



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2015

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)
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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.

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)
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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 TWO questions.
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Section 3: Management Accounting (80 marks)
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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 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 Sole Trader

The following balances were extracted from the books of M. O’Dea, a Sole Trader as at 31/12/2014:

	€	€
Capital 01/01/2014		198,000
Drawings	10,700	
Buildings	300,000	
Office equipment (cost €22,000).....	15,000	
Patents.....	24,000	
Delivery vans at cost.....	63,000	
Accumulated depreciation – delivery vans		14,000
Stock 01/01/2014	29,000	
Sales		485,000
Purchases	196,000	
Returns outwards (purchases returns)		5,300
Returns inwards (sales returns)	17,000	
Creditors		21,900
Debtors	34,800	
Discount received		1,400
Wages & salaries.....	105,000	
General expenses.....	13,000	
Stationery	4,800	
Term loan (received 01/04/2014).....		50,000
VAT.....		17,300
Provision for bad debts.....		2,500
Advertising.....	5,700	
Insurance.....	9,000	
Loan interest paid.....	1,000	
Bank.....	42,600	
PRSI/USC.....		10,200
Profit/loss balance 01/01/2014.....		<u>65,000</u>
	<u>870,600</u>	<u>870,600</u>

You are given the following additional information:

- (i) Stock for resale at 31/12/2014 was €19,000.
- (ii) Stock of stationery on 31/12/2014 was €1,200.
- (iii) Provision should be made for interest due on loan. The rate of interest is 6% per annum.
- (iv) Wages/salaries are to be divided - 75% for employees/workers and 25% for drawings.
- (v) Advertising is for the year ended 31/04/2015.
- (vi) Depreciation is to be provided as follows:
 - Buildings 10% of cost
 - Delivery vans 10% of net book value
 - Office equipment 20% of cost
- (vii) Provision for bad debts is to be adjusted to 10% of debtors.

Required:

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2014. (80)
- (b) Prepare a Balance Sheet as at 31/12/2014. (40)

(120 marks)

2. Accounts of a Service Firm

The following were the assets and liabilities of John Wallace, a doctor on 01/01/2014.

Buildings €310,000, Furniture €21,700, Motor Vehicles €28,000, Medical Equipment at cost €42,000, Cash at Bank €18,400, Amount due from Private Patients €1,600, Light and Heat due €300, Amount due from Medical Card Scheme €3,900, Depreciation of Medical Equipment €9,500.

Required:

- (a) Calculate Dr. Wallace's **Capital** on 01/01/2014. (20)

The following details were taken from his records on 31/12/2014:

Receipts	€	Payments	€
Private Patients Fees	187,300	Light and Heat	16,000
Medical Card Scheme	120,400	Medical Equipment	14,800
		Telephone & Broadband	7,300
		Motor Expenses	14,900
		Magazines	1,300
		Locum Fees (substitute Doctor)	19,100
		Insurance	26,000
		Wages of Office Staff	39,300

The following additional information is to be taken into account at 31/12/2014:

- (i) Insurance prepaid was €2,000.
- (ii) Amounts due from Medical Card Scheme were €1,500.
- (iii) Wages of Office Staff due were €550.
- (iv) Dr. Wallace wishes to depreciate the Medical Equipment (including additions) by 10% of cost and Motor Vehicles by 20% of cost.

Required:

- (b) Prepare Dr. Wallace's **Income and Expenditure Account** for the year ended 31/12/2014. (40)

(60 marks)

3. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Julia Lyons for the month of March 2015.

Dr		Bank Account			Cr
		€			€
March 1	Balance	5,200	March 2	P. Roche 0014	1,200
March 6	Sales Lodged	12,900	March 5	Rent 0015	900
March 16	Lodgement	16,340	March 10	Insurance 0016	600
March 29	Sales Lodged	9,450	March 14	T. Mulvey 0017	1,800
			March 18	Purchases 0018	3,950
			March 22	R. McHugh 0019	790
			March 29	Wages 0020	1,400
			March 31	Balance c/d	33,250
		<u>43,890</u>			<u>43,890</u>
April 1	Balance b/d	33,250			

Bank Statement on 31/03/2015				
		Debit	Credit	Balance
		€	€	€
March 1	Balance b/d			5,200
March 3	Interest Received		75	5,275
March 4	P. Roche 0014	1,200		4,075
March 8	Lodgement		12,900	16,975
March 12	Rent 0015	900		16,075
March 16	Standing Order	510		15,565
March 18	Insurance 0016	600		14,965
March 21	M. Nolan cheque dishonoured	420		14,545
March 22	Lodgement		16,340	30,885
March 23	Purchases 0018	3,950		26,935
March 25	R. McHugh 0019	790		26,145
March 26	Dividend Received		1,200	27,345
March 28	Bank Charges	90		27,255
March 29	J. Lyons	160		27,095

Note: The €160 entered in the Bank Statement on March 29 was entered in error to Julia Lyons account instead of John Lyons Account.

