



# Coimisiún na Scrúduithe Stáit State Examinations Commission

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JUNIOR CERTIFICATE EXAMINATION, 2005

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## BUSINESS STUDIES – HIGHER LEVEL – PAPER I

### SECTION B

(160 Marks)

WEDNESDAY, 15 JUNE 2005 – MORNING, 9.30 to 12.00

- All questions carry equal marks.
- Attempt any **FOUR** Questions.
- Marks will be awarded for layout and presentation including, where appropriate, folios and dates.
- Dates should show the day, month and year.
- Calculators may be used.

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**1. Answer ALL parts. This is a Household Budget Question.**

When the Hannon family checked their Analysed Cash Book at the end of December 2004, they discovered that their actual income and expenditure for the 12 months differed from the budgeted figures (contained in the Budget Comparison Statement **on page 8 of Section A**) due to the following:

- The salaries of the Hannon family decreased by 5%.
- There are two children in the Hannon family. Child Benefit increased by €15 per child per month.
- Interest and dividends were €135 less than budgeted.
- The Hannon family won €300 in the local sports club lotto.
- Mortgage payments decreased by €27 per month from March 1.
- The Hannon family lost their no claims bonus of €360 on their car insurance due to an accident.
- The TV licence was the same as budgeted.
- Household costs were 7½% greater than budgeted.
- Car costs were €650 greater than budgeted.
- Light and heat costs were 6% less than budgeted.
- Medical expenses averaged €30 per month for the year.
- Entertainment costs averaged €100 per month except for the three months of June, August and December, which averaged €210.
- Due to a wedding, presents cost an additional €150.
- The family decided to take a weekend break which cost €600, instead of their budgeted holiday.

- (A) Using the Budget Comparison Statement on page 8 of Section A, enter the appropriate figures into the 'Actual' column.

Show the differences between the 'Actual' and 'Budget' figures by completing the column marked 'Difference'.

Use a **plus** or **minus** sign in front of each figure in that column.

Note: Use 'plus' sign if 'actual' is GREATER than the 'budget' figure.

Use 'minus' sign if 'actual' is LESS than the 'budget' figure.

Example:

	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
	590	650	+ 60
	360	270	- 90
Total	950	920	- 30

(22)

Answer the following parts (B) and (C) in the spaces provided on page 9 of Section A.

- (B) (i) How much had the Hannon family budgeted to save during the year 2004?
- (ii) What was their actual closing cash balance at the end of the year 2004?
- (iii) State by how much the Hannon family exceeded their budgeted expenditure.
- (iv) Explain the term 'no claims bonus'.

(10)

- (C) (i) Outline **two** reasons why the Hannon family would prepare a budget.
- (ii) If the Hannon family had a deficit for the year 2004, outline **two** changes which they could make in their household budget.

(8)

(40 marks)

2.

**Answer ALL parts. This is a Club Question.**

Lee Valley Angling Club, Macroom, Co. Cork, had the following Assets and Liabilities on 1 January 2004:

Clubhouse €100,000      Boats €30,000      Term Loan €40,000      Cash €2,500.

The following is a summary of the Club's financial transactions for the year ending 31 December 2004:

<b>Receipts:</b>	<b>€</b>
Competition Fees	1,370
Subscriptions	562
Angling Fees	2,004
Annual Sponsorship	300
<b>Payments:</b>	<b>€</b>
Insurance	880
Competition Expenses	878
Secretary's Expenses	163
Purchase of Equipment	1,200
Light and Heat	850

Additional information on 31 December 2004:

- (i) Insurance prepaid      €130
- (ii) Subscriptions due      €90
- (iii) Boats to be depreciated by 5%.
- (iv) Light and Heat due      €45

(A) Prepare a statement calculating the Club's Accumulated Fund on 1 January 2004.

(6)

(B) Prepare:

- (i) A Receipts and Payments Account for the year ending 31/12/2004.
- (ii) An Income and Expenditure Account for the year ending 31/12/2004.

(25)

(C) (i) Explain the role of the **club treasurer**.

(ii) What is the purpose of his/her report?

(9)

(40 marks)

3.

**Answer ALL parts. This is a Wages Question.**

- (A) Niamh Whelan is employed as a machinist at Trend Style Sports Ltd. Her normal working week is 39 hours but occasionally she works overtime. Her basic wage rate is €10 per hour. Overtime is paid at time and a half for the first four hours and double time for hours in excess of that. In Week No 18 she worked 48 hours.

Niamh pays income tax at the rate of 20% and PRSI at 8%. Her annual tax credit is €2,080. She contributes €2 per week to her Trade Union and invests €15 per week in a savings fund. Both of these are deducted at source by her employer.

