Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2010

ACCOUNTING - ORDINARY LEVEL

(400 marks)

MONDAY, 21st JUNE – 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. 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 3 questions (Numbers 5 – 7). Each question carries 100 marks. Candidates should answer any **TWO** questions.

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: 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 Company

The following balances were extracted from the books of Maddison Ltd as on 31/12/2009.

	€	€
Share Capital		
Authorised - 800,000 Ordinary shares at €1 each		
Issued - 500,000 Ordinary shares at €1 each		500,000
Buildings	600,000	
Office equipment	85,000	
Patents	74,000	
Accumulated Depreciation - Buildings		60,000
Accumulated Depreciation - Office equipment		17,000
10% Debentures (issued on 01/04/2009)		99,000
Sales		680,000
Purchases	279,300	
Returns Inwards (Sales returns)	7,300	
Debtors	68,000	
Creditors		44,000
Carriage inwards	5,700	
Discount received		5,000
Wages/Salaries	175,000	
Stationery	25,200	
Stocks of Goods for resale 01/01/2009	103,200	
Directors' fees	22,000	
V.A.T.		20,300
Insurance	12,000	
Bank		33,800
Stock of Stationery 01/01/2009	1,800	
Advertising	34,000	
Provision for bad debts		4,900
Profit/Loss balance 01/01/2009		28,500
	1,492,500	1,492,500

You are given the following additional information:

(i) Stocks at 31/12/2009
Goods for resale €63,400
(ii) Stock of stationery on 31/12/2009 €600
(iii) Depreciation to be provided as follows:
Buildings - 5% of cost
Office equipment - 10% of cost
(iv) Insurance was for year ended 31/03/2010
(v) Provision to be made for (show) debenture interest due.
(vi) Provision for bad debts to be adjusted to 10% of debtors.
(vii) Advertising due on 31/12/2009 €2,500.
(viii) Provide for corporation tax €12,000.

Required:

(a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2009 (80)
(b) Prepare a Balance Sheet as at 31/12/2009 (40)

(120 marks)

2. Tabular Statement

The following balance sheet shows the financial position of a sole trader, Ann Reddan, as on November 1st 2009.

Balance sheet as at November 1st 2009.

	€	€	€
Fixed Assets			
Buildings		300,000	
Machinery		90,000	390,000
Current Assets			
Debtors		55,000	
Stock		26,000	
Bank		10,400	
		91,400	
Less Creditors: amounts falling due within 1 year			
Creditors	19,000		
Expenses due	500	19,500	
			71,900
			461,900
Financed by:			
Capital			450,000
Profit/Loss Account			11,900
			461,900

The following transactions took place during November 2009:

Nov	4	Received from a debtor a cheque for €630 in full settlement of a debt of €650.
Nov	6	Paid by cheque expenses that were due at the beginning of the month.
Nov	10	Purchased goods on credit €7,300.
Nov	15	Paid by cheque €2,000 for repairs to private residence.
Nov	17	Purchased equipment for €12,000. A deposit of €3,000 was paid by cheque and the remainder was borrowed from Quick Finance Ltd.
Nov	19	A debtor who owed €900 was declared bankrupt and paid 50c in the euro by cheque.
Nov	24	Paid by cheque a creditor's account balance of €1,800 and then received discount of €100.

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 30th November 2009.

(60 marks)

3. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Martin Tobin for the month of August 2010.

Dr **Bank Account** **Cr**

		€			€
August 1	Balance b/d	3,640	August 3	S. Black 400101	600
August 1	Sales lodged	4,100	August 7	Insurance 400102	700
August 20	Lodgement	1,900	August 10	G. Mitchell 400103	1,200
August 28	Sales lodged	3,500	August 19	T. Reid 400104	500
			August 24	P. Clarke 400105	1,840
			August 28	A. Mahon 400106	730
			August 29	Balance c/d	7,570
		13,140			13,140

