Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2007

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)

MONDAY, 18 JUNE, 2007 – AFTERNOON, 2.00 pm to 5.00 pm.

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 Jordan Ltd. on 31/12/2006.

		€	€
Share Capital			
Authorised	- 600,000 Ordinary shares at €1 each		
Issued	- 400,000 Ordinary shares at €1 each		400,000
Buildings		540,000	
Office equipment		55,000	
Patents		84,000	
Accumulated depreciation – Office Equipment			6,000
Accumulated depreciation – Buildings			84,000
8% Debentures issued on 31/3/06			100,000
Sales			590,000
Purchases		310,000	
Carriage inwards		2,800	
Wages and Salaries		113,300	
Debtors and Creditors		20,400	31,800
Stationery		3,800	
Stocks 1/1/06			
Goods for resale		26,400	
Stationery		1,400	
VAT			10,600
Directors' fees		17,000	
Profit and loss balance 1/1/06		10,400	
Returns in		4,600	
Insurance		19,000	
Provision for bad debts			2,800
Advertising		7,300	
Bank		6,800	
Commission on sales		3,000	
		1,225,200	1,225,200

You are given the following additional information:

(i) Stocks at 31/12/2006:
Goods for resale €45,800
Stationery €600

(ii) Depreciation is to be provided as follows:
Office equipment - 10% of book value
Buildings - 3% of cost

(iii) Insurance was for the year ended 31/3/2007.

(iv) Provision for bad debts to be adjusted to 5% of debtors.

(v) Provision should be made for debenture interest due.

(vi) Advertising due on 31/12/2006 €1,800.

(vii) Provide for corporation tax €12,000.

You are required to prepare a:

(a) Trading and Profit and Loss Account for the year ended 31/12/2006. (80)

(b) Balance Sheet as at 31/12/2006. (40)

(120 marks)

2. Debtors' and Creditors' Control Accounts

The following figures were taken from the books of T. Lawlor during March 2007.

	€
Debtors Ledger balance 1/3/2007 Dr	86,000
Debtors Ledger balance 1/3/2007 Cr	300
Creditors Ledger Balance 1/3/2007 Cr	44,000
Creditors Ledger Balance 1/3/2007 Dr	600
Total Sales (including cash sales €30,000)	390,000
Returns In	1,400
Discount allowed	1,600
Discount received	2,200
Returns Out	1,300
Total Purchases (including cash purchases €18,000)	230,000
Bills Receivable issued	12,900
Bills Payable accepted	9,500
Cheques received from customers	310,000
Cash paid to suppliers	194,000
Interest charged by supplier on overdue account	60
Bad debts written off	2,700
Cheques received dishonoured	1,800
Transfer from Debtors Ledger to Creditors Ledger	2,300
Debtors Ledger balance at 31/3/2007	140 Cr
Creditors Ledger balance at 31/3/2007	290 Dr

You are required to prepare for March 2007:

(a) Debtors Ledger Control Account. (30)

(b) Creditors Ledger Control Account. (30)

(60 marks)

3. Correction of Errors and Suspense Account

M. McBride's trial balance failed to agree and the difference was entered in a suspense account. On examination of the books the following errors were revealed:

1. Goods sold on credit to Pat Smith €800 had been posted to Patricia Smith's account.

2. Total of the Purchases Book €12,000 had been posted to the Purchases account as €21,000.

3. Interest received €240 had been treated as Interest paid.

4. Goods, previously sold for €180, were returned by a debtor. This return had not been entered in the books.

5. Goods taken by McBride €300 for private use had not been entered in the books.

You are required to:

(a) Journalise the necessary corrections. (35)

(b) Prepare a Statement of Corrected Net Profit if net profit as per accounts is €15,000. (25)

(60 marks)

4. **Club Accounts**

Included in the assets and liabilities of St. Patrick's football club on 1/1/2006 were the following: Clubhouse and Pitches €620,000, Equipment €28,000, Bar Stock €2,900, Members Subscriptions due €300, Building Society Deposits €8,000, Expenses due €1,100.

