



# Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2003

## ACCOUNTING - ORDINARY LEVEL (400 marks)

THURSDAY, 12th JUNE 2003 – MORNING 9.30 a.m. to 12.30 p.m.

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. Sole Trader – Final Accounts**

The following balances were extracted from the books of K. Arnold, a Sole Trader, on 31/12/2002.

	€	€
Patents .....	60,000	
Buildings .....	360,000	
Motor Vehicles at cost .....	110,000	
Accumulated Depreciation on Motor Vehicles .....		56,000
Office Equipment at cost.....	24,000	
Accumulated Depreciation on Office Equipment .....		7,000
Debtors and Creditors .....	41,000	59,000
Term Loan received on 1/4/2002 .....		120,000
Purchases and Sales.....	525,000	836,000
Carriage .....	8,000	
Wages and Salaries .....	220,000	
Stocks 1/1/2002.....	63,000	
Returns in .....	6,000	
Returns Out .....		4,800
Stationery .....	2,100	
Provision for Bad Debts .....		1,800
Commission.....		3,400
Drawings .....	17,000	
General Expenses .....	48,000	
Showroom Expenses .....	6,500	
Advertising.....	5,400	
Discount .....		2,800
Loan Interest paid.....	6,000	
Capital 1/1/2002.....		382,500
VAT .....		6,300
PRSI .....		2,700
Bank .....		19,700
	<u>1,502,000</u>	<u>1,502,000</u>

You are given the following additional information:

- (i) Stocks at 31/12/2002 were €71,000.
- (ii) Stock of Stationery at 31/12/2002 was €600.
- (iii) The figure for carriage is to be divided – 80% for carriage outwards and 20% for carriage inwards.
- (iv) Wages and salaries are to be divided – 90% for workers and 10% for drawings.
- (v) Depreciation is to be provided as follows:

Buildings	-	2% of cost
Motor Vehicles	-	20% of cost
Office Equipment	-	10% of book value.

- (vi) Provision should be made for interest due on the term loan at the rate of 10% per annum.
- (vii) Advertising was for the year ended 31/3/2003.
- (viii) Provision for bad debts to be adjusted to 4% of debtors.

**You are required to prepare a:**

- (a) Trading and Profit and Loss Account for the year ended 31/12/2002. (80)
- (b) Balance Sheet as at 31/12/2002. (40)

**(120 marks)**

## 2. Debtors' and Creditors' Control Accounts

The following figures were taken from the books of M. Abbot during March 2003:

	€
Debtors Ledger Balance 1/3/2003	61,700
Creditors Ledger Balance 1/3/2003	49,600
Returns Out	3,200
Discount Allowed	2,100
Discount Received	2,700
Returns In	1,300
Bills Payable Accepted	1,900
Bills Receivable Issued	3,200
Purchases (including Cash Purchases €9,600)	99,600
Sales (including Cash Sales €14,500)	134,500
Discount disallowed to M. Abbot	550
Interest charged by Abbott on overdue accounts	330
Cheques paid to suppliers	76,000
Cheques received from customers	94,400
Cheques received dishonoured	800
Bad Debts written off	520
Transfer from Debtors Ledger to Creditors Ledger	660
Debtors Ledger Balance at 31/3/2003	440 cr
Creditors Ledger Balance at 31/3/2003	310 dr

**You are required to:**

Prepare a Debtors' Ledger Control Account and a Creditors' Ledger Control Account for March 2003.

**(60 marks)**

## 3. Company Profit and Loss

Arlington Ltd. has an Authorised Capital of 750,000 Ordinary Shares at €1 each and 400,000 9% Preference Shares at €1 each. The company has already issued 500,000 Ordinary Shares and 300,000 9% Preference Shares. On 1/1/2002 the company's General Reserve Account showed a balance of €120,000. Arlington Ltd. had carried forward a profit of €75,000 from 2001 and the accounts showed profits before taxation of €220,000 for the year ended 31/12/2002. During the year an interim dividend of 6c had been paid to the Ordinary shareholders and a half year's dividend paid to the Preference shareholders.

On 31/12/2002 the directors recommended that:

- (i) The Preference Dividend due be paid
- (ii) A final Dividend of 7c be paid on Ordinary Shares
- (iii) The General Reserve be increased by €30,000
- (iv) Taxation of €58,000 be provided for.

