



**Coimisiún na Scrúduithe Stáit**  
*State Examinations Commission*

**JUNIOR CERTIFICATE 2009**

**MARKING SCHEME**

**BUSINESS STUDIES**

**PAPER 2**

**HIGHER LEVEL**

# **Junior Certificate Examination 2009**

## **Business Studies**

### **Higher Level – Paper 2**

#### **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.

**JUNIOR CERTIFICATE EXMINATION 2009**

**BUSINESS STUDIES – HIGHER PAPER**

**PAPER 2**

(160 marks)

All questions carry equal marks (40 marks)

**DRAFT MARKING SCHEME**

**Q 1 Books of First Entry, Ledger and Trial Balance**

(A)	Sales Book	4	
	Purchase Book	<u>2½</u>	6½ marks
(B)	Analysed Cash Book		9 marks
(A~C)	Ledger		17 marks
	Trial Balance		4 marks
(A~D)	Presentation		
	Dates	2 marks	
	Folios	<u>1½ marks</u>	<u>3 ½ marks</u>
			<b>(40 marks)</b>

**Q 2 Purchasing, Business Documents and Bookkeeping**

(A) (i&ii)			10 marks
(B)	Order Form Completion		11 marks
(C)	Credit Note Completion	12 marks	
	Sales Returns Book	<u>7 marks</u>	<u>19 marks</u>
			<b>(40 marks)</b>

**Q 3 Marketing**

(A)	Correct selling price		4 marks
(B)	Two explanations with examples		8 marks
(C)	Information & presentation of Advertisement		16 marks
(B)	Three methods of promotion ( <b>other than</b> advertising)		<u>12 marks</u>

**(40 marks)**

**Q 4 Final Accounts and Balance Sheet**

(A)	<b>Trading, Profit and Loss Appropriation Account</b>	18 marks	
	<b>Balance Sheet</b>	<u>17 marks</u>	35 marks
(B)	<b>Two</b> appropriate methods stated		<u>5 marks</u>
			<b>(40 marks)</b>

**Q 5 Report Writing, Business Terms and Assessing a Business**

(A)	<b>Three</b> terms explained	9 marks	
	<b>Report layout</b>	<u>11 marks</u>	20 marks
(B)	(i) <b>Four</b> correct calculations	16 marks	
	(ii) <b>Four</b> comparisons	<u>4 marks</u>	<u>20 marks</u>
			<b>(40 marks)</b>

**Q 6 Forms of Ownership and Company Formation**

(A)	(i) <b>Explanation of</b> co-operative	3 marks	
	(ii) Example of co-operative in <b>financial</b> sector	<u>2 marks</u>	5 marks
(B)	<b>Four</b> comparisons		12 marks
(C)	(i) <b>Two</b> documents	4 marks	
	(ii) <b>Seven</b> entries in Memorandum	13 marks	
	(iii) <b>Ledger</b>	<u>6 marks</u>	<u>23 marks</u>
			<b>(40 marks)</b>

## SUPPORT NOTES

### Q 1 Books of First Entry, Ledger and Trial Balance Question

(A)

#### SALES BOOK of CLARKE Ltd (page 1)

Date	Details	Invoice	F	Net €	VAT €	Total €
1/3/2009	TREE Ltd	4	DL	24,000	5,160	29,160
2/3/2009	BARK Ltd	5	DL	19,000	4,085	23,085
				43,000	9,245	52,245

GL                      GL

(A)

#### PURCHASES BOOK of CLARKE Ltd (page 1)

Date	Details	Invoice No.	F	Net €	VAT €	Total €
3/3/2009	WOOD Ltd	74	CL	15,000	3,225	18,225

GL                      GL

(B)

#### ANALYSED CASH BOOK of CLARKE Ltd (Debit Side) (page 1)

Date	Details	Rec. No.	F	Bank €	Sales €	VAT €	Debtors €
4/3/2009	Sales		GL	78,975	65,000	13,975	
8/3/2009	BARK Ltd	34	DL	16,000			16,000
				94,975	65,000	13,975	16,000
1/4/2009	Balance B/D			35,380			

