



Coimisiún na Scrúduithe Stáit
State Examinations Commission

JUNIOR CERTIFICATE 2010

MARKING SCHEME

BUSINESS STUDIES

HIGHER LEVEL

Junior Certificate Examination 2010

Business Studies

Higher Level

Marking Scheme and Support Notes for use with the Marking Scheme

In considering this marking scheme the following points should be noted:

The support notes presented are not exclusive or definitive and alternative answers may be acceptable if deemed valid;

They are support notes and not model or suggested answers;

The bookkeeping layout as presented in the support notes may be accepted as best practice. However, in some bookkeeping questions there can be a number of alternative approaches and formats that can be validly used by candidates;

Further relevant points of information presented by candidates are marked and rewarded on their merits.

The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer on the examination paper. Requirements and mark allocations may therefore vary from year to year.

Q.8

(1 + 1 + 1 + 1)

Dr		Creditors Control Account		Cr		
Date	Details	€		Date	Details	€
	Payments/Bank/Cash	17,100		01/05/10	Balance	6,700
31/05/10	Balance c/d	<u>3,800</u>			Purchases	<u>14,200</u>
		20,900				20,900
					Balance b/d	<u>3,800</u>

Or

Creditors Control Account				
Date	Details	Dr	Cr	Balance
		€	€	€
01/05/10	Balance			6,700
	Purchases		14,200	20,900
	Payments/Bank/Cash	17,100		3,800

Q.9 Two reasons for preparing a National Budget:

(2 + 2)

- (i) To estimate their income/revenue/taxation
- (ii) To estimate their expenditure/to put limits on the total to be spent by each Government Department.
- (iii) To estimate if there will be a deficit.
- (iv) To estimate if there will be a surplus
- (v) To calculate the amount of borrowing required.

Q.10 Invoice Extract:

(1 + 1 + 1 + 1)

	€
Total (excluding VAT)	400.00
Trade Discount 12½ %	50.00
Subtotal	350.00
VAT 21%	73.50
Total (including VAT)	423.50

Q.11 Missing elements of the organisational chart:

(1 + 1 + 1 + 1)

- Shareholders
- General Manager/Chief Executive/Managing Director/CEO
- Purchasing Department/ Production Department / Finance Department/
Packaging Department/Transport, Delivery Department/HR/Marketing.

Note: For Irish version of paper accept Board of Directors for second answer

Q.12 Explanation of Import Substitution: Encouraging Irish consumers to purchase Irish goods & services instead of imports (2)

Example: Wood pellets from native trees to replace heating oil.
Taking holidays in Ireland instead of going abroad. (2)

Q.13 Proof of address or example e.g. phone bill, electricity bill
Proof of identity or example e.g. passport, driving licence (2 + 2)

Q.14 Acid Test/Quick Ratio: (4)

<p>Answer: 1.3 : 1</p>

<p>Workings: (2) Current Assets – Stock : Current Liabilities 78,000 - 36,000 : 31,500 42,000 : 31,500</p>

Q.15 **Harty Ltd - Sales Return Book** (1 + 1 + 1 + 1)

Date	Details	CN No.	F	Net €	VAT €	Total €
01/06/10	Williams Ltd	48	DL	2,400	504	2,904

Q.16 **Rights of an employee:** (2 + 2)

- (i) To join a trade union.
- (ii) To be paid the minimum wage/fair wage.
- (iii) Safe working conditions.
- (iv) Annual holidays.
- (v) To be treated equally/no discrimination.
- (vi) Maternity leave.
- (vii) Written contract of employment
- (viii) Protection from unfair dismissal

Q.17

Crowe Ltd - General Journal					(2 + 1 + 1)	
Date	Details	F	Dr	Cr		
			€	€		
	Premises	GL1	605,000			
	Debtors	DL1	54,000			
	Bank overdraft	CB1		25,500		
	Ordinary Share Capital	GL2		633,500		
	Assets, Liabilities & Share Capital of Crowe Ltd on this date.		659,000	659,000		

Q.18

- (i) **Proposal Form:** Application form to be completed when applying for (2) insurance.
- (ii) **Policy:** A document issued by the insurance company to the insured showing details of the cover provided/contract of insurance (2)

Q.19

<i>Business Need</i>	<i>Source of Finance</i>
(i) <i>New van</i>	<i>Hire Purchase</i>
(ii) <i>New computer</i>	<i>Leasing/HirePurchase</i>
(iii) <i>New Stationery</i>	<i>Bank Overdraft</i>
(iv) <i>New Warehouse</i>	<i>Long term loan</i>

(2 + 1 + 1)

Q.20 **Limited Liability:** The owners/shareholders can't be held responsible for the debts of a company; they can only lose their original investment. (4)

