



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2004

ACCOUNTING - ORDINARY LEVEL (400 marks)

THURSDAY, 17th JUNE 2004 – MORNING 9.30am to 12.30pm.

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 Company

The following balances were extracted from the books of Baker Ltd., on 31/12/2003.

	€	€
Share capital		
Authorised - 750,000 Ordinary shares at €1 each		
Issued - 540,000 Ordinary shares at €1 each		540,000
Patents.....	90,000	
Office equipment.....	45,000	
Buildings.....	660,000	
Accumulated depreciation - Office equipment.....		10,000
Accumulated depreciation – Buildings.....		99,000
Debtors and creditors.....	84,000	76,000
9% Debentures issued on 31/3/2003.....		120,000
Purchases.....	520,000	
Sales.....		782,000
Salaries.....	122,000	
Stocks 1/1/2003		
Goods for resale.....	92,600	
Stationery.....	700	
Profit and loss balance 1/1/2003.....		40,600
Returns in.....	2,000	
Stationery.....	4,800	
Provision for bad debts.....		4,600
Commission.....		11,000
Directors fees.....	42,600	
Advertising.....	9,600	
Light, heat and insurance.....	18,000	
VAT.....		2,800
Debenture Interest.....	5,400	
Bank.....		10,700
	<u>1,696,700</u>	<u>1,696,700</u>

You are given the following additional information:

1. Stocks at 31/12/2003:

Goods for resale	€102,500
Stationery	800
2. Provision for bad debts to be adjusted to 5% of debtors.
3. Depreciation is to be provided as follows:

Office equipment	-	10% of book value.
Buildings	-	2% of cost.
4. Provision should be made for debenture interest due.
5. Advertising was for the year ended 31/3/2004.
6. Commission due on 31/12/2003 was €1,500.
7. Provide for corporation tax €12,000.

You are required to prepare a:

- (a) Trading and Profit and Loss Account for the year ended 31/12/2003. (80)
- (b) Balance Sheet as at 31/12/2003. (40)

(120 marks)

2. Farm Accounts

The Benson family carry on a mixed farming enterprise, with two main divisions, cattle and sheep. The following is a summary of the receipts and payments of the farm for the year ended 31/12/2003.

ANALYSED RECEIPTS & PAYMENTS ACCOUNT

RECEIPTS					PAYMENTS				
Details	Cattle & Milk Sales	Sheep Sales	Gov. Grants	TOTAL	Details	Cattle	Sheep	Sundry Exps.	TOTAL
				€					€
Balance b/d				1,900	Feeding-sheep		1,100		1,100
Milk	25,000			25,000	General wages			3,500	3,500
Sheep		14,800		14,800	Rent-conacre			2,200	2,200
Beef premium			2,700	2,700	Dairy wages			700	700
Cows	11,000			11,000	Cows	16,000			16,000
Calves	4,000			4,000	Repairs & fuel			4,100	4,100
Ewe premium			4,700	4,700	Sheep		3,300		3,300
Wool		900		900	Light & heat			1,350	1,350
					Drawings			9,500	9,500
					Fertiliser			2,900	2,900
					Contractor costs			3,800	3,800
					Feeding-cattle	4,150			4,150
					Haulage			650	650
Total Received	40,000	15,700	7,400	65,000	Total Paid	20,150	4,400	28,700	53,250
					Balance c/d				11,750
				65,000					65,000
Balance b/d				11,750					

The following information is also available:

	Cattle	Sheep
1. Value of livestock at cost on 1/1/2003 was	€81,000	€36,000
Value of livestock at cost on 31/12/2003 was	€84,000	€38,000
2. Milk used by family during year		€720
Lamb used by family during year		€365
4. General wages, haulage and rent to be allocated equally between the two divisions. All other expenses to be treated as general farm expenses.		

You are required to:

- Prepare Enterprise Analysis Accounts for "Cattle & Milk" and for "Sheep" for the year ended 31/12/2003. (40)
 - Prepare a general Profit and loss account for the year ended 31/12/2003. (20)
- (60 marks)**

3. Club Accounts

Included in the assets and liabilities of the "Ryder" Golf club on 1/1/2003 were the following: Clubhouse and Course €490,000; Equipment € 44,000; Building Society Deposits €22,000; Bar Stock €3,300; Expenses due €4,300; Subscriptions prepaid €900.

