

AN ROINN OIDEACHAIS
LEAVING CERTIFICATE EXAMINATION, 1996

M.54

7085

ACCOUNTING - ORDINARY LEVEL - (400 marks)
12th JUNE 9.30 a.m. - 12.15 p.m

Answer *Question 1* and *three* other questions *OR* Answer *five* questions omitting *Question 1*

Note: Calculators may be used in answering the questions on this paper; however it is very important that candidates show their workings in the answer book(s) so that full credit can be given for correct work.

1. The following balances were extracted from the books of Hayes Ltd., on 31-12-1995:

	£	£
Share Capital		
Authorised - 500,000 Ordinary Shares at £1 each		
Issued - 320,000 Ordinary Shares at £1 each.....		320,000
Plant and Machinery (Cost 120,000).....	95,000	
Office Equipment (Cost 15,000).....	10,000	
Buildings.....	330,000	
Goodwill.....	50,000	
Debtors and Creditors.....	20,000	30,000
12% Debentures.....		80,000
Purchases of Raw Materials.....	340,000	
Sales.....		560,800
Carriage.....	8,000	
Wages.....	50,000	
Stocks 1-1-1995		
Raw Materials.....	22,000	
Work in progress.....	28,000	
Finished Goods.....	35,000	
Profit and Loss Balance 1-1-1995.....	12,800	
Returns in.....	800	
Stationery.....	1,200	
Provision for Bad Debts.....		1,600
Sale of Scrap Materials.....		6,000
Directors Fees.....	32,000	
Showroom Expenses.....	6,000	
Advertising.....	5,000	
Discount.....		3,500
Factory Light and Heat.....	9,000	
Bank.....		<u>52,900</u>
	<u>1,054,800</u>	<u>1,054,800</u>

You are given the following additional information:

- (i) Stocks at 31-12-1995:
 - Raw Materials; £30,000
 - Work-in-progress; £32,000
 - Finished goods. £38,000
- (ii) The figure for carriage is to be divided - $\frac{3}{4}$ for carriage inwards and $\frac{1}{4}$ for carriage on sales.
- (iii) Wages are to be divided - $\frac{4}{5}$ for direct wages and $\frac{1}{5}$ for supervisors' wages.
- (iv) Depreciation is to be provided as follows:
 - Plant and Machinery - 20% of cost.
 - Office Equipment - 10% of book value.
- (v) Provision should be made for a year's Debenture Interest.
- (vi) Advertising was for the year ended 31-3-1996.
- (vii) Finished Goods are to be transferred from factory at Current Market Value of £450,000.

You are required to prepare:

- (a) Manufacturing Account for the year ended 31-12-1995. (40)
- (b) Trading, Profit and Loss and Appropriation Accounts for the year ended 31-12-1995. (50)
- (c) Balance Sheet as at 31-12-1995 (Modern Layout) (40)

(130 marks)
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2.

The following figures were taken from the accounts of Hughes Ltd., for the year ended 31.12.1995:

	£
Purchases	320,000
Closing Stock	42,000
Gross Profit	80,000
Credit Sales	395,000
Expenses	45,000
Fixed Assets	244,000
Current Assets (including Debtors £20,000)	56,000
Current Liabilities	40,000
10% Debentures (1998)	60,000
Ordinary Shares	140,000
12% Cumulative Preference Shares	25,000

You are required to calculate:-

- (i) Opening Stock.
- (ii) Period of Credit given to Debtors.
- (iii) Net Profit Percentage.
- (iv) Return on Capital Employed. (35)

Explain the following:-

- (a) 10% Debentures (1998).
- (b) Dividends.
- (c) Rate of Stock Turnover.
- (d) Shareholders Funds. (35)

Would the above firm have fared better if it had sold out and invested its money in a financial institution for the past year? Give reasons for your answer. (20)

(90 marks)

3.

Teresa and Thomas were in partnership, sharing profits and losses in proportion to their capitals. Their Balance Sheet on 1/1/1996 was as follows:

<u>Fixed Assets</u>			
	£	£	£
Buildings		110,000	
Equipment		22,000	
Goodwill		<u>17,000</u>	149,000
 <u>Current Assets</u>			
Stock		33,000	
Debtors		<u>19,000</u>	
		52,000	
 Less: <u>Current Liabilities</u>			
Creditors	29,000		
Bills payable	2,000		
Bank	8,500		
Expenses Due	<u>1,500</u>	<u>41,000</u>	<u>11,000</u>
			<u>160,000</u>
 <u>Financed by:</u>			
Capital: - Teresa		100,000	
Capital: - Thomas		<u>60,000</u>	<u>160,000</u>
			<u>160,000</u>

On 1/1/1996 they agreed to sell their partnership to Wilson Ltd for £150,000. Wilson agreed to take over all the assets, except a computer with a book value of £1,000, and to accept responsibility for the payment of Bills Payable. The purchase price was settled by the issue of 80,000 shares in Wilson Ltd at £1 each, the payment of £40,000 in cash and the remainder was loaned to Wilson Ltd, Teresa to receive all the shares and Thomas to grant the loan.

Teresa took over the computer at book value and Thomas agreed to be responsible for £16,000 of the creditors.