**You are required to:**

- (a) Show the Profit and Loss Account for the year ended 31/12/2002. (35)
- (b) Prepare a Balance Sheet showing the relevant accounts after making the above appropriations. (25)

**(60 marks)**

#### 4. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Pat Black for the month of March 2003.

##### Bank Account

				€					€
March	1	Balance b/d		1,450	March	5	P Kent	123451	940
March	9	Sales Lodged		2,740	March	7	Rent	123452	700
March	16	Lodgement		2,800	March	10	M. Tierney	123453	410
March	29	Sales Lodged		2,350	March	12	J. Hunt	123454	260
					March	13	P. Jackson	123455	652
					March	14	Insurance	123456	1,840
					March	18	S. Mulligan	123457	1,140
					March	30	Balance c/d		<u>3,398</u>
				<u>€9,340</u>					<u>€9,340</u>

##### Bank Statement on 31/3/2003

				Debit	Credit	Balance
				€	€	€
March	1	Balance b/d				1,450
March	4	Interest Received			140	1,590
March	7	123451 - P Kent		940		650
March	9	Lodgement			2,740	3,390
March	9	123452 – Rent		700		2,690
March	14	123453 – M. Tierney		410		2,280
March	15	J. Fahy (R/D Dishonoured)		320		1,960
March	16	Lodgement			2,800	4,760
March	16	123455 - P Jackson		652		4,108
March	18	123456 - Insurance		1,840		2,268
March	20	Bank Charges		44		2,224
March	24	Standing Order		460		1,764
March	26	T Brady		240		1,524

**Note:** The €240 entered in the Bank Statement on March 26 was debited in error to Pat Black's account instead of to Patricia Black's account.

**You are required to:-**

- (a) Show Pat Black's Adjusted Bank Account and to bring down the adjusted balance. (35)
- (b) Prepare a statement on 31/3/2003 reconciling the adjusted Bank Account balance with the Bank Statement balance. (25)

**(60 marks)**

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

**5. Interpretation of Accounts**

The following information has been taken from the accounts of Acorn Ltd for the year ended 31/12/2002.

**Trading Profit and Loss Account for year ended 31/12/2002**

	€	€
Credit Sales		730,000
Less: Cost of Sales		
Stock 1/1/2002	?	
Purchases	<u>540,000</u>	
Less: Stock 31/12/2002	<u>76,000</u>	<u>570,000</u>
Gross Profit		?
Less: Total Expenses		<u>74,000</u>
Net Profit		<u>86,000</u>

**Balance Sheet as at 31/12/2002**

	€	€
<b>Fixed Assets</b>		442,000
<b>Current Assets</b>	112,000	
<b>Less Creditors:</b> amounts falling due within 1 year.		
Trade creditors	<u>68,000</u>	<u>44,000</u>
		<u>486,000</u>
<b>Financed By</b>		
<b>Creditors:</b> amounts falling due after more than 1 year		
9% Debentures (2007/2009).		100,000
<b>Capital and Reserves</b>		
Ordinary Shares		300,000
Profit and loss account		<u>86,000</u>
		<u>486,000</u>

(a) **You are required to calculate:**

- (i) The Opening Stock.
- (ii) The Percentage Mark-up on cost.
- (iii) The period of credit received from creditors.
- (iv) The Acid Test Ratio. (40)

(b) **Explain the following:**

- (i) 9% Debentures (2007/2009).
- (ii) Intangible Assets.
- (iii) Rate of Stock Turnover.
- (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 2001 was 8%, comment on the current profitability of the firm. (10)

**(100 marks)**

## 6. Accounts of a Service Firm

The Armitage family are involved in the tourist industry. They run a guest house and rent boats and a holiday home to tourists during the holiday season. Included among their assets and liabilities on 1/1/2002 were Guest House €450,000, Holiday Home €110,000, Boats €12,000. Equipment & linen €1,200. Stock of fuel and heating oil €800; Advance deposits from tourists for holiday home €1,500.

The following is a summary of the Receipts and Payments for the year ended 31/12/2002:

<b>Receipts</b>	€	<b>Payments</b>	€
Cash in Bank	1,160	Provisions for guest house	8,800
Receipts from guests during the year	28,800	Light heat & fuel	950
Rent from holiday home	7,200	Drawings	21,900
Receipts from Boat hire	3,300	Wages	3,400
		Laundry	490
		Advertising	550
		Repairs and maintenance	1,600
		Balance	<u>2,770</u>
	<u>40,460</u>		<u>40,460</u>

The following information and instructions should be taken into account at 31/12/2002.

- (i) Boats to be depreciated by 20% per annum and Equipment & linen by 25%.
- (ii) One fifth of the provisions purchased were used by the family.
- (iii) Receipts from guests include booking deposits for 2003 of €1,550.
- (iv) Stock of oil €750.
- (v) Owing to local provisions store €260.

