,400
Commission.....		2,300
Drawings.....	15,000	
General Expenses.....	25,000	
Showroom Expenses.....	3,000	
Advertising.....	5,600	
Discount.....		1,900
Loan Interest paid.....	2,500	
VAT.....		3,900
PRSI.....		1,200
Bank.....		<u>18,600</u>
	<u>1,137,600</u>	<u>1,137,600</u>

You are given the following additional information:

- (i) Stocks at 31/12/1999 were £61,000.
- (ii) Stock of stationery at 31/12/1999 was £500.
- (iii) The figure for carriage is to be divided - 90% for carriage outwards and 10% for carriage inwards.
- (iv) Wages and salaries are to be divided - 60% for workers and 40% for drawings.
- (v) Depreciation is to be provided as follows:
 - Buildings - 2% of cost
 - Motor Vehicles - 20% of cost
 - Office Equipment - 10% of book value.
- (vi) Provision should be made for interest due on term loan. The rate of interest is 10% per annum.
- (vii) Advertising was for the year ended 31/3/2000.
- (viii) Provision for bad debts to be adjusted to 5% of debtors.

You are required to prepare:

- (a) Trading and Profit and Loss Account for the year ended 31/12/1999.
- (b) Balance Sheet as at 31/12/1999.

(80)
(40)
(120 marks)

2. Club Accounts

Included in the assets and liabilities of the "Lions" Tennis club on 1/1/1999 were the following:
Clubhouse and Courts at cost £180,000; Equipment at cost £36,000; Building Society Deposit £15,000; Bar Stock £1,800;
Expenses due £2,700; Subscriptions prepaid £400.

The following is a summary of the club's receipts and payments for the year ended 31/12/1999:

Receipts	£	Payments	£
Cash in Hand - 1/1/1999	950	Bar Purchases	34,600
Interest	750	Purchase of Equipment	6,000
Subscriptions	28,400	General Expenses	34,400
Bar sales	51,000	Competition Prizes	800
Advertising Receipts	6,350	Bar Creditors	300
	<u>87,450</u>	Cash Balance - 31/12/1999	<u>11,350</u>
			<u>87,450</u>

The treasurer also supplied the following information as at 31/12/1999:

- (i) Bar stock was £2,200.
- (ii) Bar Creditors were £200.
- (iii) Expenses due were £1,480.
- (iv) Subscriptions prepaid were £1,200.
- (v) Equipment held on 31/12/1999 is to be depreciated by 20%.
- (vi) Depreciate Clubhouse and Courts at 2% of cost.

You are required to:

- (a) Prepare a statement showing the Club's Accumulated Fund on 1/1/1999. (15)
 - (b) Prepare the Club's Income and Expenditure Account for the year ended 31/12/1999. (35)
 - (c) Explain the differences between an Income and Expenditure Account and a Receipts and Payments Account. (10)
- (60 marks)**

3. Profit and Loss of a Limited Company

Sutton Ltd. has an Authorised Capital of 600,000 Ordinary Shares at £1 each and 300,000 8% Preference Shares at £1 each. The company has already issued 400,000 Ordinary Shares and 200,000 8% Preference Shares. On the 1/1/1999 the company's General Reserve Account showed a balance of £80,000. Sutton Ltd. had carried forward a profit of £45,000 from 1998 and the accounts showed profits before taxation of £140,000 for the year ended 31/12/1999. During the year an interim dividend of 5% had been paid to the Ordinary Shareholders and a half year's dividend paid to the Preference Shareholders.

On the 31/12/1999 the directors recommended that:

- (i) The Preference Dividend due be paid.
- (ii) A final Dividend of 8% be paid on Ordinary Shares.
- (iii) The General Reserve be increased by £15,000.
- (iv) Taxation of £36,000 be provided for.

You are required:

- (a) To show the Profit and Loss account for the year ended 31/12/1999. (35)
 - (b) To prepare a Balance Sheet showing the relevant accounts after making the above appropriations. (25)
- (60 marks)**

4. Tabular Statement

The following Balance Sheet shows the financial position of M. Sugrue as at December 1st 1999.