(B)

#### ANALYSED CASH BOOK of CLARKE Ltd (Credit Side) (page 1)

Date	Details	Ch. No.	F	Bank €	Purchases €	VAT €	Insurance €	Creditors €
2/3/2009	Insurance	56	GL	7,500			7,500	
5/3/2009	Purchases	57	GL	40,095	33,000	7,095		
9/3/2009	WOOD Ltd	58	CL	12,000				12,000
				59,595	33,000	7,095	7,500	12,000
31/3/2009	Balance C/D			35,380				
				94,975				

#### ALTERNATIVE BANK ACCOUNT of CLARKE Ltd if Separate Cash Books are used

Date	Details	F	Total €		Date	Details	F	Total €
			<b>Bank A/C (P1)</b>					
31/3/2009	Receipts	ACB	94,970		31/3/2009	Payments	ACB	59,595
					31/3/2009	Balance C/D		35,380
			94,975					94,975
1/4/2009	Balance B/D		35,380					

**Q 1 continued**  
**LEDGER for (A, B and C)**

Date	Details	F	Total €	Date	Details	F	Total €
2009				2009			
<b>DEBTORS LEDGER</b>							
<b>TREE Ltd A/C (p1)</b>							
1/3	Sales	SB	29,160				
<b>BARK Ltd A/C (p2)</b>							
2/3	Sales	SB	23,085	8/3	Bank	ACB	16,000
				31/3	Balance C/D		7,085
			23,085				23,085
1/4	Balance B/D		7,085				
<b>CREDITORS LEDGER</b>							
<b>WOOD A/C (p1)</b>							
9/3	Bank	ACB	12,000	3/3	Purchases	PB	18,225
31/3	Balance C/D		6,225				
			18,225				18,225
				1/4	Balance B/D		6,225
<b>GENERAL LEDGER</b>							
<b>Purchases A/C (p1)</b>							
31/3	Total Net Purchases	PB	15,000				
31/3	Bank	ACB	33,000				
			48,000				
<b>Sales A/C (p2)</b>							
				31/3	Total Net Debtors	SB	43,000
				31/3	Bank	ACB	65,000
							108,000
<b>VAT A/C (p3)</b>							
31/3	Credit Purchases	PB	3,225	31/3	Cash Sales	ACB	13,975
31/3	Cash Purchases	ACB	7,095	31/3	Credit Sales	SB	9,245
31/3	Balance C/D		12,900				
			23,220				23,220
				1/4	Balance B/D		12,900
<b>Insurance A/C (p5)</b>							
2/3	Bank	ACB	7,500				

Q 1 continued

(C)

Trial Balance of CLARKE Ltd as on 31/March 2009

	<b>Dr.</b> €	<b>Cr.</b> €
TREE Ltd	29,160	
BARK Ltd	7,085	
WOOD Ltd		6,225
Purchases	48,000	
Sales		108,000
VAT		12,900
Insurance	7,500	
Bank	35,380	
	<b>127,125</b>	<b>127,125</b>

**Q 2 Purchasing, Business Documents and Bookkeeping Question**

(A) (i) Any **three** pieces of information, other than price, trade discount and rate of VAT from :

- Description of Goods / model numbers/ Quantity;
- Terms /Methods of Payment/ Delivery Date/Delivery Arrangements/Cash Discount;
- Date the Quotation is valid for/ Date of Quotation;
- Quotation Number;
- Name and Address of Seller (sender) / Name and Address of Buyer;
- Signature of Sales Manager/person
- Telephone No / Fax Number / Email Address/ VAT Number.

(ii) Any **two** procedures from :

Compare with letter of enquiry e.g. accuracy of details;

Compare with other quotations;

File the quotation;

Check date the quotation is valid for.

