Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2005

A C C O U N T I N G - O R D I N A R Y L E V E L

(400 marks)

MONDAY, 20th JUNE, 2005 – AFTERNOON, 2.00 pm to 5.00 pm.

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. Final Accounts of a Manufacturing Company

The following balances were extracted from the books of Brophy Ltd. on 31/12/2004.

	€	€
Share Capital		
Authorised - 600,000 Ordinary shares at €1 each		
Issued - 500,000 Ordinary shares at €1 each		500,000
Delivery Vans (cost €42,000)	28,000	
Plant and Machinery (cost €190,000)	135,000	
Factory Building at cost	500,000	
Debtors and Creditors	52,400	59,600
Patents	62,000	
12% Debentures (issued 1/4/2004)		60,000
Purchase of Raw Materials	590,000	
Sales		860,000
Stocks 1/1/2004		
Raw Materials	46,000	
Work in progress	18,000	
Finished goods	32,000	
Factory Wages	120,000	
Direct Expenses	20,000	
Returns In	4,000	
Sale of Scrap Materials		12,800
Stationery	2,400	
Factory Light and Heat	16,800	
Factory Insurance	12,900	
Directors Fees	52,000	
V.A.T		20,400
Bank		56,800
Profit and Loss Balance 1/1/2004		123,200
Showroom Expenses	3,900	
Provision for bad debts		2,600
	1,695,400	1,695,400

You are given the following additional information:

(i) Stocks at 31/12/2004:
- Raw Materials €44,000
- Work in progress €15,000
- Finished Goods €49,000

(ii) Depreciation is to be provided as follows:
- Delivery Vans - 10% of book value
- Plant and Machinery - 10% of cost
- Factory Building - 4% of cost

(iii) Wages are to be divided: 80% for direct wages and 20% for supervisor's wages.
(iv) Provision should be made for Debenture Interest due.
(v) Factory Insurance was for the year ended 30/4/2005.
(vi) Finished Goods are to be transferred from factory at Current Market Value of €800,000.

You are required to prepare a:

(a) Manufacturing Account for the year ended 31/12/2004. (40)
(b) Trading and Profit and Loss Account for the year ended 31/12/2004. (40)
(c) Balance Sheet as at 31/12/2004. (40)

(120 marks)

2. Tabular Statement

The following Balance Sheet shows the financial position of a sole trader, M. Lyons, as at November 1st 2004.

Balance Sheet as at November 1st 2004

	€	€	€
Fixed Assets			
Buildings		240,000	
Equipment		80,000	320,000
Current Assets			
Stock		62,000	
Debtors		24,400	
Bank		8,600	
		95,000	
Less Creditors: amounts falling due within 1 year			
Creditors	28,000		
Expenses (due)	4,000	32,000	63,000
			383,000
Financed by			
Capital			383,000
			383,000

The following transactions took place during November 2004:

Nov 3 Received from a debtor €850 in full settlement of a debt of €900.
5 Purchased goods on credit €5,400.
9 Paid expenses that were due at the beginning of the month.
15 Paid by cheque a creditor's account balance of €2,100 and received discount of €100.
19 Purchased equipment for €8,000. A deposit of €1,000 was paid by cheque and the remainder was borrowed from a finance company.
24 Sold goods on credit for €5,800 which cost €4,000.
25 Paid by cheque €200 for repairs to private residence.
27 A debtor who owed €600 was declared bankrupt and paid 50c in the euro.

You are required to:

Record on a Tabular Statement the effect each of the above transactions had on the relevant assets and liabilities and show the total assets and liabilities on 30th November 2004.

(60 marks)

3. **Company Profit and Loss**

Sea Ltd. has an Authorised Capital of 900,000 Ordinary Shares at €1 each and 500,000 4% Preference Shares at €1 each. The company has already issued 700,000 Ordinary Shares and 400,000 4% Preference Shares. On 1/1/2004, the company's General Reserve Account showed a balance of €340,000. Sea Ltd. had carried forward a profit of €225,000 from 2003 and the accounts showed profits before taxation of €250,000 for the year ended 31/12/2004. During the year an interim dividend of 9c had been paid to the Ordinary shareholders and a half year's dividend paid to the Preference shareholders.