Balance Sheet as at December 1st 1999

	£	£	£
Fixed Assets			
Buildings		220,000	
Motor Vehicles		<u>70,000</u>	290,000
Current Assets			
Stock		57,000	
Debtors		31,600	
Bank		<u>9,400</u>	
		98,000	
Less: Creditors: amounts falling due within 1 year			
Creditors	36,000		
Expenses (due)	<u>2,000</u>	<u>38,000</u>	<u>60,000</u>
			<u>350,000</u>
Financed by:			
Capital			<u>350,000</u>
			<u>350,000</u>

The following transactions took place during December 1999:

Dec 4	Received from a debtor £650 in full settlement of a debt of £700.
6	Paid by cheque a creditor account balance of £1,800 and received discount £60.
8	Sold on credit for £2,600 goods which had cost £1,900.
10	Paid expenses due at the beginning of the month.
14	Purchased motor vehicle for £12,000. A deposit of £2,000 was paid by cheque and the remainder was borrowed from a finance company.
17	A debtor who owed £800 was declared bankrupt and paid 40p in the £1.
21	Purchased goods on credit for £4,000.

You are required to:

Record on a tabular statement the effect each of the above transactions had on the relevant assets and liabilities and show the total assets and liabilities on 31 December 1999. **(60 marks)**

SECTION 2 (200 marks)
Answer any **TWO** questions

5. Interpretation of Accounts

The following information has been taken from the accounts of Savage Ltd. for the year ended 31/12/1999.

Trading Profit and Loss Account for year ended 31/12/1999

	£	£
Credit Sales		600,000
Less: Cost of Sales		
Stock 1/1/1999	48,000	
Purchases	?	
Less: Stock 31/12/1999	<u>52,000</u>	<u>?</u>
Gross Profit		150,000
Less: Total Expenses		<u>87,000</u>
Net Profit		<u>63,000</u>

Balance Sheet as at 31/12/1999

	£	£
Fixed Assets		290,000
Current Assets (including Debtors £30,000)	84,000	
Less: Creditors: amounts falling due within 1 year		
Trade creditors	<u>56,000</u>	<u>28,000</u>
		<u>318,000</u>
 Financed By:		
Creditors: amounts falling due after more than 1 year		
12% Debentures (2006/2008)		80,000
 Capital and Reserves		
Ordinary Shares		175,000
Profit and loss account		<u>63,000</u>
		<u>318,000</u>

- (a) **You are required to:**
1. Calculate the Purchases.
 2. Calculate the Stock Turnover.
 3. Calculate the Period of Credit given to Debtors.
 4. Calculate the Acid Test Ratio. (40)
- (b) **Explain the following:**
1. 12% Debentures (2006/2008).
 2. Preference Dividend.
 3. Return on Capital Employed.
 4. Shareholders Funds. (40)
- (c) Would the above firm have difficulty paying its bills as they fall due? Give reasons for your answer. (10)
- (d) If the Return on Capital Employed for **1998** was 12% comment on the current profitability of the firm. (10)
- (100 marks)**

6. (a) **Bank Reconciliation Statement**

Set out below are the Bank Account and Bank Statement of P. Simpson for the month of May, 2000.

Bank Account									
				£					£
May	1	Balance b/d	2,650	May	3	R. Casey	020101	1,550	
May	9	Sales Lodged	1,600	May	5	Rates	020102	1,050	
May	17	Sales Lodged	880	May	8	J. Folan	020103	840	
May	30	Sales Lodged	2,200	May	12	J. Cullen	020104	540	
				May	18	J. Grady	020105	460	
				May	31	Balance c/d		<u>2,890</u>	
			<u>£7,330</u>					<u>£7,330</u>	

Bank Statement on 31/5/2000

				Debit	Credit	Balance
				£	£	£
May	1	Balance b/d				2,650
May	3	Interest Received			130	2,780
May	5	020101 - R. Casey	1,550			1,230
May	7	020102 - Rates	1,050			180
May	10	Lodgement		1,600		1,780
May	13	020103 - J. Folan	840			940
May	16	J. Brady (R/D Dishonoured)	230			710
May	18	Lodgement		880		1,590
May	23	Bank Charges	22			1,568
May	25	Standing Order	450			1,118
May	28	T. Sullivan	310			808

Note: The £310 entered in the Bank Statement on May 28 was debited in error to Simpson's account instead of to Samson's account.

You are required to:

- (a) To show P. Simpson's Adjusted Bank Account in Ledger Form and to bring down the balance. (25)
- (b) To prepare a statement on 31/5/2000 reconciling the adjusted Bank Account balance with the Bank Statement balance. (25)
- (50 marks)**

(b) **Debtors' and Creditors' Control Accounts**

The following figures were taken from the books of M. Sweeney during March 2000:

	£
Debtors Ledger Balance 1/3/2000	72,500
Creditors Ledger Balance 1/3/2000	61,800
Discount Received	3,850
Returns In	1,400
Bills Payable Accepted	2,600
Purchases (including Cash Purchases £7,300)	97,300
Sales (including Cash Sales £28,500)	132,500
Discount disallowed to M. Sweeney	400
Interest charged by Sweeney on overdue accounts	320
Cash paid to suppliers	66,000
Cheques received from customers	76,400
Cheques received dishonoured	670
Bad debts written off	180
Transfer from Debtors Ledger to Creditors Ledger	450
Debtors Ledger balance at 31/3/2000	260 cr
Creditors Ledger Balance at 31/3/2000	390 dr

You are required to:

Prepare a Debtors' Ledger Control Account and a Creditors' Ledger Control Account for March 2000.