Required:

- (a) Show Julia Lyons's **Adjusted Bank Account** and bring down the adjusted balance. (35)
- (b) Prepare a statement on 31/03/2015 **reconciling** the adjusted Bank Account balance with the Bank Statement balance. (25)
- (60 marks)**

4. Correction of Errors and Suspense Account

The Trial Balance of Anne Fogarty failed to agree on 31/12/2014 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 Waldron Ltd €11,300 had not been entered in the books.
2. The total of the Purchases Book €18,000 had been entered in the Purchases Account as €1,800.
3. Interest received €700 had been treated as interest paid.
4. Cash taken by Anne Fogarty for private use €400 had not been entered in the books.
5. Goods sold on credit to Michael Ryan €560 had been entered in Michelle Ryan's account.

Required:

- (a) **Journalise** the necessary corrections. (35)
- (b) Prepare a **Statement of Corrected Net Profit** if net profit as per accounts is €18,400. (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 Springfield Ltd for the year ended 31/12/2014:

Trading and Profit and Loss Account for the year ended 31/12/2014

	€	€
Credit Sales		640,000
Less: Cost of Sales		
Stock 01/01/2014	28,000	
Add: Credit Purchases	<u>368,000</u>	
	396,000	
Less: Stock 31/12/2014	<u>16,000</u>	
Cost of Sales		<u>380,000</u>
Gross Profit		????
Less: Total Expenses (including interest paid €7,200)		<u>112,000</u>
Net Profit for year		<u>148,000</u>

Balance Sheet as at 31/12/2014

	Cost	Depreciation	NBV
Fixed Assets	<u>950,000</u>	<u>30,000</u>	920,000
Current Assets (including Trade Debtors 32,000)		74,000	
Less Creditors: amounts falling due within 1 year			
Trade Creditors		<u>46,000</u>	
			<u>28,000</u>
			<u>948,000</u>
Financed by:			
Creditors: amounts falling due after more than 1 year			
9% Debentures (2021/2022)			80,000
Capital and Reserves	Authorised	Issued	
Ordinary Shares at €1 each	<u>800,000</u>	<u>720,000</u>	720,000
Profit and Loss Account			<u>148,000</u>
			<u>948,000</u>

- (a) **You are required to calculate:** (to 2 decimal places where appropriate.)
- (i) The Gross Profit margin.
 - (ii) The Rate of Stock Turnover.
 - (iii) The Return on Capital Employed.
 - (iv) How many more shares can Springfield Ltd issue/sell? (40)
- (b) **Explain** the following terms and state how they apply to the above Accounts.
- (i) 9% Debentures (2021/2022)
 - (ii) Trade Debtors
 - (iii) Depreciation
 - (iv) Interest Paid (40)
- (c) (i) Calculate the Acid Test Ratio for 2014.
(ii) What does this ratio tell us about Springfield Ltd? (10)
- (d) The Return on Capital Employed for Springfield Ltd in **2013** was 19%.
Comment on the profitability of Springfield Ltd in **2014**. (10)
- (100 marks)**

6. Cash Flow Statement

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

	€
Profit and Loss (extract) for year ended 31/12/2014	
Operating Profit	83,000
Interest paid	<u>(6,000)</u>
	77,000
Taxation	<u>(8,000)</u>
	69,000
Dividends paid	<u>(14,000)</u>
Retained Profit	55,000
Profit and Loss balance 01/01/2014	<u>67,000</u>
Profit and Loss balance 31/12/2014	<u><u>122,000</u></u>

