



State Examinations Commission

Coimisiún na Scrúduithe Stáit

LEAVING CERTIFICATE EXAMINATION 2012

ACCOUNTING - ORDINARY LEVEL

(400 marks)

MONDAY 18 JUNE 2012 – 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.
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Candidates should answer either QUESTION 1 only OR attempt any TWO of the remaining three questions in this section.
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Section 2: Financial Accounting (200 marks).

This section has 3 questions (Numbers 5 – 7). Each question carries 100 marks.
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Candidates should answer any TWO questions.
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Section 3: Management Accounting (80 marks).

This section has 2 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. It is very important that workings are shown in the answerbook(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. Final Accounts of a Sole Trader

The following balances were extracted from the books of L. Bradley, a Sole Trader, on 31/12/2011.

	€	€
Buildings	240,000	
Motor Vehicles at cost	180,000	
Office Equipment at cost.....	36,000	
Patents	45,000	
Accumulated Depreciation – Motor Vehicles		48,000
Accumulated Depreciation – Office Equipment		7,100
Capital 01/01/2011		290,000
Sales		570,000
Purchases.....	320,000	
Carriage Inwards	11,400	
Returns Inwards (Sales Returns).....	4,600	
Returns Outwards (Purchases Returns).....		2,300
Debtors	58,500	
Creditors.....		63,700
Wages/Salaries	96,000	
Discount Received		2,700
General Expenses	26,100	
Stationery	3,700	
Stocks 01/01/2011	36,000	
Commission	3,000	
Term Loan (received 01/04/2011).....		100,000
Loan Interest paid.....	4,000	
Insurance	14,300	
Drawings	16,900	
Bank		6,500
VAT.....		3,100
PRSI.....		5,000
Advertising.....	9,400	
Provision for Bad Debts.....		2,200
Profit/Loss Balance 01/01/2011		4,300
	<u>€1,104,900</u>	<u>€1,104,900</u>

You are given the following additional information:

- (i) Stocks for resale at 31/12/2011 were €31,000.
- (ii) Stock of Stationery on 31/12/2011 was €600.
- (iii) Provision should be made for Interest due on Loan. The rate of interest is 10% per annum.
- (iv) Advertising is for the year ended 31/03/2012.
- (v) Provision for bad debts to be adjusted to 5% of debtors.
- (vi) Depreciation is to be provided as follows:

Buildings	3% of cost
Motor Vehicles	20% of cost
Office Equipment	10% of <u>net book</u> value
- (vii) Included in Insurance is a cheque for €800, which is for L. Bradley's private house insurance.

Required:

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2011. (80)
- (b) Prepare a Balance Sheet as at 31/12/2011. (40)

(120 marks)

2. Company Profit and Loss

The following information was extracted from the books of Doyle Ltd:

- Doyle Ltd has an Authorised Capital of 900,000 Ordinary Shares at €1 each and 400,000 5% Preference Shares at €1 each.
- The company has already issued 600,000 of the Ordinary Shares and 200,000 5% Preference Shares.
- On 01/01/2011 the Company's General Reserve Account showed a balance of €95,000.
- Doyle Ltd had carried forward a profit of €220,000 from 2010 and the accounts showed profits of €180,000 before interest and taxation for the year ended 31/12/2011.
- During the year a total dividend of 9c per ordinary share was paid to the Ordinary Shareholders and the total preference dividend for the year was paid to the Preference Shareholders.

On the 31/12/2011 the directors recommended that:

- (i) Interest of €24,000 to be provided for.
- (ii) Taxation of €63,000 to be provided for.
- (iii) The General Reserve to be increased by €15,000.

You are required to:

(a) Show the **Profit and Loss Account** for the year ended 31/12/2011. (35)

(b) Prepare a **Balance Sheet** showing the relevant accounts after making the above provisions and appropriations. (25)

(60 marks)

3. Correction of Errors and Suspense Account

The Trial Balance of C. Wilson failed to agree on 31/12/2011 and the difference was entered in a suspense account. On examination of the books the following errors were revealed:

1. The total of the Purchases Book €25,200 had been posted to the Purchases account as €22,500.
2. Wages paid, €800 by cheque, had not been entered in the books.
3. Goods sold on credit to Aoife O'Brien €1,500 had been posted to Ellen O'Brien's account.
4. Goods taken by C. Wilson for private use €700 had not been entered in the books.
5. The Sales Returns Book had been under totted by €500.