SECTION B

QUESTION 1 HOUSEHOLD BUDGET

(A) Budget Comparison Statement for the Casey household for the year 2008

INCOME	Feb	Mar	Apr	May	Total for period Feb – May
	€	€	€	€	€
TOTAL INCOME	2,850	2,850	2,625	2,725	11,050
TOTAL EXPENDITURE	2,425	3,025	2,968	2,167	10,585
Savings	300	300	300	300	1,200
(Total Expenditure & Savings)	2,725	3,325	3,268	2,467	11,785
TOTAL OUTGOINGS					
Net Cash	125	(475)	(643)	258	(735)
Opening Cash	548	673	198	(445)	548
Closing Cash	673	198	(445)	(187)	(187)

(20 @ ½ + 1) = 11

(B)

(i) A budget is:

(2 + 1)

- A financial plan of expected income and expenditure.
- An estimate of future income and expenditure,

(ii) Two reasons for preparing a budget:

(3 + 3) (1 + 2)

- To estimate the income for each month and for the period in total.
- To estimate the expenditure for each month and for the period in total.
- To estimate the whether or not there is a surplus and what might be done with that surplus
- To estimate if there will be a deficit and how it might be eliminated or financed.
- To live within a person's income
- To calculate the closing cash situation for each month.

(iii) Month: March		Amount: €475	(2)
	<u>Or</u>		
April		€643	

(iv) **One way of overcoming the deficit:** (3)

- Cut down on expenditure (can use example)
- Reduce the amount saved.
- Increase and stabilise income per month, example e.g. overtime
- Rearrange expenditure.

(v) **No.** They had an overall deficit of 735 (3)

Or

Yes considering they saved 1200 which could be used to pay off the deficit

(vi) **One place and reasons:** (1 + 2)

- **Answer:** Post Office
- **Reason:** Convenient, state guaranteed, competitive return, no D.I.R.T. on certificates, bonds, and instalment savings, and there's long opening hours. Earn interest

- **Answer:** Credit Union
- **Reason:** Convenient, deposit covered by insurance, can borrow a multiple of one's savings. No D.I.R.T. on the dividends of share accounts. Earn interest. Earn interest.


- **Answer:** Banks or Deposit Account
- **Reason:** Deposit accounts are safe. Access to one's money. Earn interest

- **Answer:** Endowment Assurance policy
- **Reason:** Guaranteed sum if one dies before maturity. The investment earned may grow in value over a long period.

- **Answer:** Shares
- **Reason:** The shares may appreciate in value or earn a dividend.

(C)

(9 marks)

Date	14/02/2010	AIB 93-63-32
To	Park Insurance Ltd	KILLARNEY, CO. KERRY Date 14 th February 2010
Balance b/f	€ 849.00	
Lodgement		Pay Park Insurance Ltd [or order] euro euro euro
Total	849.00	Six hundred and nineteen euro only € 619.00
This Cheque	619.00	ANDY DEVINE
Balance c/f	230.00	 Andy Devine
2614	2614 936332 5678210	

QUESTION 2 CLUB ACCOUNT

(A)

STATEMENT OF ACCUMULATED FUND ON 1/1/2009

(6 @ 1m)

ASSETS			
Yachts	110,000		
Clubhouse	320,000		
Cash	<u>14,000</u>		
		<u>[444,000]</u>	
Less: Liabilities			
Long term Loan		128,500	
Accumulated Fund		<u>315,500</u>	

(B) (i) **RECEIPTS & PAYMENTS ACCOUNT 31/12/2009** (1)

Figures 11 @ 1 mark

		<u>Dr</u> €			<u>Cr</u> €
01/01/09	Balance b/d	14,000		Light & Heat	1,680
	Subscriptions	8,700		Equipment	15,600
	Entry Fees	19,360		General Expenses	3,460
	Sponsorship	850		Regatta Expenses	8,220
	Lotto	2,750		Insurance	1,870
			31/12/09	Balance c/d	14,830
		<u>[45,660]</u>			<u>[45,660]</u>
	Balance b/d	<u>[14,830]</u>			

Total 12 marks

Transposition earns ½ earned marks by figures

Vertical can earn only 1 mark for headings

No adjustments accepted in Receipts & Payments, if so marks lost.

(B) (ii) INCOME & EXPENDITURE ACCOUNT FOR YEAR ENDING 31/12/2009 (1)

INCOME:	€	€	€
Subscriptions	8,700		
<u>Less:</u> Subs. Prepaid	600	8,100	
Regatta Entry Fees	19,360		
<u>Less:</u> Regatta Expenses	8,220	11,140	
Annual Sponsorship		850	
Club Lotto		2,750	[22,840]
LESS EXPENSES:			
Light & Heat	1,680		
<u>Add:</u> Light & Heat Due	210	1,890	
General Expenses		3,460	
Insurance	1,870		
<u>Less:</u> Insurance prepaid	160	1,710	
Depreciation Equipment		2,340	
Depreciation Yachts		11,000	[20,400]
Excess of Income/Surplus			2,440

17

Title with date = 1m, Figures 13 @ 1m, Surplus figure = 2m, Correct detail for own surplus/deficit = 1m

Total 17 marks

- Note:** (i) If no headings are presented the first detail with figure signifies the heading/list.
(ii) In vertical format income first listed otherwise ½ earned marks for figures
(iii) Debit /Credit format the expenses must be on the debit side, if reversed allow half earned marks for figures.

