



# Coimisiún na Scrúduithe Stáit State Examinations Commission

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LEAVING CERTIFICATE EXAMINATION, 2006

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## ACCOUNTING - ORDINARY LEVEL (400 marks)

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MONDAY, 19th JUNE, 2006 – AFTERNOON, 2.00 pm to 5.00 pm.

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**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.

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**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.

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

**1. Departmental Final Accounts of a Limited Company**

The firm Kilroy Ltd., is divided into two departments – Sportswear and Footwear. The following balances were extracted from its books on 31/12/2005.

	€	€
Share Capital		
Authorised - 400,000 Ordinary shares at €1 each		
Issued - 300,000 Ordinary shares at €1 each .....		300,000
Delivery Vans at cost .....	90,000	
Buildings at cost .....	500,000	
Accumulated Depreciation - Delivery Vans.....		16,000
Accumulated Depreciation - Buildings .....		35,000
10% Debentures .....		60,000
Debtors and Creditors.....	108,000	146,200
<b>Sportswear Department</b>		
Stocks 1/1/2005 .....	63,000	
Purchases and Sales .....	320,000	540,000
Carriage inwards .....	2,500	
<b>Footwear Department</b>		
Stocks 1/1/2005.....	38,000	
Purchases and Sales .....	140,000	360,000
Returns In.....	1,000	
Insurance .....	34,000	
Salaries and General Expenses .....	80,500	
Directors Fees .....	50,000	
Light and Heat .....	64,000	
Profit and Loss Balance 1/1/2005 .....		18,000
VAT.....		8,200
Bank .....		5,600
Cash .....	1,400	
PAYE and PRSI .....		3,400
	<u>1,492,400</u>	<u>1,492,400</u>

You are given the following additional information:

1. Stocks at 31/12/2005:
 

Sportswear	€45,000
Footwear	€32,000
2. Depreciation to be provided as follows:
 

Buildings	- 3% of cost
Delivery Vans	- 20% of cost
3. Provision should be made for Debenture Interest due.
4. Expenses applicable to both departments should be divided on the basis of Sales **or** Floor space where appropriate.
5. The floor space is divided as follows:
 

Sportswear	75%
Footwear	25%
6. Included in Insurance is a cheque for €8,000 for Buildings insurance for year to 30/3/2006.

**You are required to prepare a:**

- (a) Departmental Trading and Profit and Loss Account for the year ended 31/12/2005. (80)
- (b) Balance Sheet as at 31/12/2005. (40)

**(120 marks)**

## 2. Depreciation and Revaluation of Fixed Assets

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

01/01/2004	Buildings at cost amounted to €70,000.
01/01/2004	The balance in the Provision for Depreciation account was €7,000.
01/05/2004	Purchased a building for €60,000.
01/05/2004	Sold for €20,000 a building which cost €30,000. The book value of this building on 1/5/2004 was €10,000.
31/12/2004	The total depreciation for the year ended 31/12/2004 was €3,000.
01/01/2005	The buildings were re-valued at €800,000.
31/12/2005	Provide for depreciation at the rate of 2% of the value of the buildings on 1/1/2005.

**You are required to show:**

- (a) The Buildings Account for the two years 2004 and 2005. (15)
- (b) The Provision for Depreciation Account for the two years 2004 and 2005. (20)
- (c) The Buildings Disposal Account for the year ended 31/12/2004. (15)
- (d) The Revaluation Reserve Account. (10)

**(60 marks)**

## 3. Accounts of a Service Firm

The following were the assets and liabilities of Alan Morgan, a doctor, on 1/1/2005:

Buildings €710,000, Furniture €12,800, Motor Car €44,000, Amounts due from private patients €360, Medical Equipment €8,000, Cash at Bank €25,000, Telephone due €1,400.

The following details were taken from his records on 31/12/2005:

<b>Receipts</b>	<b>€</b>	<b>Payments</b>	<b>€</b>
Private patients' fees	190,200	Purchases of Medical Equipment	18,000
Medical Card scheme	97,800	Telephone	6,700
		Electricity	12,900
		Receptionist salary	36,000
		Magazines	1,200
		Motor expenses	22,300
		Audit fees	2,600
		Relief Doctor salary	29,000
		Rates	4,600
		Insurance	23,000

The following additional information is to be taken into account at 31/12/2005:

- (i) Telephone Due €900
- (ii) Amounts due from Private patients €1,700
- (iii) Receptionist's salary due €400
- (iv) Depreciate Motor Car by 10% and Medical Equipment by 25%.

