

**ACCOUNTING - ORDINARY LEVEL**

(400 marks)

THURSDAY, 13th JUNE 2002 – MORNING 9.30 a.m. to 12.30 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 any **TWO** other questions

**1. Final Accounts of a Manufacturing Company**

The following balances were extracted from the books of Tallon Ltd., on 31/12/2001

	€	€
Share Capital		
Authorised - 800,000 Ordinary Shares at €1 each		
Issued - 550,000 Ordinary Shares at €1 each .....		550,000
Plant and Machinery (Cost 170,000).....	120,000	
Delivery Vans (Cost 24,000).....	18,000	
Factory Buildings .....	470,000	
Patents .....	60,000	
Debtors and Creditors .....	36,800	44,000
10% Debentures (issued on 1/4/2001) .....		80,000
Stocks 1/1/2001		
Raw Materials .....	35,000	
Work in Progress.....	27,000	
Finished Goods.....	42,000	
Purchases of Raw Materials .....	430,000	
Sales .....		642,000
Factory Wages.....	70,000	
Direct Expenses.....	10,000	
Returns in .....	2,000	
Stationery .....	1,600	
Provision for Bad Debts .....		1,500
Sale of Scrap Materials .....		6,000
Directors Fees.....	30,000	
Advertising Expenses.....	8,800	
Factory Insurance .....	6,600	
Factory Light and Heat.....	9,500	
Profit and Loss Balance (1/1/2001).....		21,000
VAT .....		5,100
Bank .....		27,700
	<u>1,377,300</u>	<u>1,377,300</u>

You are given the following additional information:

- (i) Stocks at 31/12/2001:
 

Raw Materials;	€32,000
Work-in-progress;	€38,000
Finished Goods.	€47,000
- (ii) Depreciation is to be provided as follows:
 

Plant and Machinery	-	20% of cost
Delivery Vans	-	10% of book value
Buildings	-	2% of cost
- (iii) Wages are to be divided - 80% for direct wages and 20% for supervisor's wages.
- (iv) Factory Insurance was for the year ended 31/3/2002.
- (v) Provision should be made for Debenture Interest due.
- (vi) Finished Goods are to be transferred from factory at Current Market Value of €580,000.

**You are required to prepare a:**

- (a) Manufacturing Account for the year ended 31/12/2001. (40)
- (b) Trading and Profit and Loss Account for the year ended 31/12/2001. (40)
- (c) Balance Sheet as at 31/12/2001. (40)

**(120 marks)**

## 2. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Marie Thompson for the month of April 2002.

<u>Bank Account</u>								
		€			€			
April	1	Balance b/d	1,120	April	5	P Jones	567891	690
April	9	Sales Lodged	1,220	April	7	Rent	567892	300
April	16	Lodgement	1,600	April	10	M. Walsh	567893	280
April	29	Sales Lodged	1,750	April	12	J Grady	567894	220
				April	13	P Hughes	567895	512
				April	14	Insurance	567896	1,260
				April	18	J. Molloy	567897	140
				April	30	Balance b/d		<u>2,288</u>
			<u>€5,690</u>					<u>€5,690</u>

### **Bank Statement on 31/4/2002**

		Debit	Credit	Balance
		€	€	€
April	1	Balance b/d		1,120
April	4	Interest Received	120	1,240
April	7	567891 - P Jones	690	550
April	9	567892 - Rent	300	250
April	9	Lodgement	1,220	1,470
April	14	567893 – M. Walsh	280	1,190
April	13	J. Foley (R/D Dishonoured)	230	960
April	16	Lodgement	1,600	2,560
April	16	567895 - P Hughes	512	2,048
April	17	567896 - Insurance	1,260	788
April	20	Bank Charges	33	755
April	24	Standing Order	320	435
April	26	T Browne	160	275

**Note:** The €160 entered in the Bank Statement on April 26 was debited in error to Marie Thompson's account instead of to Mick Thompson's account.

**You are required:-**

- (a) To show Marie Thompson's Adjusted Bank Account and to bring down the adjusted balance. (35)
- (b) To prepare a statement on 30/4/2002 reconciling the adjusted Bank Account Balance with the Bank Statement balance. (25)

**(60 marks)**

### 3. Incomplete Records – net worth.

James Treacy, a sole trader, has not been keeping a full set of accounts. The following figures relating to the business were supplied on 1/1/2001:

	1/1/2001
	€
Stock	33,300
Debtors	27,600
Insurance prepaid	1,500
Premises	350,000
Furniture and Equipment at cost	22,000
Motor Vehicles at book value	27,200
Accumulated Depreciation of Furniture and Equipment	6,600
Bank Overdraft	11,500
Creditors	31,600
Expenses due	1,600

Treacy also supplied the following additional information on 31/12/2001:

- (i) During the year €15,000 was transferred from a personal bank account to the business bank account.
- (ii) During the year, Treacy had paid €1,500 out of business funds for private house repairs and also had taken goods to the value of €600 per month for private use.