You are required to record the sale in the books of the partnership, showing all relevant ledger Accounts. (90 marks)

4. P. Horan did not keep a full set of books during the year ended 31/12/1995. The following is a summary of the cash book for that period:

Cash Receipts	£	£
Balance - 1/1/1995	1,900	
Debtors	16,500	
Sales	92,000	
Rent	<u>1,600</u>	112,000
Cash Payments		
Purchases	32,000	
Wages and General Expenses	24,600	
Drawings	6,400	
Furniture and Equipment	9,000	
Creditors	<u>35,000</u>	107,000

The following additional information is also available:

	1/1/1995	31/12/1995
Premises	70,000	70,000
Motor Vehicles	19,000	19,000
Wages prepaid	1,500	1,700
Stock	6,400	9,100
Debtors	4,800	3,800
Creditors	6,700	8,300

You are required to:

- (a) Calculate Horan's Total Purchases and Total Sales. (30)
 - (b) Prepare a Trading Profit and Loss Account for the year ended 31/12/1995. (30)
 - (c) Prepare a Balance Sheet on the 31/12/1995. (30)
- (90 marks)**

5. Set out below are the Cash Book (bank columns only) and Bank Statement of M. Halligan for the month of April 1996.

Bank Account

April 1	Balance b/d	770	April 2	B. Arnold	550
April 8	Sales Lodged	1,120	April 5	Rates	260
April 15	Lodgement	1,190	April 9	G. Freaney	420
April 29	Sales Lodged	1,020	April 11	J. Gunning	230
April 30	Sales Lodged	820	April 12	K. Lynch	650
			April 16	Insurance	410
			April 18	J. Nolan	180
			April 30	Balance c/d	<u>2,220</u>
		<u>£4,920</u>			<u>£4,920</u>

Bank Statement on 30/4/1996

	Debit	Credit	Balance
April 1			770
April 4		190	960
April 5	550		410
April 8	260		150
April 8		1,120	1,270
April 13	420		850
April 13	170		680
			(R/D Dishonoured)
April 15		1,190	1,870
April 15	650		1,220
April 16	410		810
April 20	22		788
April 19	300		488
April 28	160		328

Note: The £160 entered in the Bank Statement on April 28 was debited in error to M. Halligan's instead of to M. Mulligan's account.

You are required:-

- (a) To show M. Halligan's Adjusted Cash Book (bank Column) in Ledger Form and to bring down the corrected balance. (35)
- (b) To prepare a statement on 30/4/1996 reconciling the adjusted Cash Book with the Bank Statement balance. (30)

6. The following details were taken from the books of Humphrey's Ltd:

- 01/01/1994 Computers at cost amounted to £30,000
- 01/01/1994 The balance in the Provision for Depreciation Account was £10,000
- 01/04/1994 Purchases of Computers for £12,000
- 31/12/1994 The total depreciation for the year ended 31/12/1994 was £8,400
- 01/07/1995 Sold for £3,000 computers which cost £8,000. The book value of these computers on 1/7/1995 was £3,500
- 31/12/1995 Provide for depreciation at the rate of 20% of the cost of the computers owned on 31/12/1995

You are required to show:

- (a) The Computer Account for the two years 1994 and 1995 (15)
 - (b) The Provision for Depreciation Account for the two years 1994 and 1995 (30)
 - (c) The Computer Disposal Account for the year ended 31/12/1995 (20)
- (65 marks)**

7. Included in the assets and liabilities of the "Oasis" basketball club on 1/1/1995 were the following: Clubhouse and Hall £180,000; Equipment £28,000; Building Society Deposit £24,000; Bar Stock £12,000; Wages due £800; Subscriptions due £200.

The following is a summary of the club's receipts and payments for the year ended 31/12/1995.

<u>Receipts</u>	£	<u>Payments</u>	£
Cash in hand 1/1/1995	9,400	Bar Purchases	25,000
Interest	1,900	Purchase of Equipment	12,000
Subscriptions	22,000	Team Expenses	30,500
Bar sales	40,600	Wages and General Expenses	14,600
Raffle Receipts	8,300	Raffle Expenses	3,100
Sponsorship	18,800	Bar Creditors	6,000
		Cash Balance	9,800
	<u>101,000</u>		<u>101,000</u>

The treasurer also supplied the following information as at 31/12/1995:

- (i) Bar Stock was £11,500
- (ii) Bar Debtors were £60
- (iii) Expenses prepaid were £480
- (iv) Subscriptions due were £350
- (v) Equipment held on 31/12/1995 to be depreciated by 20%.

You are required to:

- (a) Prepare a statement showing the Club's Accumulated Fund on 1/1/1995. (20)
 - (b) Prepare the Club's Income and Expenditure Account for the year ended 31/12/1995. (45)
- (65 Marks)**

8. Hickey Ltd, had a Registered (Authorised) Capital of £500,000 divided into 500,000 Ordinary Shares at £1 each. The company has already issued 250,000 of these shares at par. On the 1-2-1996 the directors decided to offer 80,000 of the remaining shares for public subscription at a premium of 10p per share payable as follows:

- 30p on Application
- 55p on Allotment (including premium)
- 25p on First and Final call

The following cash was received:

- £33,000 on Application
- £41,000 on Allotment
- £19,600 on First and Final Call

The shares were oversubscribed and the directors decided to return application money to applicants for 20,000 shares. They also decided to scale down the applications of the other applicants and to retain the excess application money against allotment.

You are required:

- (i) To record these balances and transactions in the Company's ledger, showing a separate Application and a separate Allotment Account. (50)
 - (ii) To show the relevant sections of the Company's Balance Sheet. (15)
- (65 marks)**