**You are required to:**

- (a) Calculate Alan Morgan's capital on 1/1/2005. (20)
- (b) Prepare Morgan's income and expenditure account for the year ended 31/12/2005. (40)

**(60 marks)**

#### 4. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Louise White for the month of April 2006.

##### Bank Account

			€				€
April	1	Balance b/d	2,960	April	5	Insurance 200101	800
April	6	Sales lodged	3,280	April	10	M. Ryan 200102	1,960
April	20	Lodgement	4,500	April	12	L. Ward 200103	870
April	28	Sales lodged	2,900	April	14	T. Benson 200104	560
				April	21	Rates 200105	300
				April	26	L. Hynes 200106	1,940
				April	27	G. Kelly 200107	620
				April	28	Balance c/d	<u>6,590</u>
			<u>€13,640</u>				<u>€13,640</u>

##### Bank Statement on 30/4/2006.

			Debit	Credit	Balance
			€	€	€
April	1	Balance b/d			2,960
April	3	Interest Received		140	3,100
April	6	200101 – Insurance	800		2,300
April	6	Lodgement		3,280	5,580
April	12	200102 - M. Ryan	1,960		3,620
April	18	200104 – T. Benson	560		3,060
April	19	Lodgement		4,500	7,560
April	20	T. Black (R/D Dishonoured)	540		7,020
April	20	200105 - Rates	300		6,720
April	21	Standing Order	510		6,210
April	28	Bank Charges	55		6,155
April	28	M. Mooney	360		5,795

**Note:** The €360 entered in the Bank statement on April 28 was debited in error to Louise White's account instead of to Liam White's account.

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

- Show Louise White's adjusted Bank Account and to bring down the adjusted balance. (35)
- Prepare a statement on 30/4/2006 reconciling the adjusted Bank Account balance with the Bank Statement balance. (25)

**(60 marks)**

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

**5. Interpretation of Accounts**

The following information has been taken from the accounts of O'Brien Ltd. for the year ended 31/12/2005.

**Trading and Profit and Loss Account for year ended 31/12/2005**

	€	€
Credit Sales		800,000
Less: Cost of Sales		
Stock 1/1/2005	?	
Purchases	<u>564,000</u>	
	?	
Less: Stock 31/12/2005	<u>62,000</u>	<u>?</u>
Gross Profit		240,000
Less: Expenses (including Interest €20,000)		<u>43,000</u>
Net profit for year		197,000
Profit and Loss Balance 1/1/2005		<u>41,000</u>
Profit and Loss Balance 31/12/2005		<u><u>238,000</u></u>

**Balance Sheet as at 31/12/2005**

	€	€
<b>Fixed Assets</b>		840,000
<b>Current Assets</b> (including Debtors €56,000)	180,000	
<b>Less Creditors:</b> amounts falling due within 1 year		
Trade Creditors	<u>72,000</u>	<u>108,000</u>
		<u>948,000</u>
<b>Financed by</b>		
<b>Creditors:</b> amounts falling due after more than 1 year		
8% Debentures (2009/2011)		250,000
<b>Capital and Reserves</b>		
Ordinary Shares		460,000
Profit and Loss account		<u>238,000</u>
		<u>948,000</u>

- (a) **You are required to calculate:**
- (i) The Opening Stock.
  - (ii) The period of credit given to Debtors.
  - (iii) The Return on Capital Employed.
  - (iv) The Acid Test ratio. (40)
- (b) **Explain the following:**
- (i) 8% Debentures (2009/2011).
  - (ii) Preference Dividend.
  - (iii) Interest.
  - (iv) Rate of Stock Turnover. (40)
- (c) If the Current Ratio and Acid Test ratio for 2004 were 1.8:1 and 1.2:1 respectively, comment on the liquidity of the firm at the end of 2005. (10)
- (d) If the Return on Capital Employed for 2004 was 14%, comment on the current profitability of the firm. (10)

**(100 marks)**

**6. Incomplete Records – Control Accounts**

Mary O'Malley did not keep a full set of books during the year ended 31/12/2005. The following is a summary of the cash account for that period:

	€	€
<b>Cash Receipts</b>		
Balance - 1/1/2005	2,800	
Debtors	48,200	
Sales	96,000	
Commission	<u>3,900</u>	150,900
<b>Cash Payments</b>		
Purchases	28,500	
Drawings	11,400	
Wages and general expenses	22,800	
Creditors	25,200	
Furniture	14,300	
Rates	<u>3,200</u>	105,400

The following additional information is also available:

	1/1/2005	31/12/2005
	€	€
Premises	680,000	680,000
Delivery Vans	35,000	35,000
Debtors	4,900	5,200
Creditors	6,400	7,300
Stock	10,400	8,700
Expenses due	610	740

Note: Depreciate Delivery Vans by 25% of cost per annum.

**You are required to:**

- (a) Calculate O'Malley's total purchases and total sales using control accounts. (30)
- (b) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2005. (30)
- (c) Prepare a Balance Sheet on the 31/12/2005. (40)

**(100 marks)**

## 7. Cash Flow Statement

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

<b>Profit and Loss (extract) for year ended 31/12/2005</b>		€
Operating profit		134,000
Interest paid		<u>(12,000)</u>
		122,000
Taxation		<u>(18,000)</u>
		104,000
Proposed dividend		<u>(32,000)</u>
Retained profit for year		72,000
Profit and loss balance 1/1/2005		<u>23,000</u>
Profit and loss balance 31/12/2005		<u>95,000</u>

<b>Balance Sheets as at</b>	<b>31/12/2005</b>		<b>31/12/2004</b>	
	€	€	€	€
<b>Fixed Assets</b>				
Land & buildings	680,000		510,000	
Less: depreciation provision	<u>162,000</u>	518,000	<u>140,000</u>	370,000
<b>Current Assets</b>				
Stock	124,000		96,000	
Debtors	63,000		72,000	
Cash	<u>14,000</u>		<u>8,000</u>	
	<u>201,000</u>		<u>176,000</u>	
<b>Less: Creditors: amounts falling due within 1 year</b>				
Creditors	64,000		46,000	
Taxation	18,000		11,000	
Proposed dividend	<u>32,000</u>		<u>26,000</u>	
	<u>(114,000)</u>		<u>(83,000)</u>	
<b>Net Current Assets</b>		<u>87,000</u>		<u>93,000</u>
<b>Total Net Assets</b>		<u>605,000</u>		<u>463,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
8% Debentures		150,000		120,000
<b>Capital and Reserves</b>				
Ordinary Share Capital issued		360,000		320,000
Profit and Loss Account		<u>95,000</u>		<u>23,000</u>
		<u>605,000</u>		<u>463,000</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 Welenza Ltd. for the year ended 31/12/2005 using the following headings:
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. (65)
- (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**

Dwyer Ltd, manufactures a single product. The following is the proposed annual budget for the coming year.

	€	€
Sales (30,000 units)		600,000
Variable costs	180,000	
Fixed costs	<u>48,000</u>	<u>228,000</u>
Net profit		<u>372,000</u>

**You are required to calculate:**

- (a) Selling price per unit.
- (b) The Fixed cost per unit.
- (c) The Variable cost per unit.
- (d) The Contribution per unit.
- (e) The Break- even point in volume (units) and sales value.
- (f) The Margin of Safety in units and sales value.
- (g) The quantity of Sales that will yield a net profit of €160,000.

**(80 marks)**

**9. Cash Budgeting**

Joan O'Donnell provides the following information in May 2006.

	€
Debtors 1/6/2006 (made up of April sales €73,000 and May sales €48,000)	121,000
Creditors 1/6/2006	55,000
Bank overdraft 1/6/2006	22,000

She expects her sales, purchases and expenses for the next five months to be:

	June	July	August	September	October
	€	€	€	€	€
Sales	83,000	76,000	97,000	71,000	96,000
Purchases	44,000	51,000	62,000	58,000	69,000
Expenses	15,000	17,000	14,000	18,000	20,000

Expenses are paid as they are incurred.

All sales are on credit and are paid for two months after the month of sale.

All purchases are on credit, except €19,000 for cash in August, and are paid for one month after the month of purchase.

**You are required to:**

- (a) Prepare a cash budget on a monthly basis for the period June to October inclusive.
- (b) Indicate what information Joan can get from the prepared cash budget.

**(80 marks)**



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