The following is a summary of the club's receipts and payments for the year ended 31/12/2006.

Receipts and Payments Account for year ended 31/12/2006

Receipts	**€**	**Payments**	**€**
Cash Balance – 1/1/06	5,900	Bar Purchases	16,200
Subscriptions	22,400	General Expenses	8,600
Bar Sales	28,340	Purchase of equipment	3,400
Interest received	860	Bar Creditors	2,300
Competition entry fees	1,600	Competition prizes	1,900
Sponsorship (annual)	1,200	Cash Balance – 31/12/06	27,900
	60,300		60,300

The treasurer also supplied the following information as at 31/12/2006.

(i) Bar Stock was €1,800.
(ii) Bar Creditors were €300.
(iii) Subscriptions prepaid were €1,500.
(iv) Expenses due were €2,600.
(v) Depreciate the Clubhouse and pitches by 2% of cost.
(vi) Equipment held on 31/12/2006 is to be depreciated by 10%.

You are required to:

(a) Prepare a statement showing the club's Accumulated Fund on 1/1/2006. (15)

(b) Prepare a Bar Trading Account for the year ended 31/12/2006. (9)

(c) Prepare the club's Income and Expenditure Account for the year ended 31/12/2006. (30)

(d) Briefly explain the entry 'sponsorship' in the above Receipts and Payments account. (6)

(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'Driscoll Ltd. for the year ended 31/12/2006.

Trading Profit and Loss Account for year ended 31/12/2006

	€	€
Credit Sales		670,000
Less: Cost of Sales		
Stock 1/1/2006	30,000	
Purchases	?	
Less: Stock 31/12/2006	42,000	530,000
Gross Profit		140,000
Less: Total Expenses (including Interest)		75,000
Net Profit for the year		65,000
Profit and Loss Balance 1/1/2006		29,000
Profit and Loss Balance 31/12/2006		94,000

Balance Sheet as at 31/12/2006

	€	€
Fixed Assets		790,000
Current Assets (including Debtors €38,000)	120,000	
Less Creditors: amounts falling due within 1 year		
Trade Creditors	86,000	34,000
		824,000
Financed by		
Creditors: amounts falling due after more than 1 year		
5% Debentures (2010/2011)		150,000
Capital and Reserves		
Ordinary Shares		580,000
Profit and Loss account		94,000
		824,000

(a) **You are required to calculate:**
- (i) The figure for Purchases.
- (ii) The percentage mark-up on cost.
- (iii) The period of credit given to debtors.
- (iv) The Acid Test ratio. (40)

(b) **Explain the following:**
- (i) 5% Debentures (2010/2011)
- (ii) Ordinary Dividend.
- (iii) Capital employed.
- (iv) Depreciation. (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 2005 was 11%, comment on the current profitability of the firm. (10)

(100 marks)

6. <u>Farm Accounts</u>

The following trial balance was extracted from the books of T. Curtin, a farmer, on 31/12/2006.

	€	€
Land and buildings (cost €600,000)	520,000	
Machinery (cost €120,000)	105,000	
Stocks 1/1/2006		
Livestock	96,000	
Grain seeds	200	
Fertiliser	1,600	
Feedstuffs	3,600	
Purchases		
Livestock	44,000	
Grain seeds	6,800	
Fertiliser	7,250	
Feedstuffs	16,900	
Sale of cattle		235,000
Receipts from the Creamery for milk		126,300
Sale of grain		82,400
Electricity	12,920	
Veterinary fees and medicines	1,900	
10% Loan from Bank (1/1/2006)		90,000
Drawings of cash	8,000	
Loan interest	4,500	
Farm wages	56,400	
Bank		106,370
Capital		245,000
	885,070	885,070

The following information is also available on 31/12/2006:

1. Closing Stocks
   - Livestock €74,000
   - Fertiliser €900
   - Feedstuffs €2,600
2. Value of milk used by the family €1,250.
3. Farm wages and fertilisers should be allocated half to 'Cattle and Milk' and half to 'Grain'.
4. Provide for Loan interest due.
5. Depreciation is to be provided as follows: Buildings 3% of cost and Machinery 20% of cost.

