



Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION, 2007

BUSINESS STUDIES – HIGHER LEVEL – PAPER II

(160 marks)

WEDNESDAY, 13 JUNE – AFTERNOON, 2.00 p.m. to 4.00 p.m.

- 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:

LONG Ltd had the following balances on 1 May 2007.

	€
Buildings	148,000
Debtor: SHORT Ltd	42,000

(A) Enter these balances in the GENERAL JOURNAL, find the ORDINARY SHARE CAPITAL balance and post these balances to the relevant Ledger Accounts. (8)

(B) Post the relevant figures from the Purchases and Purchases Returns Books below to the Ledger Accounts. (7)

PURCHASES BOOK

Date	Details	Invoice No.	F	Net €	VAT €	Total €
9/5/2007	SMYTH Ltd	97	CL	12,000	1,620	13,620
				GL	GL	

PURCHASES RETURNS BOOK

Date	Details	Credit Note No.	F	Net €	VAT €	Total €
18/5/2007	SMYTH Ltd	16	CL	4,000	540	4,540
				GL	GL	

(C) Record the following Bank Transactions for the month of May. Post relevant figures to the Ledger Accounts.

Note: Analyse the Bank Transactions using the following money column headings:

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

Credit (Payments) Side: Bank; Purchases; VAT; Wages

1/5/2007	Shareholder invested €40,000 and this was lodged.	Receipt No. 14
6/5/2007	Cash Sales lodged €68,100 (€60,000 + VAT €8,100)	
12/5/2007	SHORT Ltd paid its account in full and this was lodged.	Receipt No. 15
17/5/2007	Purchases for resale (Cheque No. 26)	€24,000 + VAT 13.5%
30/5/2007	Paid Wages (Cheque No. 27)	€14,000

(17)

(D) Balance the accounts on 31 May 2007 and extract a Trial Balance as at that date.

(8)

(40 marks)

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

Answer all parts of this question:

The following Quotation was received by Martin Banner, Purchasing Manager, of HOMEFIT Ltd on 12 May 2007.

DOORS FOR ALL OCCASIONS Ltd Wood Lane, Limerick	QUOTATION No. 456
Telephone: 061 345672	VAT Reg. No. IE 4567123L
Date: 8 May 2007	
The Purchasing Manager HOMEFIT Ltd Kilkee Co. Clare	
Dear Mr. Banner	
Thanks for your enquiry of 2 May 2007. I enclose the following Quotation which I hope will be to your satisfaction.	
50 Exterior Teak Doors @ €200 each 100 Interior Pine Doors @ € 60 each	
Terms: Trade Discount 20% The above goods are subject to VAT at 21%.	
I look forward to receiving your Order.	
Yours sincerely <i>Joan Shannon</i> Sales Manager	

- (A) (i) Explain each of the following terms: VAT, Trade Discount.
(ii) What procedures would you recommend to DOORS FOR ALL OCCASIONS Ltd when preparing and processing quotations?
(iii) Martin Banner considers himself to be an effective purchasing manager. What does effective purchasing involve? (17)

Martin Banner completed an Order (No. 100) for 50 Exterior Teak Doors and 100 Interior Pine Doors. These were delivered on 18 May 2007.

When Martin examined the doors, he found that five of the Exterior Teak Doors were badly scratched. His complaint to Joan Shannon, Sales Manager, was accepted and she sent him a Credit Note No. 23 for the five Exterior Teak Doors on 1 June 2007.

- (B) (i) State **two** other reasons why Martin Banner might have cause to complain to Joan Shannon.
(ii) Complete the blank Credit Note No. 23 *on the sheet supplied with this paper.*
(iii) Record the Credit Note issued in the Sales Returns Book of DOORS FOR ALL OCCASIONS Ltd *on the sheet supplied with this paper.* (23)

(40 marks)
Over →

3.

This a Cash Flow Forecast Question.

Answer all parts of this question:

- (A) On the separate sheet supplied with this paper is a partially completed Cash Flow Forecast for HARP Ltd. You are required to complete the forecast for the months of April, May, June and July 2008 together with the total column.

The following information should be taken into account:

- Monthly Cash Sales are expected to increase by 25% beginning in July;
- HARP Ltd expects to receive a loan of €150,000 in May;
- Monthly Cash Purchases are expected to increase by 15% beginning in July;
- Light and Heat is expected to decrease by 25% in the months of May and July;
- Wages are expected to remain the same, except in May, where an additional bonus of €8,000 will be paid;
- New motor vehicles will be purchased in May for €155,000;
- Shareholders will be paid a dividend of €15,000 in July;
- Rent is expected to remain the same every month. (28)

- (B) (i) Name **two** items, other than Cash Sales and loans, that could be entered in the 'Receipts' section of a Cash Flow Forecast.
- (ii) List **two** possible ways a business could deal with a Net Cash deficit in a particular month.
- (iii) Explain a difference between a Cash Flow Forecast and an Analysed Cash Book. (12)

(40 marks)

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

Answer all parts of this question:

The following Trial Balance was extracted from the books of KENNY Ltd on 30 April 2007.
The Authorised Share Capital is 450,000 €1 ordinary shares.

