



Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION, 2006

BUSINESS STUDIES – HIGHER LEVEL – PAPER II

(160 marks)

WEDNESDAY, 14 JUNE – AFTERNOON, 2.00pm to 4.00pm

- All questions carry equal marks.
- Attempt any **FOUR** questions.
- Marks will be awarded for layout and presentation including, where appropriate, folios and dates.
- Dates should show the day, month and year.
- Calculators may be used.

1. **This is a Book of First Entry, Ledger and Trial Balance Question.**

Answer all parts of this question:

WALSHE Ltd had the following balances on 1 May 2006.

	€
Bank	5,000
Creditor: BURKE Ltd	30,000
Machinery	75,000

- (A) Enter these balances in the GENERAL JOURNAL, find the ORDINARY SHARE CAPITAL balance and post these balances to the relevant Ledger Accounts and Analysed Cash Book. (10)
- (B) Post the relevant figures from the Sales Book below to the Ledger. (5)

SALES BOOK

Date	Details	Invoice No.	F	Net €	VAT €	Total €
2/5/2006	KELLY Ltd	1	DL	40,000	5,400	45,400
7/5/2006	MARTIN Ltd	2	DL	84,000	11,340	95,340
				124,000	16,740	140,740
				GL	GL	

- (C) Record the following Bank Transactions for the month of May. Post relevant figures to the Ledger.
Note: Analyse the Bank Transactions using the following money column headings:

Debit (Receipts) Side: Bank; Sales; VAT; Debtor

Credit (Payments) Side: Bank; Purchases; VAT; Creditor; Other

3/5/2006	Cash Sales lodged	€68,000 (€60,000 + VAT €8,000)	
8/5/2006	Paid BURKE Ltd in full	(Cheque No. 1)	
12/5/2006	Purchased land	(Cheque No. 2)	€100,000
20/5/2006	Purchases for resale	(Cheque No. 3)	€32,000 + VAT 13.5%
26/5/2006	MARTIN Ltd paid €50,000 and this was lodged.	Receipt No. 1.	(16)

- (D) Balance the accounts on 31 May 2006 and extract a Trial Balance as at that date. (9)

(40 marks)

2. **This is a Credit Sales, Business Document and Bookkeeping Question.**

Answer all parts of this question:

- (A) (i) State **two** reasons why businesses sell goods on credit.
- (ii) State and explain **two** suitable methods, a business might use, for checking the credit rating of customers. (12)
- (B) The following details refer to the sale of goods on credit by KENNY Ltd to BROWN Ltd, Claremorris, Co. Mayo for the month of April 2006.

On 1 April 2006, BROWN Ltd owed KENNY Ltd €2,500.

The following transactions took place during the month of April.

10/4/2006	KENNY Ltd received a Cheque No. 34 from BROWN Ltd	€1,750
23/4/2006	KENNY Ltd sent an Invoice No. 22 to BROWN Ltd	€7,000 + VAT 21%
29/4/2006	KENNY Ltd sent a Credit Note No. 78 to BROWN Ltd	€1,800 + VAT 21%

On 30 April 2006, KENNY Ltd sent a Statement of Account No. 91 to BROWN Ltd.

- (i) Outline how KENNY Ltd should treat outgoing Statements of Account.
- (ii) Complete the Statement of Account No. 91 *on the blank document sheet supplied with this paper.*
- (iii) Record the receipt of Invoice No. 22 and Credit Note No. 78 in the Purchases and Purchases Returns Books of BROWN Ltd *on the blank bookkeeping sheet supplied with this paper.* (28)

(40 marks)

3. **This is an Employer and Wages Question.**

Answer all parts of this question:

Pauline Kelly, head mechanic in a local garage, resigned from her job and set up her own business called PK MOTORS. Pauline has employed Austin Martin as an assistant mechanic.

