



# State Examinations Commission

## Coimisiún na Scrúduithe Stáit

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LEAVING CERTIFICATE EXAMINATION 2014

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### ACCOUNTING - ORDINARY LEVEL

(400 marks)

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MONDAY 16 JUNE 2014 – AFTERNOON 2.00 – 5.00

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**This paper is divided into 3 Sections:**

<b>Section 1: Financial Accounting</b> (120 marks)
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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 <b>QUESTION 1 only</b> OR attempt any <b>TWO</b> of the remaining three questions in this section.
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<b>Section 2: Financial Accounting</b> (200 marks)
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This section has 3 questions (Numbers 5 – 7). Each question carries 100 marks.
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Candidates should answer any <b>TWO</b> questions.
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<b>Section 3: Management Accounting</b> (80 marks)
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This section has 2 questions (Numbers 8 and 9). Each question carries 80 marks.
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Candidates should answer <b>ONE</b> of these questions.
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<b>Calculators</b>
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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 Company**

The following balances were extracted from the books of Slanwey Ltd as on 31/12/2013.

	€	€
Share Capital		
Authorised – 800,000 Ordinary Shares at €1 each		
Issued – 600,000 Ordinary Shares at €1 each		600,000
Buildings.....	700,000	
Patents.....	43,000	
Office Equipment (cost €49,000) .....	36,000	
Delivery Vans (cost €60,000) .....	50,000	
Accumulated Depreciation – Buildings .....		85,000
Sales .....		748,000
Purchases .....	409,000	
Returns Outwards (Purchases Returns) .....		15,800
Debtors .....	139,000	
Creditors .....		31,000
Wages/Salaries .....	137,000	
Discount Received .....		2,900
Stock of Stationery (01/01/2013) .....	2,500	
Stationery .....	6,300	
Stocks of Goods for Resale (01/01/2013).....	82,900	
VAT.....		14,200
Provision for Bad Debts.....		5,300
Advertising.....	37,300	
Insurance.....	11,000	
6% Debentures (Issued 01/04/2013).....		120,000
Bank.....	36,200	
Directors Fees.....	17,000	
Profit/Loss Balance 01/01/2013.....		85,000
	<u>1,707,200</u>	<u>1,707,200</u>

**You are given the following additional information:**

- (i) Stocks at 31/12/2013  
     Goods for resale €44,200.
- (ii) Stock of Stationery on 31/12/2013 €2,700.
- (iii) Insurance was for the year ending 31/03/2014.
- (iv) Depreciation to be provided as follows:
  - Buildings - 10% of cost
  - Office Equipment - 20% of book value
  - Delivery Vans - 10% of cost.
- (v) Advertising due on 31/12/2013 €1,600.
- (vi) Provision for Bad Debts to be adjusted to 5% of debtors.
- (vii) Provide for Debenture Interest due on 31/12/2013.
- (viii) Provide for Corporation Tax €9,000.

**Required:**

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2013. (80)
- (b) Prepare a Balance Sheet as at 31/12/2013. (40)

**(120 marks)**

## 2. Depreciation and Revaluation of Fixed Assets

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

01/01/2012	Buildings at cost amounted to €720,000.
01/01/2012	The balance in the Provision for Depreciation Account was €86,000.
01/06/2012	Purchased a building for €130,000.
01/07/2012	Sold for €95,000 a building which cost €120,000. The book value of this building on 01/07/2012 was €70,000.
31/12/2012	The total depreciation for the year ended 31/12/2012 was €38,000.
01/01/2013	The buildings were revalued at €800,000.
31/12/2013	Provide for depreciation at the rate of 4% of the value of the buildings on 01/01/2013.

**You are required to show:**

- (a) The **Buildings Account** for the two years **2012** and **2013**. (15)
- (b) The **Provision for Depreciation Account** for the two years **2012** and **2013**. (20)
- (c) The **Buildings Disposal Account** for the year ended **31/12/2012**. (15)
- (d) The **Revaluation Reserve Account**. (10)

**(60 marks)**

### 3. Tabular Statement

The following balance sheet shows the financial position of a Sole Trader, Brigid Henderson, as at 01/10/2013.

#### Balance Sheet as at 01/10/2013

	€	€	€
<b>Fixed Assets</b>			
Buildings		400,000	
Delivery Vans		<u>75,000</u>	
			475,000
<b>Current Assets</b>			
Stock		49,000	
Debtors		12,000	
Bank		<u>31,000</u>	
		92,000	
<b>Less Creditors: amounts falling due within 1 year</b>			
Creditors	18,000		
Expenses due	<u>300</u>	<u>18,300</u>	
			<u>73,700</u>
			<u>548,700</u>
<b>Financed by:</b>			
Capital			520,000
Profit/Loss Account			<u>28,700</u>
			<u>548,700</u>

#### The following transactions took place during October 2013:

- Oct 4 Paid by cheque expenses that were due at the beginning of the month.
- Oct 7 Purchased goods on credit for €14,600.
- Oct 12 Purchased a new delivery van for €18,000. A deposit of €6,000 was paid by cheque and the remainder was borrowed from Easy Finance Ltd.
- Oct 15 Received from a debtor a cheque of €3,800 in full settlement of a debt of €4,000.
- Oct 18 Paid by cheque €1,800 for repairs to private residence.
- Oct 20 Received a discount of €80 when paying a creditor's account balance of €600.
- Oct 21 Sold goods which originally cost €5,000 for €6,500. This amount was lodged.