Bank Statement on 30/04/2010				
		Debit	**Credit**	**Balance**
		€	€	€
August 1	Balance b/d			3,640
August 3	Interest Received		300	3,940
August 4	S. Black 400101	600		3,340
August 5	Lodgement		4,100	7,440
August 12	Insurance 400102	700		6,740
August 20	Lodgement		1,900	8,640
August 24	T. Roche (cheque dishonoured)	270		8,370
August 28	A. Mahon 400106	730		7,640
August 28	Standing Order	80		7,560
August 28	Bank Charges	65		7,495
August 28	M. Tobin	290		7,205

Note: The €290 entered in the Bank Statement on August 28 was entered in error to Martin Tobin's Account instead of Michelle Tobin's Account.

You are required:

(a) Show Martin Tobin's adjusted Bank Account and bring down the adjusted balance. (35)

(b) Prepare a statement on 30/08/2010 reconciling the adjusted Bank Account balance with the Bank Statement balance. (25)

(60 marks)

4. Accounts of a Service Firm

The following were the assets and liabilities of Mary O'Donnell, a dentist on 01/01/2009.

Buildings €450,000, Furniture €16,400, Motor Vehicles €36,000,
Amounts due from private patients €1,200, Cash at Bank €11,200, Dental Equipment €28,000,
Electricity due €600.

You are required to:

(a) Calculate Mary O Donnell's capital on 01/01/2009 (20)

The following details were taken from her records on 31/12/2009:

Receipts	€	Payments	€
Private patients' fees	220,400	Purchase of Dental Equipment	12,000
Medical Card Scheme	104,900	Electricity	14,500
		Dental Materials	34,200
		Insurance	6,000
		Telephone	4,900
		Motor Expenses	2,100
		Technicians fees	24,700
		Magazines	750

The following additional information is to be taken into account at 31/12/2009:

(i) Stock of dental materials was valued at €3,400.
(ii) Private patients owed her €6,700.
(iii) Insurance prepaid €1,900.
(iv) She wishes to depreciate dental equipment (including additions) by 10% of cost and the Motor Vehicles by 20% of cost.

You are required to:

(b) Prepare O'Donnell's income and expenditure account for the year ended 31/12/2009. (40)

(60 marks)

SECTION 2 (200 Marks)
Answer any **TWO** questions

5. Interpretation of Accounts

The following information has been taken from the accounts of Brophy Ltd for the year ended 31/12/09:

Trading and Profit and Loss Account for year ended 31/12/2009

	€	€
Credit Sales		670,000
Less: Cost of Sales		
Stock 01/01/2009	46,000	
Add: Purchases	510,000	
	556,000	
Less: Stock 31/12/2009	58,000	
Cost of Sales		?
Gross Profit		172,000
Less: Total Expenses (including debenture interest)		104,000
Net Profit for year		?

Balance Sheet as at 31/12/2009

	€	€
Fixed Assets		754,000
Current Assets	130,000	
Less Creditors: amounts falling due within 1 year	64,000	66,000
		820,000
Financed by:		
Creditors: amounts falling due after more than 1 year		
7% Debentures (2016/2017)		120,000
Capital and Reserves		
Ordinary Shares		632,000
Profit/Loss Account		68,000
		820,000

(a) You are required to calculate:
- (i) The figure for cost of sales
- (ii) Net profit
- (iii) The rate of stock turnover ratio
- (iv) The period of credit received for credit purchases from Creditors
- (v) The Acid Test ratio. (40)

(b) Explain the following:
- (i) Shareholders' Funds
- (ii) Interest Paid
- (iii) Depreciation
- (iv) 7% Debentures 2016/2017 (40)

(c) In 2008 the Current Ratio was 1.8:1 and Acid Test Ratio was 1.4:1.
- (i) Calculate these ratios for 2009.
- (ii) Comment on the liquidity of the firm at the end of 2009. (10)

(d) The Return on Capital Employed for 2008 was 12%.
- (i) Calculate this ratio for 2009.
- (ii) Comment on the current profitability of the firm. (10)

(100 marks)

6. Incomplete Records – Control Accounts

Mary O'Driscoll did not keep a full set of books during the year ended 31/12/2009. The following is a summary of the cash account for that period.