OR ALTERNATIVELY**INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDING 31-12-2009**

EXPENSES	€	€	INCOME	€	€
Light & Heat	1,680		Subscriptions	8,700	
<u>Add:</u> Light & Heat Due	210	1,890	<u>Less:</u> Prepaid	600	8,100
General Expenses		3,460	Regatta Entry	19,360	
Insurance	1,870		<u>Less:</u> Regatta Expenses	8,220	11,140
<u>Less:</u> Insurance Prepaid	160	1,710	Sponsorship		850
Depreciation Equipment		2,340	Club Lotto		2,750
Depreciation Yachts		11,000			
Excess of Income		2440			
		22840			22840

- (C) **ASSETS:** Yachts, Clubhouse, Cash, Insurance prepaid, Equipment. (2 @ 2m)
LIABILITIES: Long term loan, Subscription prepaid, Light and Heat due. (1 @ 1m)

QUESTION 3 ECONOMIC GROWTH, INFLATION AND TRADE QUESTION
(A)

(i) Economic Growth:

(2)

It's an increase in the output/quantity of goods & services produced in an economy from one period to the next.

(ii) Measure of Economic Growth:

(2)

- G.N.P. – Gross National Product
- G.D.P. – Gross Domestic Product

(iii) Two Economic Consequences:

(3 + 3)

- There is less goods & services available for consumption.
- There is less economic activity/spending/cutbacks/factory closures
- There is an increase in unemployment/social welfare payments.
- There is an increase in emigration.
- There is a decrease in Government income/less taxes collected.
- There is an increase in national debt.
- There is an increase in debt default by borrowers.
- Fall in living standards/lower wages.

(B)

(i) Inflation:

(2 + 1)

An increase in the general level of prices of goods and services from one period to the next.

(ii) Measure: C.P.I. – Consumer Price Index

(2)

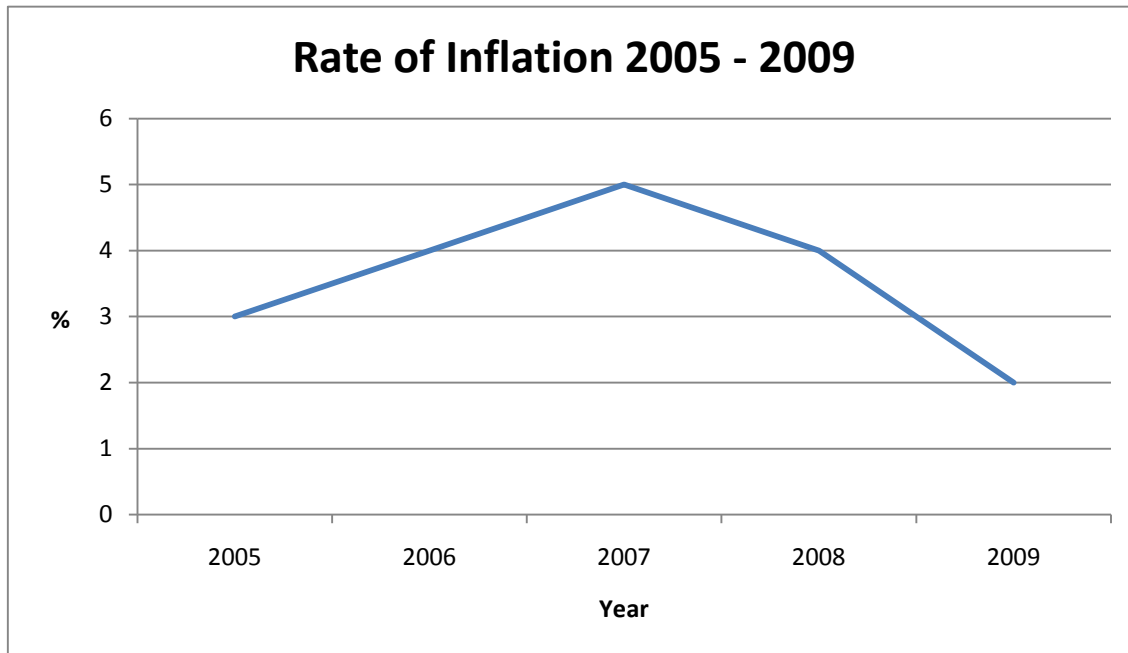
(iii) Two causes:

(3 + 3)

- An increase in the cost of production i.e. materials, wages, rents, energy & interest.
- If demand is greater than supply it will drive up prices.
- An increase in taxation i.e. VAT, excise duty.
- Cost of imported goods may increase i.e. oil.

(iv) Graph

(9)



(v) Two Benefits:

(2 + 2)

- Income will buy more goods & services/increase in standard of living/fall in cost of living.
- Consumers are encouraged to save more.
- An increase in consumer confidence means more goods are purchased.