(50 marks)

7. **Cash Flow Statement**

The following information is taken from the books of Saunders Ltd:

Profit and Loss Extract for year ended 31/12/1999

	£
Operating profit	105,000
Interest paid	<u>(5,000)</u>
	100,000
Taxation	<u>(35,000)</u>
	65,000
Proposed dividend	<u>(25,000)</u>
Retained profits for year	40,000
Profit and loss balance 1/1/1999	<u>80,000</u>
Profit and loss balance 31/12/1999	<u>120,000</u>

Balance Sheets as at

	£	31/12/1999 £	£	31/12/1998 £
Fixed Assets				
Land & Buildings	380,000		330,000	
Less: Depreciation Provision	<u>80,000</u>	300,000	<u>70,000</u>	260,000
Current Assets				
Stock	108,000		85,000	
Debtors	44,000		39,000	
Cash	<u>8,000</u>		<u>10,000</u>	
	<u>160,000</u>		<u>134,000</u>	
Less: Creditors: amounts falling due within 1 year				
Creditors	30,000		54,000	
Taxation	35,000		18,000	
Proposed dividend	<u>25,000</u>		<u>12,000</u>	
	<u>(90,000)</u>		<u>(84,000)</u>	
Net Current Assets		<u>70,000</u>		<u>50,000</u>
Total Net Assets		<u>370,000</u>		<u>310,000</u>
Financed by:				
Creditors: amounts falling due after more than one year				
10% Debentures		20,000		50,000
Capital and Reserves				
Ordinary Share Capital issued		230,000		180,000
Profit & Loss Account		<u>120,000</u>		<u>80,000</u>
		<u>370,000</u>		<u>310,000</u>

You are required to:

- (a) Reconcile the operating profit to net cash inflow from operating activities. (30)
- (b) Prepare the cash flow statement of Saunders Ltd for the year ended 31/12/1999 under the following headings:
- (1) Operating Activities.
 - (2) Return on Investment.
 - (3) Taxation.
 - (4) Investing Activities.
 - (5) Financing. (70)

(100 marks)

SECTION 3 (80 marks)
Answer **ONE** question

8. Costing: Cost-Volume-Profit (Marginal Costing)

Southern Ltd., manufactures a product which it sells at £20 per unit. All goods produced are sold so there is never any stock of product on hand. A costing analysis reveals that:

Variable costs amount to £11 per unit
Fixed costs will be £6,000 for the period.

You are required to:

- (a) Calculate the Contribution for each unit sold.
- (b) Calculate the Break Even Point for this product using the data above.
- (c) Prepare a Marginal Costing Statement to show the Profit & Loss at the following production levels:

1. 800 units
2. 1,120 units
3. 1,400 units
4. 1,800 units

- (d) Calculate the level of production and sales revenue that will yield a profit of £9,500.
- (e) Calculate the Margin of safety in units and in sales revenue in (d) above.

(80 marks)

9. Cash Budgeting

W. Solan had the following Assets, Liabilities and Capital at Jan. 1st 1999.

Assets	£
Fixed assets	110,000
Stock	7,800
Debtors	32,000
Cash	<u>1,400</u>
	<u>151,200</u>
Liabilities	
Creditors	44,200
Capital	<u>107,000</u>
	<u>151,200</u>

The expected sales and purchases for the next 5 months are as follows:

	Jan	Feb	Mar	April	May	Total
Sales	£75,000	£72,000	£80,000	£90,000	£85,000	402,000
Purchases	£52,000	£54,000	£60,000	£66,500	£70,000	302,500

All sales are on credit and are paid for one month after sale.

All purchases are on credit, except for £20,000 in May, and are paid for one month later.

Solan rents the premises for £9,600 per annum payable each month.

Wages to be £4,500 per month.

Equipment bought in May for £5,000.

Closing stock at 31/5/1999 is expected to be £16,800.

Net profit for 5 months is expected to be £82,000.

You are required to prepare:

- (a) A Cash Budget showing Solan's expected monthly receipts and payments for the five months January to May.
- (b) A Budgeted Balance Sheet as at 31/5/1999.

(80 marks)