### **You are required to prepare:**

- (a) A statement to show the total net assets (Accumulated Fund) of the Armitage family tourism business at 1/1/2002. (30)
- (b) An Income and Expenditure Account for the year ended 31/12/2002. (40)
- (c) A Balance Sheet (Statement of total net assets) on 31/12/2002. (30)

**(100 marks)**

7. **Cash Flow Statement**

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

**Profit and Loss Extract for year ended 31/12/2002**

	€
Operating profit	144,000
Interest paid	<u>(8,000)</u>
	136,000
Taxation	<u>(36,000)</u>
	100,000
Proposed dividend	<u>(45,000)</u>
Retained profits for year	55,000
Profit and loss balance 1/1/2002	<u>65,000</u>
Profit and loss balance 31/12/2002	<u>120,000</u>

<b>Balance Sheets as at</b>	<b>31/12/2002</b>		<b>31/12/2001</b>	
<b>Fixed Assets</b>	€	€	€	€
Land & buildings	540,000		480,000	
Less depreciation provision	<u>68,000</u>	472,000	<u>51,000</u>	429,000
<b>Current Assets</b>				
Stock	122,000		98,000	
Debtors	86,000		63,000	
Cash	<u>16,000</u>		<u>5,000</u>	
	<u>224,000</u>		<u>166,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Creditors	25,000		36,000	
Taxation	36,000		24,000	
Proposed dividend	<u>45,000</u>		<u>20,000</u>	
	<u>(106,000)</u>		<u>(80,000)</u>	
<b>Net Current Assets</b>		<u>118,000</u>		<u>86,000</u>
<b>Total Net Assets</b>		<u>590,000</u>		<u>515,000</u>
<b>Financed by:</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
10% Debentures		70,000		100,000
<b>Capital and Reserves</b>				
Ordinary share capital issued		400,000		350,000
Profit & Loss Account		<u>120,000</u>		<u>65,000</u>
		<u>590,000</u>		<u>515,000</u>

**You are required to:**

- (a) Reconcile the operating profit to net cash inflow from operating activities (30)
- (b) Prepare the Cash Flow Statement of Arkins Ltd for the year ended 31/12/2002 using the following headings:
- (i) Operating Activities
  - (ii) Return on investments (and servicing of finance)
  - (iii) Taxation
  - (iv) Capital expenditure and financial investment (Investing Activities)
  - (v) Equity/Ordinary Dividend paid
  - (vi) Financing (70)

**(100 marks)**

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

**8. Costing: Cost-Volume-Profit (Marginal Costing)**

Eclipse Ltd., manufactures a product which it sells at €35 per unit. All goods produced are sold so there is never any stock of product on hand. A costing analysis reveals that:

Variable costs amount to €15 per unit  
Fixed costs will be €16,000 for the period.

**You are required to:**

- (a) Calculate the Contribution for each unit sold.  
(b) Calculate the Break Even Point for this product using the data above.  
(c) Prepare a Marginal Costing Statement to show the Profit/Loss at the following production levels:

- |    |             |
|----|-------------|
| 1. | 700 units   |
| 2. | 900 units   |
| 3. | 1,200 units |
| 4. | 1,500 units |

- (d) Calculate the level of production and sales revenue that will yield a profit of €8,800.  
(e) Calculate the Margin of Safety in units and in sales revenue in (d) above.

**(80 marks)**

**9. Budgeting**

Ashe Ltd., manufactures two types of MP3 Player called Slim and Durable. The sales of each Player and other relevant statistics for the year ended 31/12/2003 are budgeted at:

	<b>Slim</b>	<b>Durable</b>
Budgeted sales	600 units	400 units
Expected unit selling price	€140	€160
<b>Expected Stocks – Finished goods</b>	<b>Slim</b>	<b>Durable</b>
Opening stocks	120	80
Closing stocks	110	60
<b>Material Content and Costs</b>	<b>Material A</b>	<b>Material B</b>
Slim	3 gms	4 gms
Durable	4 gms	5 gms
Expected price per gm	€10	€11
<b>Expected stocks – Raw materials</b>	<b>Material A</b>	<b>Material B</b>
Opening stocks	300 gms	240 gms
Closing stocks	320 gms	260 gms
<b>Direct labour time in hours</b>		
Slim	6 Hours	
Durable	5 Hours	
<b>Direct labour rate per hour</b>	€12	

**You are required to prepare the following budgets:**

- (a) Sales Budget in units and €'s  
(b) Production Budget  
(c) Material Usage Budget  
(d) Material Purchases Budget  
(e) Labour Budget.

**(80 marks)**