On 31/12/2004, the directors recommended that:

(i) The Preference Dividend due be paid.
(ii) A final Dividend of 13c be paid on Ordinary Shares.
(iii) The General Reserve be increased to €390,000.
(iv) Taxation of €11,000 be provided for.

You are required to:

(a) Show the Profit and Loss Account for the year ended 31/12/2004. (35)
(b) Prepare a Balance Sheet showing the relevant accounts after making the above appropriations. (25)

(60 marks)

4. **Incomplete Records – Net Worth.**

L. Hughes, a sole trader, has not been keeping a full set of accounts. The following figures relating to the business were supplied on 1/1/2004.

	€
Premises	490,000
Furniture and Equipment at cost	83,000
Motor Vehicles at book value	34,600
Accumulated Depreciation on Furniture and Equipment	26,200
Stock	44,900
Debtors	24,000
Insurance Prepaid	400
Creditors	16,500
Expenses due	1,800
Bank overdraft	10,400

Hughes also supplied the following additional information on 31/12/2004.

(i) During the year €12,000 was transferred from a personal bank account to the business bank account.

(ii) During the year Hughes had paid €2,600 out of business funds for private house repairs and had also taken goods to the value of €800 per month for private use.

Hughes estimated that on 31/12/2004 the business assets and liabilities were €780,000 and €34,000 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 €600.

You are required to:

(a) Prepare a statement showing Hughes's Net Worth/Capital on 1/1/2004. (30)
(b) Prepare a statement showing Hughes's Profit or Loss for the year ended 31/12/2004. (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 Scott Ltd. for the year ended 31/12/2004.

Trading Profit and Loss Account for year ended 31/12/2004

	€	€
Credit Sales		850,000
Less: Cost of Sales		
Stock 1/1/2004	?	
Purchases	590,000	
Less: Stock 31/12/2004	63,000	610,000
Gross Profit		240,000
Less: Total Expenses (including Interest)		84,000
Net Profit		156,000

Balance Sheet as at 31/12/2004

	€	€
Fixed Assets		820,000
Current Assets (including Debtors €70,000)	160,000	
Less Creditors: amounts falling due within 1 year		
Trade Creditors	94,000	66,000
		886,000
Financed by		
Creditors: amounts falling due after more than 1 year		
8% Debentures (2008/2010)		100,000
Capital and reserves		
Ordinary Shares		630,000
Profit and loss account		156,000
		886,000

(a) **You are required to calculate:**
- (i) The opening stock.
- (ii) The percentage mark-up on cost.
- (iii) The period of credit given to debtors.
- (iv) The Acid Test Ratio. (40)

(b) **Explain the following:**
- (i) 8% Debentures (2008/2010).
- (ii) Tangible Assets.
- (iii) Preference Dividend.
- (iv) Capital Employed. (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 2003 was 14%, comment on the current profitability of the firm. (10)

(100 marks)

6. Club Accounts

Included in the assets and liabilities of "Sliotar" hurling club on 1/1/2004 were the following: Clubhouse and land €340,000; Equipment €9,000; Bar Stock €2,900; Investments €20,000; Members Subscriptions due €300; Bar Creditors €1,200; Expenses due €720.

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

Receipts and Payments Amount for year ended 31/12/2004

Receipts	**€**	**Payments**	**€**
Cash in hand – 1/1/2004	3,900	Bar Purchases	32,400
Interest	400	Purchase of Equipment	6,500
Subscriptions	28,300	General Expenses	26,000
Bar Sales	44,200	Raffle Tickets and Prizes	2,500
Advertising receipts	10,500	Bar Creditors	3,400
Raffle receipts	9,400	Cash Balance - 31/12/2004	25,900
	96,700		96,700

The treasurer also supplied the following information as at 31/12/2004:

(i) Bar Stock was €2,400.
(ii) Bar Creditors were €740.
(iii) Expenses due were €450.
(iv) Subscriptions prepaid were €900.
(v) Equipment held on 31/12/2004 to be depreciated by 20%.
(vi) Depreciate Clubhouse and land by 2%.

