Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2013

Marking Scheme

Accounting

Ordinary Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.

1. Final Accounts of a Company

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Manufacturing Account of Maher Ltd for year ended 31/12/2012

Stock Raw Materials 01/01/2012			48,000	[2]
Purchase of Raw Materials			378,500	[2]
			426,500	
Less Stock of Raw Materials 31/12/2012			37,000	[2]
Cost of Raw Materials consumed			389,500	
Add Factory Wages			97,500	[4]
Add Direct Expenses			26,000	[2]
PRIME COST [1]			513,000	
Add Factory Overhead Expenses				
Factory Supervisor's Wages	32,500	[2]		
Factory Insurance (20,000 – 5,000)	15,000	[4]		
Factory Light and Heat	16,300	[2]		
Dep. Plant and Machinery – 20% of cost	78,000	[3]		
Dep. Factory Building – 2% of cost	12,000	[3]		
Total Expenses			153,800	
Factory Cost			666,800	
Add work-in-progress 01/01/2012			16,300	[3]
			683,100	
Less work-in-progress 31/12/2012			24,000	[3]
			659,100	
Less Sale of Scrap Materials			7,500	[3]
Cost of Manufacture			651,600	
Profit on Manufacture			38,400	[3]
Transfer to Current Market Value			690,000	[1]

Trading Profit and Loss Account of Maher Ltd for the year ended 31/12/2012

Sales						734,000	[2]
Less Sales Returns						10,100	[2]
						723,900	
Less Cost of Sales							
Opening Stock				62,500	[2]		
Current Market Value				690,000	[1]		
				752,500			
Closing Stock				65,000	[2]		
Cost of Sales						687,500	
Gross Profit						36,400	[3]
Add Manufacturing Profit						38,400	[1]
						74,800	
Less Expenses							
Administration [1]							
Stationery	11,000	[3]					
Directors' Fees	12,800	[3]		23,800			
Selling and Distribution [1]							
Dep. Delivery Vans	6,000	[3]					
Advertising	9,000	[3]		15,000		38,800	
Operating Profit						36,000	
Less Debenture Interest						10,500	[3]
Net Profit for the year						25,500	
Less Taxation						14,000	[2]
						11,500	
Add Profit and Loss Balance 01/01/2012						73,200	[2]
Profit and Loss Balance at 31/12/2012						84,700	[6]

Balance Sheet of Maher Ltd as at 31/12/2012

Intangible Assets						
Patents					51,000	[2]
Fixed Assets	**Cost**		**Dep.**		**N. B.V.**	
Factory Buildings	600,000	[1]	12,000	[2]	588,000	[1]
Plant and Machinery	390,000	[1]	208,000	[2]	182,000	[1]
Delivery Vans	80,000	[1]	26,000	[2]	54,000	[1]
	1,070,000		246,000		824,000	
					875,000	
Current Assets						
Closing Stocks: Raw Materials	37,000	[2]				
Work-in-Progress	24,000	[2]				
Finished Goods	65,000	[2]	126,000			
Debtors	93,000	[2]				
Less Bad Debt Provision	4,100	[2]	88,900			
Insurance Prepaid			5,000	[2]		
			219,900			
Creditors: amounts falling due within 1 year						
Creditors	81,000	[2]				
Taxation	14,000	[2]				
VAT	13,500	[2]				
Bank	51,200	[2]				
Debenture Interest due	10,500	[2]	170,200			
					49,700	
					924,700	
Financed By						
Creditors: amounts falling due after 1 year						
10% Debentures					140,000	[2]
Capital and Reserves	**Auth.**		**Issued**			
Ordinary Share Capital	900,000	[1]	700,000	[1]		
Profit and Loss 31/12/2012			84,700		784,700	
Capital Employed					**924,700**	

2. Farm Accounts

(a) **[20]**

Moloney Family Capital 01/01/2012

	€		€	
Assets				
Land	400,000	[2]		
Farm Buildings	150,000	[2]		
Machinery	73,200	[2]		
Stock of Cattle/Cows	109,000	[2]		
Stock of Sheep	36,000	[2]		
Bank	17,800	[2]		
			786,000	
Liabilities				
E.S.B. due	700	[2]		
Wages due	600	[2]	(1,300)	
Capital on 01/01/2012			784,700	[4]