- (A)
- (i) State **two** rewards and **two** risks for Pauline as the owner of PK MOTORS.
 - (ii) State **two** rights and **two** responsibilities Pauline has as an employer.
 - (iii) Explain the importance to PK MOTORS of keeping employee records. (22)
- (B) Austin Martin will be paid a gross wage of €3,600 per month by PK MOTORS. He will pay income tax (PAYE) at the rate of 20% on the first €2,450 of his wage and 42% on the remainder. Austin Martin has a tax credit of €238 per month. The employee PRSI rate is 7.5% and the employer's PRSI rate is 12%.
- (i) Complete the Wages Book of PK MOTORS for the month of March 2006 using the partially completed Wages Book *on the separate sheet supplied with this paper*.
 - (ii) Calculate the total cost for March 2006 of employing Austin Martin and insert your answer in the space provided *on the separate sheet supplied with this paper*. (18)

(40 marks)

4. **This is a Final Accounts and Balance Sheet Question.**

Answer all parts of this question:

The following Trial Balance was extracted from the books of BURNS Ltd on 31 March 2006. The Authorised Share Capital is 400,000 €1 ordinary shares.

TRIAL BALANCE OF BURNS Ltd as on 31 March 2006	Dr €	Cr €
Opening Stock 1/4/2005	27,000	
Debtors and Creditors	60,000	38,000
Purchases and Sales	120,000	300,000
Sales Returns	18,000	
Carriage Inwards	15,000	
Land	400,000	
Rent	13,000	
Motor Vehicles	92,000	
Commission Receivable		12,000
30 Year Loan		70,000
Cash	1,200	
Telephone	4,000	
Bank Overdraft		5,000
Wages	40,000	
Reserves (Profit and Loss Balance)		20,000
Issued Share Capital : 360,000 €1 Ordinary Shares		360,000
Advertising	14,800	
	805,000	805,000

- (A) You are required to prepare the company's **Trading, Profit and Loss Appropriation Account** for the year ending 31 March 2006 and a **Balance Sheet** as on that date.

You are given the following information as on 31 March 2006.

- (i) Closing Stock €19,500
 - (ii) Carriage Inwards due € 4,000
 - (iii) Rent prepaid € 5,000
 - (iv) Dividends declared 12%
 - (v) Commission Receivable due € 2,000
 - (vi) Depreciation: Motor Vehicles 15%
- (35)

- (B) Identify the **three** long-term sources of finance in the above TRIAL BALANCE of BURNS Ltd. (5)

(40 marks)

5.

This is a Chain of Production and Delivery Systems Question.

Answer all parts of this question:

- (A) (i) Explain, using an example, what is meant by the term **primary production**.
(ii) Explain, using an example, what is meant by the term **service industry**. (8)
- (B) Different channels of distribution are used for different types of products.
(i) Identify, on suitable diagrams, **two** channels of distribution.
(ii) Give **one** type of product distributed by each of the channels. (7)
- (C) (i) Explain **three** factors affecting the choice of delivery systems used by a business.
(ii) Outline **two** modern developments in delivery systems in Ireland. (15)
- (D) On 1 April 2006, WHYTE Ltd purchased a delivery van costing €50,000 and paid for it by Cheque No. 1.

Show how this transaction would be recorded in the Analysed Cash Book and Delivery Van Account of WHYTE Ltd *on the blank bookkeeping sheet supplied with this paper*. (10)

(40 marks)

6.

This is a Marketing, Savings and Service Firm's Final Account Question.

Answer all parts of this question:

FIDDLE STICKS, an Irish music group, will launch their latest CD on the French and German markets on 1 July 2006. The CDs will sell at €18 each. The group will receive 15% of the sales income. The five members of the group will divide this income equally between them.

- (A) State **three** of the most suitable methods of promotion that FIDDLE STICKS may use to launch their CD. Give **one** reason for each of the methods stated. (12)
- (B) (i) Calculate how much each member of the group will receive if 250,000 CDs are sold.
- (ii) Apart from An Post, recommend **three** other types of financial institutions in which group members might save some of their earnings. Give **one** different reason for choosing each of the institutions you recommended. (12)
- (C) Prepare the **Income and Expenditure Account** of FIDDLE STICKS for the year ended 31 May 2006 from the following information:

	€
Income from playing concerts	800,000
Endorsement income	300,000
Promotional expenses	200,000
Transport and accommodation expenses	260,000
Royalty income	250,000
Voice coach expenses	80,000
Wages	600,000
Clothes	30,000
Repairs to equipment	9,000

Management fees will be **12 ½%** of total income. (16)

(40 marks)

Blank Page