#### You are required to:

Record on a tabular statement the effect each of the above transactions had on the relevant assets and liabilities.

Show the total assets and liabilities on 31/10/2013.

**(60 marks)**

#### 4. Debtors and Creditors Control Account

The following figures were taken from the books of Tom Roche during March 2014:

	€
Debtors Ledger Balance 01/03/2014 Dr .....	58,300
Debtors Ledger Balance 01/03/2014 Cr .....	2,100
Creditors Ledger Balance 01/03/2014 Cr .....	63,200
Creditors Ledger Balance 01/03/2014 Dr .....	900
Sales (including Cash Sales 8,400) .....	97,800
Returns Inwards (Sales Returns) .....	800
Purchases (including Cash Purchases 2,400) .....	72,500
Returns Out (Purchases Returns) .....	1,500
Discount Allowed .....	1,600
Discount Received .....	2,800
Bills Receivable issued .....	4,100
Bills Payable accepted .....	2,500
Discount disallowed to Tom Roche .....	300
Cheques received from customers .....	66,200
Cheques paid to suppliers .....	59,700
Interest charged by Tom Roche on overdue accounts .....	2,900
Transfer from Debtors Ledger to Creditors Ledger .....	3,200
Cheques received dishonoured .....	1,700
Bad debts written off .....	3,500
Debtors Ledger Balance 31/03/2014 .....	510 Cr
Creditors Ledger Balance 31/03/2014 .....	740 Dr

**You are required to prepare for March 2014:**

- (a) Debtors Ledger Control Account. (30)
- (b) Creditors Ledger Control Account. (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 Robinson Ltd for the year ended 31/12/2013:

**Trading and Profit and Loss Account for the year ended 31/12/2013**

	€	€
Credit Sales		510,000
<b>Less: Cost of Sales</b>		
Stock 01/01/2013	98,000	
Add: Credit Purchases	<u>260,000</u>	
	358,000	
Less: Stock 31/12/2013	<u>????</u>	
Cost of Sales		<u>336,000</u>
Gross Profit		????
<b>Less: Total Expenses (including interest)</b>		<u>94,000</u>
Net Profit for year		<u>80,000</u>

**Balance Sheet as at 31/12/2013**

	€	€
<b>Fixed Assets</b>		553,000
<b>Current Assets</b>	63,000	
<b>Less Creditors:</b> amounts falling due within 1 year		
Trade Creditors	<u>36,000</u>	<u>27,000</u>
		<u>580,000</u>
<b>Financed by:</b>		
<b>Creditors:</b> amounts falling due after more than 1 year		
4% Debentures (2019/2020)		100,000
<b>Capital and Reserves</b>	<b>Authorised</b>	<b>Issued</b>
Ordinary Shares at €1 each	500,000	400,000
Profit and Loss Account		<u>80,000</u>
		<u>580,000</u>

- (a) **You are required to calculate:** (to 2 decimal places where appropriate.)
- (i) The figure for Closing Stock
  - (ii) The figure for Gross Profit
  - (iii) The Rate of Stock Turnover
  - (iv) The period of credit received from Trade Creditors
  - (v) Acid Test Ratio (40)
- (b) **Explain** the following terms and state how they apply to the above Balance Sheet:
- (i) 4% Debentures (2019/2020)
  - (ii) Shareholders Funds
  - (iii) Authorised Share Capital
  - (iv) Trade Creditors (40)
- (c) Would Robinson Ltd have difficulty paying its bills as they fall due? Explain your answer. (10)
- (d) The Return on Capital Employed for **2012** was 12%.
- (i) Calculate the Return on Capital Employed for **2013**.
  - (ii) Comment on the profitability of Robinson Ltd in **2013**. (10)
- (100 marks)**

## 6. Club Accounts

Included in the assets and liabilities of the Superfast Rugby Club on the 01/01/2013 were the following:

Clubhouse/Pitches €430,000; Equipment €37,000; Investments €15,000; Bar Stock €5,200; Bar Creditors €400; Members Subscription prepaid €900; Cash in hand €19,500.

**You are required to:**

- (a) Prepare a statement showing the club's **Accumulated Fund** on 01/01/2013. (20)

The following is a summary of the club's Receipts and Payments for the year 2013:

### Receipts and Payments Account for the year ended 31/12/2013

Receipts	€	Payments	€
Cash in hand 01/01/2013	19,500	Club Lotto Prizes	22,000
Bar Sales	27,400	Bar Purchases	23,400
Club Lotto Receipts	58,200	General Expenses	11,200
Subscriptions	33,900	Purchase of Equipment	4,100
Investment Interest	1,500	Insurance	6,400
Annual Sponsorship	14,000	Cash balance 31/12/2013	87,400
	<u>154,500</u>		<u>154,500</u>

The Treasurer also supplied the following information as on **31/12/2013**.