TRIAL BALANCE OF KENNY Ltd as on 30 April 2007	Dr €	Cr €
Purchases and Sales	110,000	300,000
Sales Returns	15,000	
Opening Stock 1/5/2006	8,000	
Carriage Inwards	4,000	
Debtors and Creditors	18,000	32,000
Advertising	6,000	
Rent Receivable		15,000
Bank Overdraft		10,000
Wages	30,000	
Buildings	465,000	
Motor Vehicles	84,000	
Bad Debts	2,000	
Machinery	120,000	
Reserves (Profit and Loss Balance)		55,000
Issued Share Capital : 380,000 €1 Ordinary Shares		380,000
20 Year Loan		70,000
	862,000	862,000

- (A) You are required to prepare the company's **Trading, Profit and Loss Appropriation Account** for the year ending 30 April 2007 and a **Balance Sheet** as on that date.

You are given the following information as on 30 April 2007.

- (i) Closing Stock €17,000
- (ii) Advertising due € 5,000
- (iii) Rent Receivable due € 4,000
- (iv) Dividends declared 14%
- (v) Depreciation: Motor Vehicles 20%; Machinery 12%. (35)

- (B) Explain the term 'depreciation'. (5)

(40 marks)

5. **This a Marketing and Business Plan Question.**

Answer all parts of this question:

- (A) PJM Ltd, a clothing manufacturer, is considering the introduction of a new range of hoodies for teenagers. It intends to carry out market research to find out the following information: colour(s) to be used; price to be charged; retail outlets to sell in. It will use a questionnaire with 200 teenagers throughout Ireland.

*On the separate sheet supplied with this paper, construct **three** suitable questions to provide PJM Ltd with the information it requires.*

Note: Question 1 has been completed as an example. (9)

- (B) Paula and John Murphy are the directors of PJM Ltd. The company plans to produce hoodies for the Irish market. The company is located at 14 Claremorris Road, Balla, Co. Mayo. Mary Carey is the Marketing Manager and Finbarr Ward is the Production Manager. PJM Ltd has its bank account with the Ulster Bank.

There are 800,000 potential customers in the target market.

The two main competitors in the Irish market are COVERMEUP Ltd and HOODWINK Ltd.

PJM Ltd provided the following details for the year ended 31/7/2008:

- Expected cost of producing hoodies is €4,000,000;
- Forecasted sales of hoodies in 2007/8 is 200,000;
- Mark-up is cost plus 30%.

PJM Ltd requires €1,500,000 to go into full production. Paula and John will invest share capital of €500,000. PJM Ltd expects to receive a grant of €450,000 and will borrow the remainder from its bank.

- (i) Calculate the selling price per hoodie and insert your answer *in the relevant section of the Business Plan supplied with this paper.*
- (ii) Name **three** suitable methods of promoting hoodies in the Irish market and insert these methods *in the relevant section of the Business Plan supplied with this paper.*
- (iii) Complete, in full, the remainder of the *Business Plan* using today's date. (31)

(40 marks)

6.

This a question on Report Writing and Assessing a Business.

Answer all parts of this question:

(A) The following **four** ratios are used by JACK Ltd, Tralee Road, Limerick, to assess the performance of its business:

- (i) Rate of Stock Turnover;
- (ii) Rate of Dividend;
- (iii) Return on Capital Employed;
- (iv) Current Ratio.

The directors of JACK Ltd supplied the following information for the year 2006.

	€
Average Stock	17,500
Net Profit	60,000
Cost of Sales	70,000
Dividend Paid	30,000
Current Liabilities	30,000
Current Assets	45,000
Issued Share Capital	300,000
Capital Employed	400,000

Using this information, calculate the **four** ratios for the year 2006. (16)

(B) The relevant figures for 2005 were:

Rate of Stock Turnover	3 times;
Rate of Dividend	20%;
Return on Capital Employed	15%;
Current Ratio	2 : 1.

Assume you are Michael Moran, Financial Adviser, Golf View, Limerick.
Prepare a report, on today's date, for the directors of JACK Ltd comparing and commenting on the performance of the company for 2005 and 2006. (24)

(40 marks)

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