The following is a summary of the club's receipts and payments for the year ended 31/12/2003:

Receipts	€	Payments	€
Cash in hand - 1/1/2003	2,250	Bar purchases	51,500
Interest	550	Purchase of Equipment	12,000
Subscriptions	44,100	General expenses	52,400
Bar sales	73,000	Competition prizes	1,800
Advertising receipts	16,550	Bar creditors	3,900
		Cash balance - 31/12/2003	<u>14,850</u>
	<u>136,450</u>		<u>136,450</u>

The treasurer also supplied the following information as at 31/12/2003:

- (i) Bar stock was €3,600.
- (ii) Bar creditors were €500.
- (iii) Expenses due were €2,900.
- (iv) Subscriptions prepaid were €1,600.
- (v) Equipment held on 31/12/2003 is to be depreciated by 20%.
- (vi) Depreciate Clubhouse and course at 2% of cost.

You are required to:

- (a) Prepare a statement showing the Club's Accumulated Fund on 1/1/2003. (15)
 - (b) Prepare the Club's Income and Expenditure Account for the year ended 31/12/2003. (35)
 - (c) Explain the differences between an Income and Expenditure Account and a Receipts and Payments Account. (10)
- (60 marks)**

4. Depreciation and Revaluation of Fixed Assets

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

- 01/01/2002 Buildings at cost amounted to €350,000.
- 01/01/2002 The balance in the Provision for Depreciation account was €28,000.
- 01/04/2002 Purchased buildings for €150,000.
- 01/04/2002 Sold for €180,000 a building which cost €100,000. The book value of this building on 1/4/2002 was €88,000.
- 31/12/2002 The total depreciation for the year ended 31/12/2002 was €8,000.
- 01/01/2003 The buildings were re-valued at €550,000.
- 31/12/2003 Provide for depreciation at the rate of 2% of the value of the buildings on 1/1/2003.

You are required to show:

- (a) The Buildings Account for the two years 2002 and 2003 (15)
 - (b) The Provision for Depreciation Account for the two years 2002 and 2003 (20)
 - (c) The Buildings Disposal Account for the year ended 31/12/2002 (15)
 - (d) The Revaluation Reserve Account. (10)
- (60 marks)**

SECTION 2 (100 marks)
Answer any **TWO** questions

5. Interpretation of Accounts

The following information has been taken from the accounts of Brady Ltd for the year ended 31/12/2003.

Trading Profit and Loss Account for year ended 31/12/2003

	€	€
Credit sales		590,000
Less cost of sales		
Stock 1/1/2003	54,000	
Purchases	<u>460,000</u>	
Less Stock 31/12/2003	<u> ?</u>	<u> ?</u>
Gross profit		142,000
Less Expenses (including interest)		<u>58,000</u>
Net profit for year		84,000
Profit and loss balance 1/1/2003		<u>22,000</u>
Profit and loss balance 31/12/2003		<u><u>106,000</u></u>

Balance Sheet as at 31/12/2003

	€	€
Fixed Assets		680,000
Current Assets (including Debtors €45,000)	130,000	
Less Creditors: amounts falling due within 1 year.	<u>64,000</u>	<u>66,000</u>
		<u><u>746,000</u></u>
Financed by		
Creditors: amounts falling due after more than 1 year		
7% Debentures (2008/2009).		200,000
Capital and reserves		
Ordinary shares		440,000
Profit and loss account		<u>106,000</u>
		<u><u>746,000</u></u>

- (a) **You are required to:**
- (i) Calculate the Percentage Mark-up on cost.
 - (ii) Calculate the Closing Stock.
 - (iii) Calculate the Period of Credit given to Debtors.
 - (iv) Calculate the Return on Capital Employed. (40)
- (b) **Explain the following:**
- (i) Debentures (2008/2009).
 - (ii) Intangible Assets.
 - (iii) Rate of Stock Turnover.
 - (iv) Capital Employed. (40)
- (c) Would the above firm have fared better if it had sold out and invested its money in a financial institution for the past year? Give reasons for your answer. (10)
- (d) If the current ratio and the quick asset ratio for 2002 were 1.3 to 1 and 0.7 to 1, comment on the liquidity of the firm (10)

(100 marks)

6. Incomplete Records - Control accounts

B. Burley did not keep a full set of books during the year ending 31/12/2003. The following is a summary of the cash account for that period:

	€	€
Cash Receipts		
Balance - 1/1/2003	1,850	
Debtors	33,300	
Commission	4,650	
Sales	148,800	
Rent	<u>9,600</u>	198,200
Cash Payments		
Drawings	23,700	
Purchases	87,200	
Wages and general expenses	36,800	
Furniture	7,200	
Creditors	<u>42,200</u>	197,100

The following additional information is also available:

	1/1/2003	31/12/2003
Premises	420,000	420,000
Delivery vans	41,000	41,000
Expenses due	2,560	3,400
Commission receivable due	-	880
Stock	11,600	13,400
Debtors	9,200	10,600
Creditors	14,600	17,400

You are required to:

- (a) Calculate Burley's total purchases and total sales using control accounts. (30)
- (b) Prepare a Trading and Profit and Loss account for the year ended 31/12/2003. (30)
- (c) Prepare a Balance sheet on the 31/12/2003. (40)

(100 marks)

7. Cash Flow Statement

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

Profit and Loss Extract for year ended 31/12/2003	€
Operating profit	154,000
Interest paid	<u>(15,000)</u>
	139,000
Taxation	<u>(31,000)</u>
	108,000
Proposed dividend	<u>(28,000)</u>
Retained profits for year	80,000
Profit and loss balance 1/1/2003	<u>56,000</u>
Profit and loss balance 31/12/2003	<u><u>136,000</u></u>

Balance Sheets as a	31/12/2003		31/12/2002	
	€	€	€	€
Fixed Assets				
Land & buildings	755,000		695,000	
Less depreciation provision	<u>140,000</u>	615,000	<u>125,000</u>	570,000
Current Assets				
Stock	95,000		71,000	
Debtors	61,000		66,000	
Cash	<u>7,000</u>		<u>12,000</u>	
	<u>163,000</u>		<u>149,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	83,000		72,000	
Taxation	31,000		22,000	
Proposed dividend	<u>28,000</u>		<u>19,000</u>	
	<u>(142,000)</u>		<u>(113,000)</u>	
Net Current Assets		<u>21,000</u>		<u>36,000</u>
Total Net Assets		<u><u>636,000</u></u>		<u><u>606,000</u></u>
Financed by				
Creditors: amounts falling due after more than 1 year				
10% Debentures		50,000		150,000
Capital and Reserves				
Ordinary share capital issued		450,000		400,000
Profit & loss account		<u>136,000</u>		<u>56,000</u>
		<u><u>636,000</u></u>		<u><u>606,000</u></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 Breeders Ltd for the year ended 31/12/2003 using the following headings: (65)
1. Operating Activities
 2. Return on investments and servicing of finance
 3. Taxation
 4. Capital expenditure and financial investment
 5. Equity dividend paid
 6. Financing
- (c) Reconcile the net Cash flow to movement in net debt (5)

(100 marks)

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

8. Marginal Costing

Bunker Ltd, manufactures a product which it sells at €39 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 €22 per unit
Fixed costs will be €17,850 for the period.

You are required to:

- (a) Calculate the Contribution for each item 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. 1,100 units
- 2. 1,300 units
- 3. 1,750 units
- 4. 2,000 units

- (d) Calculate the level of production and sales revenue that will yield a profit of €12,500.
- (e) Calculate the Margin of safety in units and in sales revenue in (d) above.

(80 marks)

9. Cash Budgeting

P. Bradley had the following Assets, liabilities and capital at 1 January 2004.

Assets	€
Fixed assets	440,000
Stock	18,800
Debtors	49,000
Cash	<u>5,500</u>
	<u>513,300</u>
 Liabilities	
Creditors	53,300
Capital	<u>460,000</u>
	<u>513,300</u>

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

	Jan	Feb	Mar	April	May	Total
Sales	€82,000	€86,000	€88,000	€95,000	€99,000	450,000
Purchases	€64,000	€68,000	€70,000	€76,500	€80,000	358,500

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

All purchases are on credit (except for €22,000 in May) and are paid for one month later.

Bradley rents the premises for €15,000 per annum payable monthly.

Wages to be €6,400 per month.

Equipment was bought in April for €8,000.

Closing stock at 31/5/2004 is expected to be €26,800.

Net profit for 5 months is expected to be €61,250.

You are required to prepare:-

- (a) A Cash budget showing Bradley's expected monthly receipts and payments for the five months January to May.
- (b) A Budgeted Balance sheet as at 31/5/2004.

(80 marks)

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