You are required to:

- (a) **Journalise** the necessary corrections. (35)
- (b) Prepare a **Statement of Corrected Net Profit** if net profit as per account is €15,700. (25)

(60 marks)

4. Club Accounts

Included in the assets and liabilities of St. Thomas's Football Club on the **01/01/2011** were the following:

Clubhouse/Pitches €570,000; Equipment €25,000; Members' Subscriptions due €600; Bar Stock €5,700; Investments €12,000; Expenses due €450; Cash in hand €8,800.

You are required to:

- (a) Prepare a statement showing the club's **Accumulated Fund** on 01/01/2011. (15)

The following is a summary of the club's Receipts and Payments for the year 2011:

Receipts and Payment Account for the year ended 31/12/2011

Receipts	€	Payments	€
Cash in hand 01/01/2011	8,800	Bar Purchases	26,200
Subscriptions	18,000	General Expenses	15,900
Bar Sales	35,500	Purchase of Equipment	4,600
Interest Received	1,300	Bar Creditors	2,100
Annual Sponsorship	6,000	Competition Prizes	4,000
Competition Entry Fees	3,700	Cash balance 31/12/2011	20,500
	<u>73,300</u>		<u>73,300</u>

The Treasurer also supplied the following information as at **31/12/2011**:

- (i) Bar Stock was €4,400
- (ii) Bar Creditors were €750
- (iii) Subscriptions prepaid were €960
- (iv) Expenses due were €1,150
- (v) Equipment held on 31/12/2011 to be depreciated by 10% of cost
- (vi) Depreciate the Clubhouse/Pitches by 2% of cost.

You are required to:

- (b) Prepare a **Bar Trading Account** for the year ended 31/12/2011. (9)
- (c) Prepare the club's **Income and Expenditure Account** for the year ended 31/12/2011. (30)
- (d) **Explain** the term 'Subscriptions'. (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 Hardy Ltd for the year ended 31/12/2011:

Trading and Profit and Loss Account for year ended 31/12/2011

	€	€
Credit Sales		740,000
Less: <u>Cost of Sales</u>		
Stock 01/01/2011	????	
Add: Purchases	<u>456,000</u>	
	????	
Less: Stock 31/12/2011	<u>32,000</u>	
Cost of Sales		<u>490,000</u>
Gross Profit		????
Less: Total Expenses (including interest)		<u>144,000</u>
Net Profit for year		<u>106,000</u>

Balance Sheet as at 31/12/2011

	€	€
Fixed Assets		495,000
Current Assets	90,000	
Less Creditors: amounts falling due within 1 year		
Trade Creditors	<u>75,000</u>	<u>15,000</u>
		<u>510,000</u>
Financed by:		
Creditors: amounts falling due after more than 1 year		
5% Debentures (2018/2019)		140,000
Capital and Reserves		
Ordinary Shares		264,000
Profit and Loss Account		<u>106,000</u>
		<u>510,000</u>

(a) You are required to calculate:

- (i) The figure for Opening Stock
- (ii) Gross Profit Margin
- (iii) The period of credit received from Creditors
- (iv) The Acid Test Ratio (40)

(b) Explain the following:

- (i) Interest Paid
- (ii) 5% Debentures (2018/2019)
- (iii) Liquid Assets
- (iv) Shareholders Funds (40)

(c) Would Hardy Ltd have difficulty paying its bills as they fall due? Explain your answer. (10)

(d) The Return on Capital Employed for **2010** was 18%.
 (i) Calculate this ratio for 2011.
 (ii) Comment on the profitability of the firm in **2011**. (10)

(100 marks)

6. Incomplete Records – Control Accounts

Brian O’Dowd did not keep a full set of books during the year ended 31/12/2011. The following is a summary of the cash account for that period.

Cash Receipts	€	€
Balance 01/01/2011	38,400	
Debtors	84,300	
Commission	5,700	
Sales	<u>174,100</u>	302,500

Cash Payments		
Purchases	125,700	
Drawings	20,800	
Wages and General Expenses	48,600	
Creditors	55,300	
Furniture	<u>16,500</u>	<u>266,900</u>

The following additional information is also available:

	01/01/2011	31/12/2011
Premises	295,000	295,000
Delivery Vans	72,000	72,000
Debtors	15,400	19,200
Creditors	8,300	10,800
Stock	14,200	12,600
Expenses due	2,130	890

Note: Depreciate Delivery Vans by **20%** of cost per annum.