- (i) What is the purpose of a **Tax Credit**?
- (ii) Complete Niamh's Wage Slip for Week No 18, using the blank document **on page 10 of Section A**. Show your workings.
- (B) (i) Explain **two** advantages to Niamh of being a member of a Trade Union.
- (ii) State **two** benefits which Niamh may receive from her PRSI contributions.
- (iii) Niamh is paid on a time rate basis. State and explain **one** other method of calculating gross wages.

(25)

(15)

(40 marks)

4. **Answer ALL parts. This is a Banking Question.**

Margaret Mitchell opened a current account in the Ulster Bank on 01/05/2005 by lodging €400 to her account. The following are her transactions for the month of May:

2005		€
02/05/05	Purchased goods by cheque No 1	40
03/05/05	Withdrew by ATM	30
05/05/05	Lodged to her account	250
07/05/05	Purchased petrol by cheque No 2	25
09/05/05	Purchased clothes by cheque No 3	70
17/05/05	Withdrew by ATM	30
24/05/05	Purchased DVDs by cheque No 4	45
30/05/05	Lodged to her account	200

- (A) Write up Margaret's own records of her bank transactions for May 2005. Show her closing balance. Use the Bank Account provided **on page 11 of Section A**. (10)
- (B) Compare Margaret's own records with the Bank Statement she received (below). Make whatever adjustments are necessary to Margaret's own records and then prepare a Bank Reconciliation Statement (**on page 11 of Section A**).

<b>BANK STATEMENT No 1</b>				31 May 2005
<b>Date</b>	<b>Details</b>	<b>Debit</b>	<b>Credit</b>	<b>Balance</b>
2005		€	€	€
May 1	Lodgement		400	400
May 3	ATM	30		370
May 4	Cheque No 1	40		330
May 5	Lodgement		250	580
May 7	S/O	200		380
May 10	C/T		100	480
May 14	Cheque No 3	70		410
May 17	ATM	30		380

- (C) (i) Outline **two** reasons why a bank reconciliation statement is prepared.
- (ii) Explain the difference between a **direct debit** and a **standing order**.
- (iii) Outline **one** method Margaret could use to pay for goods purchased in the USA.

(15)  
(40 marks)

5. **Answer ALL parts. This is a Borrowing and Consumer Question.**

(A) Outline **three** factors which a consumer should consider before borrowing.

(9)

(B)

**HIRE PURCHASE AVAILABLE**  
Easy credit terms for your cooker  
Deposit €50  
and  
30 instalments of €25 each

(i) Calculate the cost if the advertised cooker is bought on Hire Purchase.

(ii) Is this advertisement legal?  
Explain **two** reasons for your answer.

(iii) Outline **one** advantage and **one** disadvantage to a consumer of buying the cooker on Hire Purchase.

(13)

(C) The following sign and advertisement appeared in a shop:

Contact  
Manufacturer  
if unhappy

*Sweater*  
*For Sale*

100% WOOL

**Note:** On examination, the consumer discovered that the sweater is made of cotton and not wool as advertised.

(i) State if **each** of the above is legal.

(ii) Explain the consumer law which applies in **each** case.

(10)

(D) State and explain **two** agencies that protect consumers when they have a complaint.

(8)

(40 marks)

6. **Answer ALL parts. This is a National Budget and Inflation Question.**

- (A) (i) Explain the term ‘**Inflation**’.  
 (ii) State **two** causes of inflation.

(7)

(B) The following table shows the rate of inflation in a country over the past five years:

<b>Year:</b>	2000	2001	2002	2003	2004
<b>Rate:</b>	8%	4%	6%	5%	2%

- (i) Draw a line graph **or** bar chart to show the above information.  
 (ii) If the workers in the above country were granted a wage increase of 3% in 2003, explain the effects of this increase on their standard of living.  
 (iii) State **two** benefits to the consumer of the low inflation rate in 2004.

(15)

(C) The following figures were produced by a Minister for Finance on Budget Day as projections for the year 2005:

<b>Main items of Revenue and Expenditure</b>	<b>Estimated Figures in Millions €</b>
Debt Servicing	190
PAYE	2,550
VAT	1,470
Health Services	1,720
Social Welfare	1,230
Education and Science	1,340
Corporation Tax	260
Customs Duties	235

- (i) Draft the National Budget for 2005 from the above information. State whether it is a Surplus or Deficit Budget.  
 (ii) Explain **two** effects of an increase in employment on the above National Budget.  
 (iii) Explain **two** of the following terms:
- Debt Servicing
  - Corporation Tax
  - Customs Duties.

(18)  
 (40 marks)