	€	€
Cash Receipts		
Balance 01/01/2009	24,900	
Debtors	67,200	
Commission	4,800	
Sales	283,500	380,400
Cash Payments		
Purchases	108,500	
Drawings	11,900	
Wages and General Expenses	68,000	
Creditors	43,700	
Furniture	12,000	244,100

The following additional information is also available:

	01/01/2009	**31/12/2009**
Premises	430,000	430,000
Delivery Vans	72,000	72,000
Debtors	15,300	12,600
Creditors	6,400	5,900
Stock	19,300	17,800
Expenses due	1,160	970

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

You are required to:

(a) Calculate Mary O'Driscoll's Capital on 01/01/2009. (10)

(b) Calculate Mary O'Driscoll's Total Sales (credit and cash) and Total Purchases. (credit and cash) (20)

(c) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2009. (30)

(d) Prepare a Balance Sheet as at 31/12/2009. (40)

(100 marks)

7. Cash Flow Statement

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

	€
Profit and Loss (extract) for year ended 31/12/2009	
Operating Profit	80,000
Interest paid	9,000
	71,000
Taxation	(32,000)
	39,000
Dividends paid	(5,000)
Retained Profit	34,000
Profit and loss balance 1/1/09	146,000
Profit and loss balance 31/12/09	180,000

Balance sheets as at	**31/12/2009**		**31/12/2008**	
	€	€	€	€
Fixed Assets				
Land and Buildings	780,000		680,000	
Less depreciation provision	90,000	690,000	70,000	610,000
Current Assets				
Stocks	47,000		34,000	
Debtors	38,000		30,000	
Cash	29,000		25,000	
	114,000		89,000	
Less Creditors: amounts falling due within 1 year				
Creditors	62,000		55,000	
Taxation	32,000		18,000	
	(94,000)		(73,000)	
Net Current Assets		(20,000)		(16,000)
Total Net Assets		710,000		626,000
Financed by				
Creditors: amounts falling due after 1 year				
6% Debentures		50,000		80,000
Capital and Reserves				
Ordinary Share Capital issued		480,000		400,000
Profit and Loss Account		180,000		146,000
		710,000		626,000

You are required to:

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

(b) Prepare the cash flow statement of Roger Ltd for the year ended 31/12/2009 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) (i) Calculate the net debt for 31/12/2008 and 31/12/2009

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

(5)

(100 marks)

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

8. Marginal Costing

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

	€	€
Sales (40,000 units)		480,000
Variable Costs	160,000	
Fixed Costs	64,000	(224,000)
Net Profit		256,000

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**) **and** the sales value (€) (at break even point)

(e) Calculate the margin of safety in units **and** sales value, if the budgeted sales for the period are 40,000 units.

(f) Calculate the level of production that will yield a profit of €120,000

(80 marks)

9. Budgeting

Times Ltd manufactures two types of watch **"Goldstar"** and **"Silverstar"**. The sales of each type of watch and other relevant information for the year ended 31/12/2010 are budgeted at:

	Goldstar	**Silverstar**
Budgeted Sales	1,400 units	1,800 units
Expected selling price	€80	€50
Expected Stocks – *finished goods*	**Goldstar**	**Silverstar**
Opening stocks	180	220
Closing stocks	210	160
Material Content and Costs	**Material A**	**Material B**
Goldstar	2 grams	5 grams
Silverstar	3 grams	4 grams
Expected stocks – *raw materials*	**Material A**	**Material B**
Opening stocks	210 grams	300 grams
Closing stocks	240 grams	430 grams

Direct Labour time in hours

Goldstar	8 hours
Silverstar	5 hours

Direct labour rate per hour €9

You are required to prepare the following budgets:

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

(b) Production Budget.

(c) Material Usage Budget.

(d) Material Purchase Budget in **units.**

(e) Labour (wages) Budget.

(80 marks)

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