You are required to:

(a) Prepare a statement showing the club's Accumulated Fund on 1/1/2004. (20)

(b) Prepare the club's Income and Expenditure Account for the year ended 31/12/2004. (40)

(c) Prepare the club's Balance Sheet as on 31/12/2004. (30)

(d) Explain the difference between the closing balance in the Income and Expenditure Account (as calculated in (b) above) and the closing balance of €25,900 in the Receipts and Payments Account presented above. (10)

(100 marks)

7. Cash Flow Statement

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

Profit and Loss (extract) for year ended 31/12/2004	**€**
Operating profit	196,000
Interest paid	(5,000)
	191,000
Taxation	(28,000)
	163,000
Proposed dividend	(36,000)
Retained profit for year	127,000
Profit and loss balance 1/1/2004	55,000
Profit and loss balance 31/12/2004	182,000

Balance Sheets as at	**31/12/2004**		**31/12/2003**	
	€	**€**	**€**	**€**
Fixed Assets				
Land & buildings	860,000		780,000	
Less: depreciation provision	(73,000)	787,000	(64,000)	716,000
Current Assets				
Stock	97,000		86,000	
Debtors	71,000		54,000	
Cash	98,000		11,000	
	266,000		151,000	
Less: Creditors: amounts falling due within 1 year				
Creditors	57,000		63,000	
Taxation	28,000		34,000	
Proposed dividend	36,000		28,000	
	(121,000)		(125,000)	
Net Current Assets		145,000		26,000
Total Net Assets		932,000		742,000
Financed by				
Creditors: amounts falling due after more than 1 year				
8% Debentures		120,000		80,000
Capital and Reserves				
Ordinary Share capital issued		630,000		607,000
Profit and loss account		182,000		55,000
		932,000		742,000

You are required to:

(a) Reconcile the operating profit to net cash inflow from operating activities. (30)

(b) Prepare the Cash Flow Statement of Belmont Ltd. for the year ended 31/12/2004 using the following headings:
1. Operating Activities.
2. Return on investments (and Servicing of Finance).
3. Taxation.
4. Capital Expenditure and Financial Investment (investing activities).
5. Equity/Ordinary Dividend paid.
6. Financing. (65)

(c) Reconcile the Net Cash Flow to Movement in Net Debt. (5)

(100 marks)

OVER→

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

8. Absorption Costing

Tember Ltd., a small jobbing company, has the following budgeted costs for the coming year:

	€
Direct materials	158,000
Direct labour	56,000
Factory overheads	84,000

For the coming year the company has also budgeted 7,000 labour hours and 12,000 machine hours.

The details of a customer's job number 624 are as follows:

Direct materials	€10,000
Direct labour hours	170 hours
Machine hours	250 hours

You are required to calculate:

(a) The overhead absorption rate per machine hour.

(b) The overhead absorption rate per direct labour hour.

(c) The cost of job number 624 using the overhead absorption rate per machine hour.

(d) The cost of job number 624 using the overhead absorption rate per direct labour hour.

(e) The selling prices of job number 624 to the customer using **both** overhead absorption rates (as calculated in (a) and (b) above) and assuming a mark-up of 25% on cost.

(80 marks)

9. Budgeting

Rothar Ltd. manufactures two types of bicycle 'Roadstar' and 'Climber'. The sales of each type of bicycle, and other relevant figures, for the year ended 31/12/2005, are budgeted at:

	Roadstar	**Climber**
Budgeted sales	800 units	500 units
Expected selling price per unit	€220	€290
Expected stocks – *Finished Goods*	**Roadstar**	**Climber**
Opening stocks	240	110
Closing stocks	220	180
Material content and Costs	**Material A**	**Material B**
Roadstar	6 kg	8 kg
Climber	4 kg	5 kg
Expected price per kg	€12	€15
Expected stocks – *Raw materials*	**Material A**	**Material B**
Opening stocks	400 kg	560 kg
Closing stocks	470 kg	640 kg
Direct labour time in hours		
Roadstar	8 hours	
Climber	11 hours	
Direct labour rate per hour	€14	

You are required to prepare the following budgets:

(a) Sales Budget in **units and in €.**

(b) Production Budget.

(c) Material Usage Budget.

(d) Material Purchases Budget.

(e) Labour Budget.

(80 marks)

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