(C)

(i) Cost of the 'online' iPod: (4)

Answer: €17

Workings:

$$314.65 \div 1.45$$

(2m)

(ii) One consequence:

(2)

- Increase in imports/balance of trade/payments affected/money leaving the country
- Loss of V.A.T. receipts by the Government.
- Increase in customs duty receipts.
- Loss of work for shop assistants/ unemployment/business closures

QUESTION 4 CONSUMER

(A) Letter

(6 + 10 + 2)

Quay Lane,
Wexford.

N.C.T.V. Ltd
Main St.
Enniscorthy,
Co. Wexford.

27th May 2010

Re: Television Purchase Complaint

Dear Sir/Madam,

On the **24th May**, I **purchased** a television in your shop for €280. I enclose a **copy of receipt** as proof of purchase.

While using the television the following day, the television **screen froze** and the television hasn't worked since then. I am unable to solve the problem.

It is obvious that the television is not of merchantable quality. I would appreciate if you would supply me with a perfectly working **new television or a full refund of the price or a repair**.

Should you've any queries, please don't hesitate to contact me.

Yours faithfully, truly, sincerely

Shane Irwin

(B)

(i) Name the Relevant Law: (2)
The Sale of Goods and Supply of Services Act 1980

(ii) Two Principles that have been broken: (2 + 2)

- Goods must be of merchantable quality.
- Goods must be fit for the intended purpose.
- Conform to sample

(iii) Proof of Purchase: (2 + 2)

- Receipt Itemised
- Credit Card Statement/Voucher
- Invoice
- Cleared Cheque
- Delivery note signed.
- Laser card receipt

(iv)

- **False Economy:** (3)
It is the purchase of an item which appeared to be a bargain but turned out to be a waste of money. It is spending money on something intended to save money but in the long term cost money or a good example.

- **Impulse Buying:** (3)
It is buying something which is not part of one's budget. It's buying something on the spur of the moment. It is buying something without considering the financial consequences.

(C) Two Reasons for Consumer Protection: 2 @ (2 + 1)

- Consumers need protection from **goods/services** which are faulty, damaged, poor quality or unsafe.
- Consumers need protection against traders making false claims regarding **prices** e.g. price now €10 was €20, when it was never offered for sale at €20.
- Consumers need protection against traders who provide **misleading information or false advertising** regarding goods or services for sale e.g. describing shoes being made from pure genuine leather when it was made from synthetic leather.
- To protect people against **aggressive selling** e.g. pressuring consumers to buy now as the price will increase tomorrow.
- To protect consumers from exploitation by retailers.

QUESTION 5 PEOPLE AT WORK

(A)

(i) **Explanation:**

Work: Any human productive activity that requires effort. (2)

Whereas:

Employment: Is work for which one receives payment. (2)

(ii) **Two Skills:** 2 x (2 + 1)

- Communication
- Planning and organisational skills.
- Decision-making and management skills.
- Analytical skills and problem solving skills.
- Working as part of a team.
- Working independently of others.
- Punctuality and good timekeeping.
- Awareness of legislation in relation to employment, and health and safety.
- Presentation skills and public relations
- Budgeting & money management skills.
- Computer skills (word, excel, power point, database) and other systems
- Administration skills and telephone skills.

(iii) **Two Reasons for Self-Employment:** (3 + 3)

- Has a good idea or hobby she wishes to turn into a successful business.
- Likes the ideas of risk taking.
- Considers it more financially rewarding/ earn income/keep profits.
- Considers it more motivating and satisfying.
- She likes being her own boss, making her own decisions, deciding her own hours.
- She can't find employment.
- She has the resources i.e. training, skills, experience, capital or Government grant.

(iv) **Two Risks of Self-Employment:** (3 + 3)

- The entrepreneur may lose all the capital invested or may have unlimited liability and have to pay debt incurred from his/her own personal resources.
- The person may have to work long hours to oversee all aspects of the business.
- It may prove stressful and may have health and social consequences.
- Income may be unstable as profit may fluctuate or be non-existent/suffer losses.
- She may not have all the necessary skills/qualifications.

(B)

(i) Tax Credit: (3)

A tax credit reduces the amount of tax payable by the tax payer.

(ii) Two Statutory Deductions: (3 + 3)

P.A.Y.E. – Pay As You Earn
P.R.S.I. - Pay Related Social Insurance
Income Levy
Health Levy

Purpose of any two: (3 + 3)

P.A.Y.E.: To fund the Government (current) expenditure on the running of all government departments e.g. paying wages of public servants.

P.R.S.I.: To pay for social welfare benefits i.e.
Jobseekers benefit/jobseekers allowance,
Old age pension, Disability/injury benefit.
Invalidity/sickness benefit. Maternity and adoptive benefit.
Dental treatment. Optical treatment.

Health Levy: Financial contribution to the health services.

Income Levy: It helps increase the Government finance and to balance the budget. To fund the Government (current) expenditure on the running of all government departments e.g. paying wages of public servants.