(b) (i) **[20]**

Enterprise Analysis Account 'Cattle/Milk' for the year ended 31/12/2012

	€		€	
Income				
Sale of Milk	86,000	[1]		
Sale of Cattle	47,900	[1]		
Single Farm Payment	10,560	[2]		
Drawings	1,900	[1]	146,360	
Less Cost of Sales				
Stock 01/01/2012	109,000	[1]		
Purchases	36,400	[1]		
	145,400			
Less Closing Stock 31/12/2012	73,000	[1]	(72,400)	
			73,960	
Expenditure				
Fertilizer	3,350	[2]		
E.S.B.	6,550	[4]		
Repairs	7,150	[2]		
Wages	11,150	[3]	(28,200)	
Profit			45,760	[1]

W.1 ESB 13,500 + 300-700 = 13,100/2
W.2 Wages 22,900 -600 = 22,300/2

(ii) [20]

Enterprise Analysis Account 'Sheep' for the year ended 31/12/2012

	€		€	
Income				
Sale of Wool	1,800	[1]		
Sale of Lambs	42,600	[1]		
Single Farm Payment	2,640	[2]		
Drawings	800	[1]	47,840	
Less Cost of Sales				
Stock 01/01/2012	36,000	[1]		
Purchases	6,200	[1]		
	42,200			
Less Closing Stock 31/12/2012	29,000	[1]	(13,200)	
			34,640	
Expenditure				
Fertilizer	3,350	[2]		
E.S.B.	6,550	[4]		
Repairs	7,150	[2]		
Wages	11,150	[3]	(28,200)	
Profit			6,440	[1]

3. Bank Reconciliation

Bank Reconciliation Statement

[35]

(a)

Adjusted Bank Account

		€				€	
Apr	Balance b/d	19,350	[6]	Apr	Standing Order	380	[6]
	Interest Received	140	[6]		Cheque dishonoured	1,300	[6]
					Bank charges	134	[6]
					Balance c/d	17,676	[5]
		19,490				19,490	

[25]

(b)

				€	
Adjusted Cash Book Balance				17,676	[3]
Add: Cheques drawn not yet cashed					
432107	Insurance	4,900	[4]		
432109	T. Fallon	2,300	[4]	7,200	
				24,876	
Less: Lodgement not yet credited					
	Unrecorded Lodgement			13,500	[4]
				11,376	
Less: Bank Error				190	[8]
	Balance as per Bank Statement			11,186	[2]

Alternative

				€	
Balance as per Bank Statement				11,186	[3]
Add: Lodgement not yet credited					
	Unrecorded Lodgement			13,500	[4]
				24686	
Less: Cheques drawn not yet cashed					
432107	Insurance	4,900	[4]		
432109	T. Fallon	2,300	[4]	7,200	
				17,486	
Add: Bank Error				190	[8]
	Balance as per Adjusted Bank Account			17,676	[2]

4. Incomplete Records

(a) **[30]**

Statement of Net Worth/Capital as at 01/01/2012

	€		€	
Assets				
Premises	540,000	[3]		
Furniture and Equipment (59,000 – 12,300)	46,700	[6]		
Motor Vehicles	43,500	[3]		
Stock	56,400	[2]		
Debtors	19,000	[2]		
Bank	4,300	[3]		
Insurance prepaid	700	[3]	710,600	
Less Liabilities				
Creditors	10,300	[2]		
Expenses due	2,700	[2]	13,000	
Capital/Net Worth 01/01/2011			697,600	[4]

(b) **[30]**

Statement of Profit/Loss for the year ended 31/12/2012

	€		€	
Assets			960,000	[3]
Less Depreciation of Furniture and Equipment	11,800	[3]		
Depreciation of Motor Vehicles	4,350	[3]	16,150	
Total Assets			943,850	
Less Liabilities				
Liabilities	80,000	[3]		
Expenses due	940	[3]	80,940	
Net Worth on 31/12/2012			**862,910**	
Less Net Worth 01/01/2012			697,600	[1]
Apparent profit for the year			165,310	
Less Capital Introduced			14,000	[5]
			151,310	
Add Drawings				
Repairs	6,400	[3]		
Stock	4,800	[3]	11,200	
Net Profit for the year 2012			**162,510**	[3]

5. Interpretation of Accounts

[40]