Treacy estimated that on 31/12/2001 the business assets and liabilities were €490,000 and €27,000 respectively before allowing for depreciation on Furniture and Equipment at the rate of 20% of cost, depreciation on Motor Vehicles at the rate of 20% of book value and before allowing for expenses due of €800.

**You are required to:**

- (a) Prepare a statement showing Treacy's Net Worth/Capital on 1/1/2001. (20)
  - (b) Prepare a statement showing Treacy's Profit or Loss for the year ended 31/12/2001. (40)
- (60 marks)**

### 4. Depreciation and Revaluation of Fixed Assets

The following details were taken from the books of Talbot Ltd:

- 1/ 1/2000 Buildings at cost amounted to €300,000.
- 1/ 1/2000 The balance in the Provision for Depreciation Account was €45,000.
- 1/ 4/2000 Purchased buildings for €140,000.
- 1/ 4/2000 Sold for €160,000 a building which cost €90,000. The book value of this building on 1/4/2000 was €81,000.
- 31/12/2000 The total depreciation for the year ended 31/12/2000 was €6,750.
- 1/01/2001 The buildings were re-valued at €400,000.
- 31/12/2001 Provide for depreciation at the rate of 2% of the value of the buildings on 1/1/2001.

**You are required to show:**

- (a) The Buildings Account for the two years 2000 and 2001. (15)
  - (b) The Provision for Depreciation Account for the two years 2000 and 2001. (20)
  - (c) The Buildings Disposal Account for the year ended 31/12/2000. (15)
  - (d) The Revaluation Reserve Account. (10)
- (60 marks)**

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

**5. Interpretation of Accounts**

The following information has been taken from the accounts of Tyndall Ltd for the year ended 31/12/2001.

**Trading Profit and Loss Account for year ended 31/12/2001**

	€	€
Credit Sales		660,000
Less: Cost of Sales		
Stock 1/1/2001	58,000	
Purchases	<u>      ?</u>	
Less: Stock 31/12/2001	<u>60,000</u>	<u>      ?</u>
Gross Profit		130,000
Less: Total Expenses (including Interest)		<u>53,000</u>
Net Profit		<u>77,000</u>

**Balance Sheet as at 31/12/2001**

	€	€
<b>Fixed Assets</b>		340,000
<b>Current Assets</b> (including Debtors €55,000)	116,000	
<b>Less Creditors:</b> amounts falling due within 1 year.		
Trade creditors	<u>66,000</u>	<u>50,000</u>
		<u>390,000</u>
<b>Financed By</b>		
<b>Creditors:</b> amounts falling due after more than one year		
10% Debentures (2005/2007).		75,000
<b>Capital and reserves</b>		
Ordinary Shares		270,000
Profit and loss account		<u>45,000</u>
		<u>390,000</u>

(a) **You are required to calculate and show:**

- (i) The purchases amount.
- (ii) Return on Capital Employed.
- (iii) The Period of Credit given to Debtors.
- (iv) The Acid Test Ratio. (40)

(b) **Explain the following**

- (i) 10% Debentures (2005/2007).
- (ii) Preference Dividend.
- (iii) Stock Turnover.
- (iv) 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 2000 was 13% comment on the current profitability of the firm. (10)

**(100 marks)**

## 6. Club Accounts

Included in the assets and liabilities of the “Barrs” football club on 1/1/2001 were the following: Clubhouse and Land €360,000; Equipment €8,000; Investments €16,000; Bar Stock €1,400; Membership Fees due €400; Bar Creditors €1,000; Expenses due €2,400.

The following is a summary of the club’s receipts and payments for the year ended 31/12/2001

<b>Receipts</b>	€	<b>Payments</b>	€
Cash in Hand - 1/1/2001	2,200	Bar Purchases for cash	36,000
Interest	800	Purchase of equipment	3,200
Membership Fees	7,600	General Expenses	48,300
Bar sales	66,400	Cake sale costs	440
Cake sale receipts	2,700	Bar Creditors	2,100
Sponsorship	18,000	Cash Balance - 31/12/2001	8,860
Donations	<u>1,200</u>		
	<u>98,900</u>		<u>98,900</u>

The treasurer also supplied the following information as at 31/12/2001

- (i) Bar stock was €1,800
- (ii) Bar Creditors were €1,650
- (iii) Expenses prepaid were €350
- (iv) Subscriptions prepaid were €800
- (v) Equipment held on 31/12/2001 to be depreciated by 25%
- (vi) Depreciate clubhouse at 2% of cost.