(iv) Gross Wage: (3)

Workings:

Basic	220
Commission	24
Total	244

$480 \times 5/100$ (1m)

QUESTION 6 BORROWINGS & SAVINGS

(A)(i)

(24 @ 1/2)

Ballylea Credit Union			
MEMBER EDUCATION LOAN APPLICATION FORM			
MEMBER PERSONAL DETAILS			
Surname	Aherne	Mr, Mrs, Ms.	Mr
First Name	Michael	Male/Female	Male
Occupation	Student		
Employer's/ College Name & Address	Cork IT, Cork		
Home Address	44 Abbey Street Middleton Co. Cork		
Number of years at present address	18 years	EXISTING LOAN:	
Account Type	Share Deposit Account	<i>Please tick appropriate box. ➡</i>	Yes <input type="checkbox"/>
Account Number	2117/19		No <input checked="" type="checkbox"/>
LOAN DETAILS			
Purpose of loan	New Computer for College Work	Amount required	€1,800
Length loan required for	66 Weeks	Weekly repayment	€30
Financial Institution Name & Address	AIB, Middleton, Co. Cork	Method of repayment	Standing Order
Guarantor Name & Address	John Aherne, 44 Abbey Street, Middleton, Co. Cork		
Guarantor Contact Number	087 1794816		
Other credit commitments?		YES <input type="checkbox"/>	<i>(Please tick appropriate box.)</i>
		NO <input checked="" type="checkbox"/>	
CONTACT DETAILS			
Applicant Contact Number	085 4959610		
E-mail address	Michaelaherne@honbeg.ie		
I certify the accuracy of the information given above.			
SIGNATURE	Michael Aherne	DATE	8th December 2009

(ii) Standing Order:

(1 + 1 + 1)

A current account holder **instructs their bank** in writing to pay a **fixed amount** to the account of a stated creditor at **specific times**. The bank will transfer the funds electronically to the account of the creditor.

(iii) Other Suitable Sources of Finance:

(1 + 2)

• **Hire Purchase:**

Get a Hire Purchase company to pay the retailer and Michael would pay the Hire Purchase company a deposit and the balance of the money in fixed monthly instalments of over 3 years usually. He would not become the legal owner until the last instalment was paid.

• **Deferred Payment:**

He could pay the shop a deposit and the balance by monthly instalment over a number of years. He would become the legal owner after paying the deposit.

(iv) Two rights of a Borrower:

(3 + 3)

- Written details of the agreement
- Right to change their mind within 14 days
- To be informed of the APR
- Cash price and total credit price
- The number of instalments
- The amount of each instalment
- To pay off the loan earlier than agreed.

(v)

• **A.P.R.:**

(1 + 2)

Annual Percentage Rate

It is the true rate of interest charged/full cost of borrowing. It is the interest based on a reducing balance.

• **Guarantor:**

(3)

It is a person of good financial standing known to the bank who undertakes to repay a loan for a debtor should the debtor be unable/unwilling to do so.

(B)

(i) **D.I.R.T.** = Deposit Interest Retention Tax (3)

(ii) **Explain the DIRT system:** (2 + 2)

It is a tax on interest earned by deposit accounts. It is **deducted by the bank** at source and **transferred to the Revenue**. The account holder is credited with the net interest.

(iii) **Answer:** €7.50 (3)

Workings: (1)

$$10 \times \frac{25}{100} = 2.5$$

$$10 - 2.5$$

SUPPORT NOTES

Q 1 Book of First Entry, Ledger and Trial Balance of SMITH Ltd (A~C)

Date 2010	Details	F	Total €	Date 2010	Details	F	Total €	Mark
GENERAL LEDGER of SMITH Ltd								
					Machinery A/C			
1/6	Balance B/D	GJ	250,000					1
					Ordinary Share Capital A/C			
				1/6	Balance B/D	GJ	248,000	1
					Wages A/C			
18/6	Bank	ACB	5,000					1
					Purchases A/C			
30/6	Total Net Creditors	PB	30,000					1
30/6	Bank	ACB	26,000					1
			56,000					
					Sales A/C			
				30/6	Total Net Debtors	SB	35,000	1
				30/6	Bank	ACB	60,000	1
							95,000	
					VAT A/C			
30/6	Credit Purchases	PB	6,300	30/6	Credit Sales	SB	7,350	1+1
30/6	Cash Purchases	ACB	5,460	30/6	Cash Sales	ACB	12,600	1+1
30/6	Balance C/D		8,190					1
			19,950				19,950	
				1/7	Balance B/D		8,190	
CREDITORS LEDGER of SMITH Ltd								
					LARKIN Ltd A/C			
20/6	Bank	ACB	25,000	15/6	Purchases	PB	36,300	1+1
30/6	Balance C/D		11,300					1
			36,300				36,300	
				1/7	Balance B/D		11,300	
DEBTORS LEDGER of SMITH Ltd								
					KENNY Ltd A/C			
1/6	Balance B/D	GJ	18,000					1
23/6	Sales	SB	18,150					1
			36,150					