(a) (i) **Purchases** 242,000 + 24,000 = 266,0000 - 36,000 = 230,000 [10]

(ii) **Period of Credit given to Debtors**

$$\frac{\text{Debtors}}{\text{Credit Sales}} \times \frac{365}{1} = \frac{24{,}000}{420{,}000} \times \frac{365}{1} = 21 \text{ days}$$ [10]

(iii) **Return on Capital Employed**

$$\frac{\text{Net Profit} \times \text{Interest}}{\text{Capital Employed}} = \frac{76{,}000 + 5{,}400}{756{,}000} \times \frac{100}{1} = 10.77\%$$ [10]

(iv) **% Mark up on cost**

$$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1} = \frac{178{,}000}{242{,}000} \times \frac{100}{1} = 73.55\%$$ [10]

(b) **[40]**

(i) **Ordinary dividend**: Part of net profit paid out to ordinary shareholders. It is decided by the directors and is a % of the Issued Ordinary share Capital. [10]

(ii) **Intangible Assets**: These are assets that have real value but cannot be seen. Examples are patents or goodwill. [10]

(iii) **Carriage Inwards**: This is the amount of money the buyer has to pay for the cost of getting the goods from the sellers premises to his/hers own place of business. [10]

(iv) **Depreciation**: This is the loss in value of a Fixed Asset during the year due to wear and tear or the passage of time. . [10]

(c) **Acid Test Ratio** - (83,000 – 24,000) : 39,000 **[10]**

= 1.51 : 1

This ratio tells us that for every €1 owed by the company there are liquid assets of €1.51. This is better than the recommended ratio of 1: 1.

[10]

(d) 2011 = 16% 2012 = 10.77%
The return on Capital Employed has decreased by approx 5%. Even though it has decreased it is still an excellent return as they would only receive about 3% from a bank.

6. Service Accounts

(a) Accumulated Fund as on 1/1/2012 **[30]**

Assets	**€**		**€**	
Bed and Breakfast	450,000	[4]		
Holiday Home	120,000	[4]		
Equipment and Linen	3,600	[4]		
Bicycles	5,000	[4]		
Stock fuel/oil	2,200	[3]		
Cash	4,500	[3]	585,300	
Liabilities				
Advance deposits			1,500	[5]
Capital			583,800	[3]

(b) Income and Expenditure Account for year ended 31/12/2012 **[40]**

Income				
Receipts from Guests (32,000-1,400)	30,600	[4]		
Rent from Holiday Home(18,000 +1,500)	19,500	[4]		
Rent from Bicycles	2,200	[2]	52,300	
Expenditure				
Provisions for bed and breakfast W2	7,008	[6]		
Light and Heat W1	3,150	[6]		
Wages	15,900	[2]		
Laundry	2,400	[2]		
Advertising	1,900	[2]		
Repairs and Maintenance	6,600	[2]		
Depreciation				
Bicycles	1,000	[3]		
Equipment and Linen	900	[3]	38,858	
Excess Income over Expenditure			13,442	[4]

W1 Light and Heat 1,600 + 2,200 - 650 = 3,150

W2 Provisions 8,500 + 260 - 1,752 = 7,008

(c) **[30]**

Balance Sheet as at 31/12/2012

	€		€		€	
Fixed Assets	**Cost**		**Dep.**		**N.B.V**	
Bed and Breakfast	450,000	[2]			450,000	
Holiday Home	120,000	[2]			120,000	
Bicycles	5,000	[2]	1,000	[1]	4,000	[1]
Equipment and Linen	3,600	[2]	900	[1]	2,700	[1]
	578,600		1,900		576,700	
Current Assets						
Bank	16,500	[3]				
Stock of oil	650	[3]	17,150			
Current Liabilities						
Advance Deposits	1,400	[3]				
Provisions	260	[3]	1,660			
Working Capital					15,490	
Net Worth					592,190	
Financed By						
Capital					583,800	[1]
Excess Income					13,390	[1]
					597,190	
Drawings (3,300 + 1,700)					5,000	[4]
Capital Employed					592,190	

7. Cash Flow Statement

(a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities [30]

	€	
Operating Profit	138,000	[3]
Add Depreciation	28,000	[6]
Increase in Stock	(7,000)	[6]
Decrease in Debtors	5,000	[6]
Increase in Creditors	4,000	[6]
Net Cash inflow from Operating Activities	168,000	[3]