You are required to prepare:

(a) Enterprise analysis accounts for 'Cattle and Milk' and 'Grain' for year ended 31/12/2006.(40)

(b) General profit and loss account for year ended 31/12/2006. (25)

(c) Balance sheet as at 31/12/2006. (35)

(100 marks)

7. Cash Flow Statement

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

Profit and Loss (extract) for year ended 31/12/2006	**€**
Operating Profit	190,000
Interest paid	(9,000)
	181,000
Taxation	(44,000)
	137,000
Proposed dividend	(22,000)
Retained profits for year	115,000
Profit and loss balance 1/1/2006	82,000
Profit and loss balance 31/12/2006	197,000

Balance Sheets as at		**31/12/2006**		**31/12/2005**
	€	**€**	**€**	**€**
Fixed Assets				
Land & Buildings	930,000		850,000	
Less depreciation provision	85,000	845,000	65,000	785,000
Current Assets				
Stock	54,000		49,000	
Debtors	48,000		36,000	
Cash	72,000		64,000	
	174,000		149,000	
Less Creditors: amounts falling due within 1 year				
Creditors	36,000		29,000	
Taxation	44,000		38,000	
Proposed dividend	22,000		15,000	
	(102,000)		(82,000)	
Net Current Assets		72,000		67,000
Total Net Assets		917,000		852,000
Financed by				
Creditors: amounts falling due after more than 1 year				
6% Debentures		120,000		180,000
Capital and Reserves				
Ordinary Share capital issued		600,000		590,000
Profit & Loss account		197,000		82,000
		917,000		852,000

You are required to:

(a) Reconcile the operating profit to net cash inflow from operating activities. (30)

(b) Prepare the cash flow statement of Thornton Ltd. for the year ended 31/12/2006 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 dividends 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. **Absorption Costing**

The following information relates to Ryan Ltd. a small jobbing company, for the coming year. The business has two production departments, Department A and Department B, and one service department, Department C.

	Production Dept. A	**Production Dept. B**	**Service Dept. C**
	€	**€**	**€**
Overhead costs allocated per department	16,000	8,000	12,000
Service Department C costs to be divided	75%	25%	
Machine hours	800 hrs	-----	
Labour hours	------	500 hrs	

The details of a customer's job no. 506 are as follows:

Direct materials	€4,200
Direct labour	€1,500
Hours in Dept A	12 hrs
Hours in Dept B	4 hrs

You are required to:

(a) Apportion/divide the costs of Service Department C between Department A and Department B.

(b) Calculate the overhead absorption rate for Department A using Machine hours.

(c) Calculate the overhead absorption rate for Department B using Labour hours.

(d) Calculate the cost of job no. 506.

(e) Calculate the selling price of job no. 506 if the mark-up is 25% of cost.

(80 marks)

9. Cash Budgeting

G. Molloy had the following assets, liabilities and capital on 1/1/2007.

		€
Assets		
	Fixed assets	560,000
	Stock	28,400
	Debtors	36,000
	Cash	10,200
		634,600
Liabilities		
	Creditors	44,600
	Capital	590,000
		634,600

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

	Jan	Feb	Mar	April	May	Total
Sales	€78,000	€84,000	€96,000	€80,000	€82,000	€420,000
Purchases	€54,000	€73,000	€84,000	€75,400	€73,000	€359,400

All sales are on credit and are paid for one month after sale.
All purchases are on credit (except for €12,000 in May) and are paid for one month later.
Molloy rents the premises for €18,000 per annum payable monthly.
Equipment was bought in April for €6,000.
Wages to be €5,800 per month.
Closing stock at 31/5/07 is expected to be €31,400.
Net profit for the 5 months is expected to be €27,100

You are required to prepare:

(a) A cash budget showing Molloy's expected monthly receipts and payments for the five months January to May.

(b) A budgeted Balance Sheet as at 31/5/2007.

(80 marks)

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