Q 1 continued		DEBTORS LEDGER of SMITH Ltd						
Date 2010	Details	F	Total €	Date 2010	Details	F	Total €	Mark
CLARKE Ltd A/C								
12/6	Sales	SB	24,200	28/6	Bank	ACB	20,000	1+1
				30/6	Balance C/D		4,200	1
			24,200				24,200	
1/7	Balance B/D		4,200					

ANALYSED CASH BOOK (DEBIT SIDE) of SMITH Ltd

Date 2010	Details	Receipt No.	F	Bank €	Sales €	VAT €	Debtors €	Mark
5/6	Sales		GL	72,600	60,000	12,600		3@ 1/2
28/6	CLARKE Ltd	22	DL	20,000			20,000	2@1/2
		(1)		92,600	60,000	12,600	20,000	
1/7	Balance B/D			11,140				

ANALYSED CASH BOOK (CREDIT SIDE) of SMITH Ltd

Date 2010	Details	CH. No.	F	Bank €	Purchases €	VAT €	Creditors €	Wages €	Mark €
1/6	Balance B/D		GJ	20,000					1
8/6	Purchases	1	GL	31,460	26,000	5,460			3@ 1/2
18/6	Wages	2	GL	5,000				5,000	2@1/2
20/6	LARKIN	3	CL	25,000			25,000		2@1/2
				81,460	26,000	5,460	25,000	5,000	
30/6	Balance C/D			11,140					1
		(1)		92,600					

Trial Balance of SMITH Ltd as on 30/6/2010

	DR €	CR €	Mark
Machinery	250,000		1/2
Wages	5,000		1/2
Purchases	56,000		1/2
Bank	11,140		1/2
KENNY Ltd	36,150		1/2
CLARKE Ltd	4,200		1/2
Ordinary Share Capital		248,000	1/2
Sales		95,000	1/2
VAT		8,190	1/2
LARKIN Ltd		11,300	1/2
	362,490	362,490	

Marks Summary

Item	Mark
Ledger	20
Analysed Cash Book	10
Trial Balance	5
Dates	3
Folios	2
Total	40

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

(Ai)

Suitable Method of Checking Credit Rating Any two methods & @ 3 marks each		Mark
1	Ask for a Trade Reference, from some other business who sold this new customer goods on credit, which will state that payment was made in full.	3
2	Ask for a Bank Reference, from the new customer's bank manager, which will state that this customer has always being in good standing with the bank	3
Other Method	Use a Status Enquiry Service who could carry out checks on this customer	

(Aii)

Impact on Net Profit of the Non Payment for Sales One Impact @ 3 marks	Mark
There will be a reduction in the Net Profit of the business because the non payment will be treated as a bad debt i.e. an expensive mistake giving credit to an unsuitable customer.	3

(Bi)

Process for Statements Issued Any three of the following @ 2 marks each		Mark
1	Check that the name and address of the debtor/ customer is correct	2
2	Check that the details are the same as in the Debtors Ledger	2
3	Check that all the calculations are correct	2
4	File a copy of the Statement Issued	

(Bii) See over

(Biii) See over

(Biv) see over

Q 2 contd.

Q 2 contd

QUESTION 2 (B ii) (14 Marks)

STATEMENT					No. 33	Mark
KEOGH LTD, 10 Bridge Street, Navan						
To : <i>HOGAN Ltd*</i>		Tel. 046 9028311		1		
<i>10 Bridge Street</i>		VAT Reg. No. 1E 55365				
<i>Navan</i>		Account No. 6767		1		
		Date: 31/5/2010				
DATE	DETAILS	DEBIT €	CREDIT €	BALANCE €		
1/5/2010	Balance			1,350	2	
2/5/2010	Invoice No. 4	24,200		25,550	1+1	
16/5/2010	Credit Note No. 56		7,260	18,290	1+1	
28/5/2010	Payment Receipt No. 17		15,000	3,290	1+3	
				↑ Amount Due		
1	1				Mark	

*Allow full marks for Hogan Ltd

QUESTION (Biii) (5 MARKS)

KEOGH Ltd, 10 Bridge Street, Navan			Mark
RECEIPT		No. 17	
Date: 28/5/2010			1
Received from: <i>HOGAN Ltd, 10 Bridge Street, Navan, Co. Meath</i>		€15,000	1
The Sum of: <i>Fifteen thousand euro</i>			1+1
With Thanks	Signed: <u>Andy Keogh</u>	(Accounts Department)	1

QUESTION 2(Biv) (6 MARKS)

Analysed Cash Book of KEOGH Ltd

Date	Details	Receipt No.	F	Bank €	Debtor €	
28/5/2010	<i>HOGAN Ltd</i>	17	DL	15,000	15,000	
1	1	1	1	1	1	Mark

Q 3. This is a Business Insurance and Report Question
(Ai,ii,iii) (31 marks)

