



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2009

ACCOUNTING - ORDINARY LEVEL (400 marks)

MONDAY, 15 JUNE – AFTERNOON, 2.00 – 5.00

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. Sole Trader – Final Accounts

The following balances were extracted from the books of B. Nolan, a Sole Trader, on 31/12/2008.

	€	€
Buildings	20,000	
Motor vehicles at cost	130,000	
Office equipment at cost.....	40,000	
Patents	62,000	
Accumulated Depreciation - motor vehicles		52,000
Accumulated Depreciation - office equipment.....		16,000
Capital 1/1/2008		330,000
Purchases and Sales.....	360,000	720,000
Carriage inwards.....	1,800	
Wages/Salaries	84,000	
Debtors and Creditors.....	75,000	36,000
Discount received		5,600
Term Loan received 1/4/2008		100,000
Loan Interest paid.....	5,000	
Commission	7,000	
Returns in	7,300	
Returns out		2,400
Insurance	6,400	
General expenses.....	14,900	
Provision for bad debts.....		1,700
Advertising.....	24,000	
Bank.....		13,100
VAT.....		5,700
PRSI		10,000
Drawings	11,200	
Stationery.....	4,900	
Stocks 1/1/2008	39,000	
	<u>1,292,500</u>	<u>1,292,500</u>

You are given the following additional information:

- (i) Stocks at 31/12/2008 were €26,000
- (ii) Stock of stationery at 31/12/2008 was €300
- (iii) Advertising was for year ended 31/3/2009
- (iv) Provision should be made for interest due on loan. The rate of interest is 10% per annum
- (v) Wages and Salaries are to be divided – 70% for employees and 30% for drawings
- (vi) Depreciation is to be as follows:

Buildings	2% of cost
Motor Vehicles	20% of cost
Office Equipment	10% of <u>net book</u> value
- (vii) 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 31/12/2008 (80)
 - (b) Balance Sheet as at 31/12/2008 (40)
- (120 marks)**

2. Debtors and Creditors Control Accounts

The following figures were taken from the books of T. Madden during March 2009:

	€
Debtors Ledger Balance 1/03/2009 Dr	59,700
Debtors Ledger Balance 1/03/2009 Cr	450
Creditors Ledger Balance 1/03/2009 Cr	34,200
Creditors Ledger Balance 1/03/2009 Dr	620
Discount allowed	1,600
Discount received	800
Purchases (including Cash Purchases €8,300)	67,400
Sales (including Cash Sales €19,100)	122,300
Returns in	2,500
Returns out	1,500
Discount disallowed to Madden	490
Interest charged by Madden on overdue accounts	1,440
Cheques paid to suppliers	46,300
Cheques received from customers	94,200
Bad debts written off	940
Cheques received dishonoured	1,700
Transfer from Debtors Ledger to Creditors Ledger	760
Bills Receivable issued	1,300
Bills Payable accepted	530
Debtors Ledger Balance at 31/03/2009	840 Cr
Creditors Ledger Balance at 31/03/2009	220 Dr

You are required to prepare for March 2009:

- (a) Debtors Ledger Control Account (30)
(b) Creditors Ledger Control Account (30)

(60 marks)

3. Depreciation and Revaluation of Fixed Assets

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

01/01/2007	Buildings at cost amounted to €990,000
01/01/2007	The balance in the Provision for Depreciation account was €173,000
01/06/2007	Purchased a building for €460,000
01/07/2007	Sold for €420,000 a building which cost €210,000. The book value of this building on 01/07/2007 was €140,000
31/12/2007	The total depreciation for the year ended 31/12/2007 was €35,000
01/01/2008	The buildings were re-valued at €1,500,000
31/12/2008	Provide for depreciation at the rate of 3% of the value of the buildings on the 01/01/2008

You are required to show:

- (a) The Buildings Account for the two years 2007 and 2008. (15)
- (b) The Provision for Depreciation Account for the two years 2007 and 2008. (20)
- (c) The Buildings Disposal Account for the year ended 31/12/2007. (15)
- (d) The Revaluation Reserve Account. (10)