- (i) Bar Stock €3,600
- (ii) Bar Creditors €1,200
- (iii) General Expenses due €700
- (iv) Subscriptions due from members €600
- (v) Equipment held on the 31/12/2013 to be depreciated by 25%
- (vi) Depreciate the Clubhouse/Pitches by 5% of cost.

**You are required to:**

- (b) Prepare a **Bar Trading Account** for the year ended 31/12/2013. (8)
- (c) Prepare the club's **Income and Expenditure Account** for the year ended 31/12/2013. (34)
- (d) Prepare the club's **Balance Sheet** on the 31/12/2013. (30)
- (e) Explain the difference between the closing balance in the Income and Expenditure Account as calculated in part (c) above and the closing balance of €87,400 in the Receipts and Payments Account shown above. (8)

**(100 marks)**

## 7. Cash Flow Statement

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

	€
<b>Profit and Loss (extract) for year ended 31/12/2013</b>	
Operating Profit	156,000
Interest paid	<u>(12,000)</u>
	144,000
Taxation	<u>(25,000)</u>
	119,000
Dividends paid	<u>(14,000)</u>
Retained Profit	105,000
Profit and Loss balance 01/01/2013	<u>18,000</u>
Profit and Loss balance 31/12/2013	<u><u>123,000</u></u>

<b>Balance Sheets as at</b>	<b>31/12/2013</b>		<b>31/12/2012</b>	
	€	€	€	€
<b>Fixed Assets</b>				
Land and Buildings	640,000		490,000	
Less depreciation provision	<u>(108,000)</u>	532,000	<u>(49,000)</u>	441,000
<b>Current Assets</b>				
Stock	48,000		50,000	
Debtors	26,000		21,000	
Cash	<u>17,000</u>		<u>24,000</u>	
	<u>91,000</u>		<u>95,000</u>	
<b>Less Creditors:</b> amounts falling due within 1 year				
Creditors	9,000		5,000	
Taxation	<u>25,000</u>		<u>21,000</u>	
	<u>(34,000)</u>		<u>(26,000)</u>	
<b>Net Current Assets</b>		<u>57,000</u>		<u>69,000</u>
<b>Total Net Assets</b>		<u><u>589,000</u></u>		<u><u>510,000</u></u>
<b>Financed by</b>				
<b>Creditors:</b> amounts falling due after 1 year				
6% Debentures		150,000		200,000
<b>Capital and Reserves</b>				
Ordinary Share Capital issued		300,000		280,000
Share Premium		16,000		12,000
Profit and Loss Account		<u>123,000</u>		<u>18,000</u>
		<u><u>589,000</u></u>		<u><u>510,000</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 Wheldon Ltd for the year ended 31/12/2013 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**

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

	€	€
Sales (80,000 units)		960,000
Variable Costs	400,000	
Fixed Costs	<u>73,000</u>	<u>473,000</u>
Net Profit		<u><u>487,000</u></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 **30,000** units.
- (f) Calculate the level of production and sales revenue that will yield a profit of €300,000.
- (g) Explain the term 'Fixed Cost' in relation to a production budget.  
Give **one** example of a 'Fixed Cost' that Mango Ltd might incur.

**(80 marks)**

## 9. Cash Budgeting

Mary Harkin had the following assets, liabilities and capital on 01/01/2014.

<b>Assets</b>	€
Fixed Assets	295,000
Stock	34,000
Cash	28,300
Debtors	<u>76,400</u>
	<u>433,700</u>

<b>Liabilities</b>	
Creditors	33,700
Capital	<u>400,000</u>
	<u>433,700</u>

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

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Total</b>
<b>Sales</b>	€54,300	€91,100	€78,200	€67,800	€83,100	€374,500
<b>Purchases</b>	€38,100	€58,300	€37,200	€24,300	€38,500	€196,400

- All sales are on credit and are paid for one month after sale.
- All purchases are on credit, **except** €24,000 for Cash in March, and are paid for one month after the month of purchase.
- Wages per month are €18,600.
- Equipment will be bought in April for €9,000 cash.
- Mary rents the premises for €36,000 **per annum** payable monthly.
- Closing stock on 31/05/2014 is expected to be €28,300.
- Net Profit for the five months is expected to be €64,400.

**You are required to:**

- (a) Prepare a **Cash Budget** showing Mary Harkin's expected monthly Receipts and Payments for the five months January to May 2014 and also the total column for the period.
- (b) Prepare a **Budgeted** Balance Sheet as at 31/05/2014.
- (c) Give **two** items of information Mary can get from the prepared cash budget.

**(80 marks)**

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