REPORT FORMAT		Mark
FROM :	Martin Kelly, New bridge Road, Waterford	<i>1</i>
TO :	<i>Mary Greene, 13 Onion Road, Carlow</i>	<i>1</i>
REPORT TITLE	<i>Answers to Insurance Questions</i>	<i>1</i>
DATE :	<i>15 June 2010</i>	<i>1</i>
INTRODUCTION	<i>Further to your enquiry re insurance for your business please find my answers set out below</i>	<i>1</i>
MAIN BODY-ANSWERS TO QUESTIONS	(i) <i>Adequate insurance is important so that all possible risks are insured for the correct amounts.</i>	<i>4</i>
	(ii) <i>Motor insurance is required by law*</i>	<i>3</i>
	(iii) <i>Public Liability in case a customer might make a claim against the business.</i> <i>Theft insurance in case goods are stolen.**</i>	<i>3+2</i> <i>3+2</i>
	(iv) Two non insurable risks include: <i>Deliberate Damage by the owners of the business</i> <i>Loss due to bad management and mistakes</i>	<i>3</i> <i>3</i>
FOLLOW UP	<i>I am available to discuss any questions that you may have re the above</i>	<i>1</i>
SIGNED BY	<i>Martin Kelly</i>	<i>1</i>
POSITION/ TITLE OF REPORT WRITER	<i>Insurance Consultant</i>	<i>1</i>

* Candidates can also give PRSI as a type of insurance required by law.

** Candidates can also give the following types of insurance with reasons:
 Bad Debts insurance, Goods in Transit, Fire insurance,
 Fidelity insurance, Cash in Transit, Employer's Liability.

Q 3 (B)

Answer	Mark
€120,000	5

If the answer is incorrect then award marks for Workings as follows

Formula	Workings	Mark
$\frac{\text{Sum Buildings Insured For X Damage}}{\text{Value of Buildings}}$	$\frac{€600,000 \times €160,000}{€800,000}$	<i>2+2</i>

Explanation of answer	Mark
The buildings were only insured for 75% of their value so they were underinsured. The insurance company would only pay compensation for 75% of the damage i.e. €120,000.	<i>4</i>

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

(A)

		<i>1½</i>	<i>+1</i>	<i>+1½</i>	Mark
Trading, Profit and Loss Appropriation Account of REILLY Ltd for the year ended 31/12/ 2009					(19)
		€	€	€	
	Sales			270,000	<i>½</i>
	Less Cost of Actual Sales				
1/1/2009	Opening Stock		18,000		<i>½</i>
	Purchases		133,200		<i>½</i>
	Carriage Inwards	5,000			<i>½</i>
	Add Carriage Inwards due	500	5,500		<i>½+½</i>
	Cost of Sales Available for Sale		156,700		<i>0</i>
31/12/2009	Less Closing Stock		25,000	131,700	<i>½ + 0</i>
	Gross Profit			138,300	<i>1</i>
	Add Gains				
	Rent Receivable		2,800		<i>½</i>
	Add Rent Receivable due		1,000	3,800	<i>½+ ½</i>
				142,100	<i>0</i>
	Less Expenses				
	Insurance	6,400			<i>½</i>
	Less Insurance Prepaid	400	6,000		<i>½+½</i>
	Advertising	54,000			<i>½</i>
	Add Advertising Due	300	54,300		<i>½+½</i>
	Depreciation : Buildings	40,000			<i>½</i>
	Motor Vehicles	7,200	47,200	107,500	<i>½+½+0</i>
	Net Profit			34,600	<i>3</i>
	Less Dividends Declared			14,000	<i>½</i>
				20,600	<i>0</i>
	Add Opening Reserves			98,000	<i>½</i>
	Reserves			118,600	<i>½</i>

Alternative Presentation of figures where Expenses are Deducted before Adding Gains

			Mark
Gross Profit		138,300	<i>1</i>
Less Expenses		107,500	<i>4½</i>
		30,800	<i>0</i>
Add Gains	2,800 plus 1,000	3,800	<i>1½</i>
Net Profit		34,600	<i>1</i>

Q 4 (A) contd.

	½	+ 1	+½	Mark
Balance Sheet of REILLY Ltd as on 31 /12/ 2009				(16)
	€	€	€	
Fixed Assets	Cost	Depreciation	NBV	
Land	140,000	-----	140,000	½+½
Buildings	400,000	40,000	360,000	½+½+½
Motor Vehicles	90,000	7,200	82,800	½+½+½
Total Fixed Assets	630,000	47,200	582,800	½+½+½
Current Assets				
Closing Stock	25,000			½
Debtors	31,000			½
Cash	22,500			½
Insurance prepaid	400			½
Rent Receivable due	1,000	79,900		½+0
Less Current Liabilities				
Creditors	24,300			½
Advertising due	300			½
Bank Overdraft	4,000			½
Carriage Inwards due	500	29,100		½+0
Working Capital			50,800	0
Total Net Assets			633,600	½
Financed By	Authorised	Issued		
600,000 € ordinary shares	600,000	360,000		1+1
Add Reserves		118,600		½
Add Long Term Liabilities				
30 Year Loan		155,000		½
Capital Employed			633,600	½

(B)

Three suitable types of advertising furniture @ 2+2+1

	Suitable types of advertising furniture	Mark
1	Television;	<i>2 or 1</i>
2	Cinema;	<i>2 or 1</i>
3	Colour Magazines	<i>2 or 1</i>
Other	Billboards	