(b) Cash Flow Statement of Connolly Ltd. For the year ended 31/12/2012 [65]

			€	
Operating Activities [2]				
Net Cash inflow from Operating Activities			168,000	[4]
Return on Investment and Servicing of Finance [2]				
Interest Paid			(16,000)	[8]
Taxation [2]				
Tax Paid			(17,000)	[6]
Capital Expenditure and Financial Investment [2]				
Purchase of Land/Buildings			(88,000)	[6]
Equity Dividend paid [2]				
Dividends paid			(22,000)	[8]
Net cash inflow before liquid resources and financing			25,000	
Financing				
Issue of Ordinary Share Capital	26,000	[6]		
Share Premium	15,000	[6]		
	41,000			
Repayment of Debentures	(60,000)	[6]	(19,000)	
Increase in Cash			**6,000**	[5]

(c) Reconciliation of Net Cash Flow to movement in Net Debt [5]

Increase in cash in the period	6,000	[1]
Cash used to repay debentures	60,000	[1]
Change in Net Debt	66,000	[1]
Net debt 01/01/2012	(186,000)	[1]
Net debt 31/12/2012	(120,000)	[1]

8. Absorption Costing **[80]**

(a) Dept. A 24,000 x 75% = 18,000 [17]

Dept. B 24,000 x 25% = 6,000

(b) Overhead to be absorbed by Dept. A 80,000 + 18,000 = 98,000 [15]

Overhead to be absorbed by Dept. B 60,000 + 6,000 = 66,000

(c) Overhead absorption Dept A - Machine hours [16]

$$\frac{\text{Budgeted Overheads}}{\text{Budgeted Machine hours}} = \frac{98{,}000}{2{,}500} = \text{€}39.20 \text{ per machine hour}$$

(d) Overhead absorption rate for Dept B - Labour hours [16]

$$\frac{\text{Budgeted Overheads}}{\text{Budgeted Labour hrs}} = \frac{\text{€}66{,}000}{1{,}200} = \text{€}55.00 \text{ per Labour hour}$$

(e) Overheads to be absorbed by Job No. 1869. [10]

Cost of Job No. 1869	
	€
Direct Materials	1,850.00
Direct Labour	930.00
Dept. A 9 hrs x 39.20	352.80
Dept. B 4 hrs x 55	220.00
Cost of Job No. 1869	3,352.80

(f)

Cost Price	3,352.80
Add mark – up 25%	838.20
Selling Price	4,191.00

[6]

9. Cash Budget **[75]**

(a)

Cash Budget for five months June to October

Receipts	**June**	**July**	**August**	**September**	**October**	**Total**
Debtors						
June	94,000 [2]					94,000 [1]
July		86,000 [2]				86,000 [1]
August			73,400 [2]			73,400 [1]
September				65,000 [2]		65,000 [1]
October					69,300 [2]	69,300 [1]
Total Receipts	94,000	86,000	73,400	65,000	69,300	387,700
Payments						
Cash for purchases	49,000 [2]	50,000 [4]	15,800 [4]	34,300 [2]	41,900 [2]	191,000 [3]
Expenses	14,100 [1]	16,900 [1]	16,200 [1]	19,500 [1]	11,300 [1]	78,000 [2]
Rent	1,200 [1]	1,200 [1]	1,200 [1]	1,300 [2]	1,300 [1]	6,200 [2]
Total Payments	64,300	68,100	33,200	55,100	54,500	275,200
Net Cash	29,700 [2]	17,900 [2]	40,200 [2]	9,900 [2]	14,800 [2]	112,500 [2]
Opening Cash	27,000 [1]	56,700 [1]	74,600 [1]	114,800 [1]	124,700 [1]	27,000 [3]
Closing Cash	**56,700 [1]**	**74,600 [1]**	**114,800 [1]**	**124,700 [1]**	**139,500 [1]**	**139,500 [3]**

(d) **[5]**

- It shows her surplus/deficit at the end of each month.
- It will help Mairead to decide when a bank overdraft needs to be arranged.
- It will help Mairead to decide how to invest the surplus.
- A Cash Budget shows all the inflows and outflows for the period.
- It helps Mairead to plan and control her business.

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