### **You are required to:**

- (a) Prepare a statement showing the Club’s Accumulated Fund on 1/1/2001. (20)
- (b) Prepare the Club’s Income and Expenditure Account for the year ended 31/12/2001. (40)
- (c) Prepare the Club’s Balance Sheet on 31/12/2001. (30)
- (d) Explain the difference between the closing balance in the Income and Expenditure Account and the closing balance in the Receipts and Payments Account. (10)

**(100 marks)**

7. **Cash Flow Statement**

The following information has been extracted from the books of Tarpey Ltd.

**Profit and Loss Extract for year ended 31/12/2001**

	€
Operating profit	113,000
Interest paid	<u>(7,000)</u>
	106,000
Taxation	<u>(25,000)</u>
	81,000
Proposed dividend	<u>(35,000)</u>
Retained profits for year	46,000
Profit and loss balance 1/1/2001	<u>63,000</u>
Profit and loss balance 31/12/2001	<u>109,000</u>

Balance Sheets as at	31/12/2001		31/12/2000	
	€	€	€	€
<b>Fixed Assets</b>				
Land & buildings	490,000		380,000	
Less depreciation provision	<u>55,000</u>	435,000	<u>48,000</u>	332,000
<b>Current Assets</b>				
Stock	131,000		109,000	
Debtors	82,000		67,000	
Cash	<u>6,000</u>		<u>11,000</u>	
	<u>219,000</u>		<u>187,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Creditors	85,000		72,000	
Taxation	25,000		24,000	
Proposed dividend	<u>35,000</u>		<u>30,000</u>	
	<u>(145,000)</u>		<u>(126,000)</u>	
<b>Net Current Assets</b>		<u>74,000</u>		<u>61,000</u>
<b>Total Net Assets</b>		<u>509,000</u>		<u>393,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
10% Debentures		100,000		70,000
<b>Capital and Reserves</b>				
Ordinary share capital issued		300,000		260,000
Profit & Loss Account		<u>109,000</u>		<u>63,000</u>
		<u>509,000</u>		<u>393,000</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 Tarpey Ltd for the year ended 31/12/2001 using the following headings:
- (i) Operating Activities
  - (ii) Return on investments (and servicing of finance)
  - (iii) Taxation
  - (iv) Capital expenditure and financial investment (Investing activities)
  - (v) Equity/Ordinary Dividend paid
  - (vi) Financing (70)

**(100 marks)**

**SECTION 3 (200 marks)**  
Answer any **ONE** questions

8. Skyhigh Ltd, a small jobbing company, has the following budgeted costs for the coming year:

Direct materials	€260,000	
Direct labour	€35,000	
Factory overheads	€56,000	
Labour hours	8,000	Hours
Machine hours	14,000	Hours

The details of a customer's order number 1014 are as follows:

Direct materials	€9,000	
Direct labour hours	220	Hours
Machine hours	310	Hours

**You are required to calculate:**

- (a) The overhead absorption rate per machine hour
- (b) The overhead absorption rate per direct labour hour
- (c) The cost of job no 1014 using overhead absorption rate per machine hour
- (d) The cost of job no 1014 using overhead absorption rate per direct labour hour
- (e) The selling price of job no 1014 to the customer using **both** overhead absorption rates and assuming a mark up of 20% on cost . **(80 marks)**

9. **Cash Budgeting**

S. Tynan had the following Assets and Liabilities and Capital at 1 Jan 2002.

<b>Assets</b>	€
Fixed assets	240,000
Stock	16,800
Debtors	44,000
Cash	<u>2,200</u>
	303,000
<b>Liabilities</b>	
Creditors	<u>57,000</u>
<b>Capital</b>	<u>246,000</u>

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

	Jan	Feb	Mar	April	May	Total
<b>Sales</b>	€80,000	€75,000	€85,000	€95,000	€100,000	€435,000
<b>Purchases</b>	€55,000	€58,000	€64,000	€62,000	€70,000	€309,000

- All sales are on credit and are paid for one month after sale.
- All purchases are on credit except for €15,000 in May and are paid one month after purchase.
- Tynan rents the premises for €12,000 per annum payable each month.
- Wages to be €5,000 per month.
- Equipment bought in May for €7,000 cash.
- Closing stock at 31/5/2002 expected to be €18,800.
- Net profit for 5 months is expected to be €98,000.

**You are required to prepare:-**

- (a) A Cash Budget showing Tynan's expected monthly receipts and payments for the five months January to May, 2002.
- (b) A Budgeted Balance Sheet as at 31/5/2002.

**(80 marks)**