Marks Summary

Item	Marks
(A) Trading, Profit and Loss Appropriation Account	<i>17½</i>
Balance Sheet	<i>16½</i>
Presentation	<i>1</i>
Total	<i>35</i>
(B)	<i>5</i>
Total for question	<i>40</i>

Q 5 This a Delivery System and Wages Question

A (i) Three factors @ 2 marks each

	Three Factors that should be considered when deciding on a suitable delivery system	Mark
1	Type of goods being transported	2
2	Value of goods being transported	2
3	Cost of delivery system	2
Other	Location of customer/ Destination, Safety/Security; Speed / Urgency	

A (ii) Two developments named @ 2 marks each

	Modern Developments in Delivery Systems in Ireland	Mark
1	Tool Roads/ Bridges/ Bypasses	2
2	Port Tunnel	2
Other	Barrier Free Toll Roads ; Luas / Extension to Luas lines; Bicycle Lanes; New Trains e.g. Train to Donboyne; Quality Bus Corridors; New Gas Pipe line; New newer alcohol limits for drivers	

(B) Cost of Transport for one day

Section	Answer	Workings	Mark
B(i)	€ 22	<u>700 klms</u> = 20 litres;	2
		35 litres 20 litres X €1.10 = €22	3
B(ii)	€250	<u>Driver Wages €850</u> =	€170
		5 days	
		<u>Helpers Wages €100</u> =	€ 80
		5 days	2
		Total Cost of Labour	€250
			2
B(iii)	€ 17	Insurance <u>€2,560</u> =	€
		320 days	
		Motor Tax <u>€1,600</u> =	€
		320 days	
		Motor Repairs <u>€1,280</u> =	€
		320 days	2
		Total Cost	= €17
			1
B (iv)	€329	Total Cost of Transport for One Day	
		Diesel	€ 22
		Labour	€250
		Daily Annual Costs	€ 17
		Toll	€ 40
		Total Cost	€329
			1
			1
			1
			1
			2

Q 5 (C) contd.

Wages Book of FASTFLOW Ltd

Week No.	Employee's Name	Gross Wage	Deductions				Net Wage	Mark
			PAYE	PRSI	Pension	Total		
		€	€	€	€	€		
1	Mary Harte	850	210	51	34	294	555	1+1+0+1
	Luke Kidney	400	100	24	16	140	260	1+1+0+1

Q. 6 This is a Cash Flow Forecast Question

In part (B) there was an error of omission in Payments for April in which the figure for equipment of €30,000 was inadvertently omitted. There was also a typographical error in the Total Payments for April where the figure given should have read €69,500 instead of €69,000. These errors affected parts (B) and (C) of the question. The marking scheme takes account of these errors so that candidates are not disadvantaged.

(A) Two reasons outlined @ 3 marks each

	Reasons	Mark
1	To find out if a business can live within its means	3
2	To find out if there will be any liquidity problems in the future	3
Other	To find out the timing and or amounts of any future shortfalls; Necessary for obtaining Investment; Necessary for obtaining Loans / Overdrafts Needed as part of Business Plan	

(B)

Cash Flow Forecast of MORGAN Ltd for the Period March to August 2011

	March €	April €	May €	June €	July €	August €	Total Mar. to Aug. €	Mark
RECEIPTS								
Sales	40,000	40,000	40,000	40,000	40,000	48,000	248,000	2
Share Capital				210,000			210,000	1
EU Grant			20,000			20,000	40,000	1
A. Total Receipts	40,000	40,000	60,000	250,000	40,000	68,000	498,000	0
PAYMENTS								
Wages	10,500	10,500	10,500	10,500	10,500	10,500	63,000	1
Purchases	24,000	24,000	24,000	24,000	24,000	27,600	147,600	2
Loan Repayments	3,000	3,000	3,000	3,000			12,000	2
Equipment					35,000		35,000	1
Dividend					18,000		18,000	1
Advertising	2,000	2,000	2,000	2,000	2,000	1,840	11,840	2
B. Total Payments	39,500	69,000	39,500	39,500	89,500	39,940	287,440	0
C. Net Cash (A-B)	500	(29,500)	20,500	210,500	(49,500)	28,060	210,560	5
D. Opening Cash	4,200	4,700	(24,800)	(4,300)	206,200	156,700	4,200	5
E. Closing Cash (C+D)	4,700	(24,800)	(4,300)	206,200	156,700	184,760	214,760	5

The solutions given in the marking scheme are based on the printed figures. In order to ensure that candidates are not disadvantaged, accept Own Figures for all figures (except €4,200 in Total March to August Column) to Total in C, D and E, provided the procedure is correct.

(C) New Closing Cash Figure for August = Own figure for Closing Cash less €18,000

As a result of the error referred to above, and to ensure that candidates are not disadvantaged as a result, accept candidates Own Figure for Closing Cash less €18,000 for full marks (6).

Answer	Workings	Mark
€ Own Figure	€Own Figure- €18,000	6