Balance Sheets as at	31/12/2014		31/12/2013	
	€	€	€	€
Fixed Assets				
Land and Buildings	400,000		280,000	
Less depreciation provision	<u>(45,000)</u>	355,000	<u>(38,000)</u>	242,000
Current Assets				
Stock	54,000		49,000	
Debtors	32,000		28,000	
Bank	<u>18,000</u>		<u>13,000</u>	
	<u>104,000</u>		<u>90,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	9,000		10,000	
Taxation	<u>8,000</u>		<u>11,000</u>	
	<u>(17,000)</u>		<u>(21,000)</u>	
Net Current Assets		<u>87,000</u>		<u>69,000</u>
Total Net Assets		<u><u>442,000</u></u>		<u><u>311,000</u></u>
Financed by				
Creditors: amounts falling due after 1 year				
7% Debentures		115,000		100,000
Capital and Reserves				
Ordinary Share Capital issued		185,000		136,000
Share Premium		20,000		8,000
Profit and Loss Account		<u>122,000</u>		<u>67,000</u>
		<u><u>442,000</u></u>		<u><u>311,000</u></u>

Required:

- (a) **Reconcile** the operating profit to net cash inflow/outflow from operating activities. (30)
- (b) Prepare the **Cash Flow Statement** of Rodgers Ltd for the year ended 31/12/2014 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. (60)
- (c) **Reconcile** the Net Cash Flow to Movement in Net Debt. (10)

(100 marks)

7. Incomplete Records - Control Accounts

Mary Henderson did not keep a full set of books during the year ended 31/12/2014. The following is a summary of the cash account for that period.

Cash Receipts	€	€
Balance 01/01/2014	14,900	
Debtors	69,800	
Sales	143,500	
Commission	<u>6,100</u>	234,300

Cash Payments	€	€
Purchases	85,300	
Creditors	31,800	
Drawings	3,600	
Wages and General Expenses	82,100	
Motor Van	<u>13,900</u>	216,700

The following additional information is also available:

	01/01/2014	31/12/2014
Premises	490,000	490,000
Equipment	21,000	21,000
Debtors	7,200	5,200
Stock	16,500	13,200
Creditors	4,300	5,700
Expenses prepaid	1,200	700

Note: Depreciate Equipment by 25% of cost per annum.

Required:

- Calculate Mary Henderson's **Capital** on 01/01/2014. (10)
- Calculate Mary Henderson's **Total Sales** and **Total Purchases** using **Control Accounts**. (20)
- Prepare a **Trading and Profit and Loss Account** for the year ended 31/12/2014. (30)
- Prepare a **Balance Sheet** as at 31/12/2014. (40)

(100 marks)

SECTION 3 (80 Marks)
Answer any **ONE** question

8. Absorption Costing

Fastpac Ltd, a manufacturing company has two departments Production and Packing. The budgeted overheads for the two departments for the coming year are as follows:

Department	€	
	Fixed	Variable
Production	30,000	18,000
Packing	7,000	9,000

Fastpac Ltd estimates (budgets) Direct Labour Hours for each Department for the coming year as follows:

	Direct Labour Hours
Production	5,000 hrs
Packing	2,000 hrs

- (a) Calculate the **overhead absorption rate** (both **Fixed and Variable**) for each **Department** based on **Direct Labour Hours**.
- (b) The details of customer's **Job No. 671** are as follows:

Direct Materials	€1,250
Direct Labour	€460
Hours in Production	3
Hours in Packing	2

Calculate the **total cost** of **Job No. 671**.

- (c) Calculate the **selling price** of **Job No. 671** if the mark up on cost is 20%.
- (d) State **two reasons** why a business needs to calculate the cost price of a product.

(80 marks)

9. Product Budgeting

Gaelic Ltd manufactures two types of hurling helmets 'Comfort' and 'Wraparound'. The sales of each type of hurling helmet and other relevant information for the coming year are budgeted below:

	Comfort	Wraparound
Budgeted Sales	4,200 units	2,800 units
Expected Selling Price	€40	€55

Expected Stocks – Finished Goods	Comfort	Wraparound
Opening Stock	840	450
Closing Stock	610	370

Material Content and Costs	Material A	Material B
Comfort	4 grams	5 grams
Wraparound	3 grams	4 grams
Expected purchase price per gram	€6	€4

Expected Stock - Raw Materials	Material A	Material B
Opening Stock	130 grams	270 grams
Closing Stock	190 grams	320 grams

Direct Labour time in hours	
Comfort	5 hours
Wraparound	7 hours

Direct Labour Rate per hour	€8
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Required:

- Prepare a Sales Budget in **units** and in **€**.
- Prepare a **Production** Budget.
- Prepare a **Material Usage** Budget.
- Prepare a **Material Purchases Budget** in **units** and **€**.
- Prepare a **Labour** (wages) Budget.
- Why** would Gaelic Ltd prepare the Materials Usage Budget?

(80 marks)

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