You are required to:

- (a) Calculate Brian O’Dowd’s **Capital** on 01/01/2011. (10)
- (b) Calculate Brian O’Dowd’s **Total Sales** and **Total Purchases** using **Control Accounts**. (20)
- (c) Prepare a **Trading, Profit and Loss Account** for the year ended 31/12/2011. (30)
- (d) Prepare a **Balance Sheet** as at 31/12/2011. (40)

(100 marks)

7. Cash Flow Statement

The following information has been extracted from the books of Shepard Ltd:

	€
Profit and Loss (extract) for year ended 31/12/2011	
Operating Profit	92,000
Interest paid	<u>(6,000)</u>
	86,000
Taxation	<u>(17,000)</u>
	69,000
Dividends paid	<u>(28,000)</u>
Retained Profit	41,000
Profit and Loss balance 1/1/2011	<u>54,000</u>
Profit and Loss balance 31/12/2011	<u>95,000</u>

	31/12/2011		31/12/2010	
Balance Sheets as at	€	€	€	€
Fixed Assets				
Land and Buildings	560,000		470,000	
Less depreciation provision	<u>(58,000)</u>	502,000	<u>(53,000)</u>	417,000
Current Assets				
Stock	60,000		61,000	
Debtors	44,000		35,000	
Cash	<u>24,000</u>		<u>19,000</u>	
	<u>128,000</u>		<u>115,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	19,000		13,000	
Taxation	<u>17,000</u>		<u>16,000</u>	
	<u>(36,000)</u>		<u>(29,000)</u>	
Net Current Assets		<u>92,000</u>		<u>86,000</u>
Total Net Assets		<u>594,000</u>		<u>503,000</u>
Financed by				
Creditors: amounts falling due after 1 year				
5% Debentures		100,000		120,000
Capital and Reserves				
Ordinary Share Capital issued		389,000		329,000
Share Premium		10,000		
Profit and Loss Account		<u>95,000</u>		<u>54,000</u>
		<u>594,000</u>		<u>503,000</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 Shepard Ltd for the year ended 31/12/2011 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 any **ONE** question

8. Marginal Costing

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

	€	€
Sales (50,000 units)		400,000
Variable Costs	170,000	
Fixed Costs	<u>36,000</u>	<u>(206,000)</u>
Net Profit		<u>194,000</u>

You are required to:

- (a) Calculate the selling price **per unit**.
- (b) Calculate the variable cost **per unit**.
- (c) Calculate the **Contribution** from each unit sold.
- (d) Calculate the **Break-even** point in volume (**units**).
- (e) Calculate the **margin of safety** in Units and Sales Value, if the budgeted sales for the period are 50,000 units.
- (f) Prepare a **marginal costing statement** which includes the following:

- | |
|--|
| <ul style="list-style-type: none">- Reduce selling price by €2- Increase sales volume by 10%- All other costs to remain the same |
|--|

- (g) Explain the term 'Variable Cost'.
Give **one** example of a variable cost.

(80 marks)

9. Product Budgeting

Markem Ltd manufactures two types of mobile phones called 'Mega' and 'Rapid'. The sales of each type of mobile phone and other relevant information for the year ended 31/12/2012 are budgeted below:

	Mega	Rapid
Budgeted Sales	2,600 Units	1,200 Units
Expected Selling Price	€50	€70

Expected Stock – Finished Goods	Mega	Rapid
Opening Stock	160	90
Closing Stock	340	250

Material Content and Costs	Material A	Material B
Mega	4 gms	6 gms
Rapid	2 gms	5 gms
Expected price per gm	€3	€4

Expected Stock – Raw Materials	Material A	Material B
Opening Stock	750 gms	530 gms
Closing Stock	830 gms	450 gms

Direct Labour time in hours	
Mega	6 hours
Rapid	8 hours

Direct Labour Rate per hour	€7
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You are required to prepare the following budgets:

- Sales Budget in **units** and in **€**
- Production** Budget
- Material Usage** Budget
- Material Purchases** Budget in **units** and in **€**
- Labour** (wages) Budget
- Why would Markem Ltd prepare a Production Budget?

(80 marks)

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