(60 marks)

4. Incomplete Records – net worth

L. Walsh, a sole trader, has not been keeping a full set of accounts. The following figures relating to the business were supplied on 1/1/2008:

	€
Premises	740,000
Furniture and equipment at cost	68,000
Motor vehicles at book value	42,600
Accumulated Depreciation on furniture and equipment	23,600
Stock	32,600
Debtors	27,000
Insurance prepaid	1,600
Creditors	36,100
Expenses due	4,800
Bank overdraft	35,300

Walsh also supplied the following additional information on 31/12/2008:

- (i) During the year €11,000 was transferred from a personal bank account to the business bank account.
- (ii) During the year, Walsh had paid €3,500 out of business funds for private house repairs and had also taken goods to the value of €600 per month for private use.

Walsh estimated that on 31/12/2008 the business assets and liabilities were €960,000 and €80,000 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 €880.

You are required to:

- (a) Prepare a statement showing Walsh's Net Worth/Capital on 1/1/2008 (30)
- (b) Prepare a statement showing Walsh's Profit or Loss for the year ended 31/12/2008 (30)

(60 marks)

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

5. Interpretation of Accounts

The following information has been taken from the accounts of Concor Ltd for the year ended 31/12/2008:

Trading and Profit and Loss Account for year ended 31/12/2008

	€	€
Credit Sales		820,000
Less: Cost of Sales		
Stock 1/01/2008	44,000	
Add: Purchases	<u>?</u>	
	?	
Less: Stock 31/12/2008	<u>55,000</u>	<u>630,000</u>
Gross Profit		?
Less: Total Expenses (including interest)		<u>73,000</u>
Net Profit for year		<u>117,000</u>

Balance Sheet as at 31/12/2008

	€	€
Fixed Assets		550,000
Current Assets (including Debtors €62,000)	144,000	
Less Creditors: amounts falling due within 1 year		
Trade Creditors	<u>34,000</u>	<u>110,000</u>
		<u>660,000</u>
Financed by:		
Creditors: amounts falling due after more than 1 year		
8% Debentures (2013/2014)		90,000
Capital and Reserve		
Ordinary Shares		453,000
Profit and Loss Account		<u>117,000</u>
		<u>660,000</u>

(a) You are required to calculate:

- (i) The figure for Purchases
- (ii) The period of credit given to Debtors
- (iii) The Percentage Mark-up on cost
- (iv) Return on Capital Employed (40)

(b) Explain each of the following:

- (i) 8% Debentures (2013/2014)
- (ii) Acid Test ratio
- (iii) Ordinary Dividend
- (iv) Intangible Assets (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 2007 was 11% comment on the current profitability of the firm. (10)

(100 marks)

6. Club Accounts

Included in the assets and liabilities of the Pearses' football club on the 01/01/2008 were the following: Clubhouse €430,000; Land €280,000; Equipment €14,000; Bar Stock €6,200; Investments €50,000; Expenses due €1,140; Bar Creditors €1,400; Members' subscriptions due €800.

The following is a summary of the club's receipts and payments for the year.

Receipts and Payments Account for the year ended 31/12/2008

Receipts	€	Payments	€
Cash in hand 1/01/2008	11,300	Lotto prizes	16,000
Bar sales	56,200	Bar purchases	39,300
Subscriptions	43,800	General expenses	67,600
Interest	900	Purchase of equipment	3,700
Lotto receipts	34,600	Bar Creditors	2,500
Annual sponsorship	<u>8,000</u>	Cash balance – 31/12/2008	<u>25,700</u>
	<u>154,800</u>		<u>154,800</u>

The treasurer also supplied the following information as at 31/12/2008:

- (i) Bar Stock was €5,400
- (ii) Bar Creditors were €430
- (iii) Subscriptions prepaid were €300
- (iv) Expenses due were €1,700
- (v) Equipment held on 31/12/2008 to be depreciated by 10%
- (vi) Depreciate the clubhouse by 3% of cost

You are required to:

- (a) Prepare a statement showing the club's Accumulated Fund on 01/01/2008. (20)
- (b) Prepare a Bar Trading Account for the year ended 31/12/2008. (8)
- (c) Prepare the club's Income and Expenditure Account for the year ended 31/12/2008. (34)
- (d) Prepare the club's Balance Sheet on the 31/12/2008. (30)
- (e) Explain the difference between the balance in the Income and Expenditure Account and the closing balance in the Receipts and Payments Account. (8)

(100 marks)

7. Cash Flow Statement

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

Profit and Loss (extract) for year ended 31/12/2008	€
Operating profit	175,000
Interest paid	<u>(8,000)</u>
	167,000
Taxation	<u>(26,000)</u>
	141,000
Dividend paid	<u>(55,000)</u>
Retained Profit for year	86,000
Profit and Loss Balance 01/01/2008	<u>22,000</u>
Profit and Loss Balance 31/12/2008	<u>108,000</u>

Balance Sheets as at	31/12/2008		31/12/2007	
	€	€	€	€
Fixed Assets				
Land and Buildings	890,000		720,000	
Less depreciation provision	<u>(85,000)</u>	805,000	<u>(75,000)</u>	645,000
Current Assets				
Stock	43,000		36,000	
Debtors	53,000		59,000	
Cash	<u>98,000</u>		<u>82,000</u>	
	<u>194,000</u>		<u>177,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	75,000		55,000	
Taxation	<u>26,000</u>		<u>15,000</u>	
	<u>(101,000)</u>		<u>(70,000)</u>	
Net Current Assets		<u>93,000</u>		<u>107,000</u>
Total Net Assets		<u>898,000</u>		<u>752,000</u>
Financed By				
Creditors: amounts falling due after more than 1 year				
8% Debentures		90,000		110,000
Capital and Reserves				
Ordinary Share capital issued		700,000		620,000
Profit and Loss Account		<u>108,000</u>		<u>22,000</u>
		<u>898,000</u>		<u>752,000</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 Allen Ltd for the year ended 31/12/2008 using the following headings:
1. Operating activities
 2. Returns on investments and servicing of finance
 3. Taxation
 4. Capital expenditure and financial investment
 5. Equity dividends paid
 6. Financing (65)
- (c) Reconcile the Net Cash Flow to Movement in Net Debt. (5)

(100 marks)

SECTION 3 (80 marks)
Answer ONE Question

8. Absorption Costing

Rocket Ltd a small jobbing company, has the following budgeted figures for the coming year:

Direct Materials	€264,000
Direct Wages	€75,000
Factory Overheads	€97,500

For the coming year the company has also budgeted 10,000 labour hours and 12,500 machine hours.

The details of a customer's Job Number 591 are as follows:

Direct Materials	€9,000
Direct Labour hours	180 hours
Machine hours	220 hours

You are required to calculate:

- (a) The overhead absorption rate per direct labour hour.
- (b) The overhead absorption rate per machine hour.
- (c) The cost of Job Number 591 using the overhead absorption rate per machine hour.
- (d) The cost of Job Number 591 using the overhead absorption rate per direct labour hour.
- (e) The selling price of Job Number 591 to the customer using **both** overhead absorption rates (as calculated in (a) and (b) above) and assuming a mark-up of 20% on cost.

(80 marks)

9. Cash Budgeting

Sinead Sammon provides the following information in May 2008:

	€
Debtors 01/06/2008 (made up of April sales €52,000 and May sales €63,000)	115,000
Creditors 01/06/2008	44,000
Bank Balance 01/06/2008	34,000

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

	June	July	August	September	October
	€	€	€	€	€
Sales	59,000	67,000	75,000	83,000	91,000
Purchases	36,000	51,000	66,000	59,000	74,000
Expenses	12,000	17,000	14,000	16,000	15,000

You are given the following additional information:

- Expenses are paid as they are incurred.
- Rent per month to be €1,100.
- All sales are on credit and are paid for two months after the month of sale.
- All purchases are on credit, except €18,000 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 and also the total column for the period.
- (b) Indicate what information Sinead can get from the prepared cash budget.

(80 marks)

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