(B & C) see Page 6 over



**For use with Q 2(B)**

<b>CASEY FOOTWEAR Ltd</b> 19 Dublin Street, Sligo		<b>ORDER No. 45</b>	
Telephone: 071 9151322 e-mail: cyfootw@hotmail.com		VAT Reg. No. IE 4554678	
FEETRIGHT Ltd 30 Castlebar Rd Ballina Co. Mayo		Date: 19/5/2009	Quotation No.: 72
QUANTITY	DESCRIPTION	PRICE EACH €	
60	White trainers assorted sizes	50	
30	Green Wellingtons assorted sizes	20	
10	House shoes assorted sizes	10	
Goods to be delivered to the above address within 15 days Signature <u>Matilda Casey</u> Position <u>Purchasing Manager</u>			

**For use with Q 2 (C) (i)**

<b>FEETRIGHT Ltd</b> 30 Castlebar Rd, Ballina, Co. Mayo		<b>CREDIT NOTE No. 32</b>	
Telephone: 09624223 e-mail: feetrigh@eircom.net		VAT Reg. No. IE 3267891	
CASEY FOOTWEAR Ltd 19 Dublin Street, Sligo		Date: 4 June 2009	Order No.: 45
QUANTITY	DESCRIPTION	PRICE EACH €	TOTAL €
10	Trainers	50	500
	Trainers were yellow instead of white		
Total (Excluding VAT)			500
Trade Discount			100
Subtotal			400
VAT			86
E &OE Total (Including VAT)			486

**For use with Q 2 (C) (ii)**

Sales Returns Book of FEETRIGHT Ltd						
Date	Details	Credit Note No.	F	NET €	VAT €	Total €
4/6/2009	CASEY FOOTWEAR Ltd	32	DL	400	86	486

**Q 3 Marketing Question**

(A) €507

<b>Workings</b>	Cost price	€390
	+ Markup 30% of €390 =	<u>€117</u>
	= Selling Price	€507

(B)

Method	Explanation	Example
Desk Research *	Use Existing Information	Reports, Internet, Own Files, CSO / Government Publications, Magazines/ Newspapers,
Field Studies **	Obtain New Information	Questionnaires, Surveys, Interviews- Face to face or telephone, Observation,

\* Secondary Research, \*\* Primary Research

(C) There are **four** points of information required in the advertisement. Additional marks are given for Presentation of Advertisement in an eye catching manner.

Piece of Information	Example
Name of Company	<i>ONYOURBIKE Ltd</i>
Name of Product	<i>FUB4U</i>
Environmental point	<i>Leave your car behind. Cycle to work on the bike you can bring on the bus or train.</i>
Selling Price	<i>€507</i>
Features	<i>Comes in five different colours and three sizes.</i>
Assembly and weight	<i>Takes 20 seconds to assemble and weighs 8 kilos.</i>
Where to purchase	<i>All good bicycle shops</i>
Date of launch	<i>1 July 2009</i>
Availability	<i>Available in shops from 2 July onwards.</i>
Competitor	<i>BREAKDOWNBIKES Ltd only offer one size and one colour and costs €600</i>

(D) **Three** methods of promoting the new FUB4U, other than by advertising, :

<b>Method</b>	<b>Explanation</b>
Sponsorship	Businesses supporting teams and events and in return having their names and logos displayed.
Seminars	Holding information days on being more environmentally friendly or fitter.
Competitions	Hold quizzes to raise interest in the new bicycle.
News briefing /interviews/PR	Using the media to promote their bicycle e.g. business section of news programmes/ paper/ internet
Open days in shops	Inviting customers to visit bicycle shops to see and test cycle the bicycle.
Government backing	Ask the Minister for the Environment to launch it

**Q 4 Final Accounts and Balance Sheet Question**

(A)

**Trading, Profit and Loss Appropriation Account of BROWN Ltd for year ended 31 May 2009**

		€	€	€
	Sales			280,000
	<b>Less Cost of Actual Sales</b>			
1/6/08	Opening Stock		16,000	
	Purchases	116,000		
	Less Purchases returns	6,000	110,000	
	Carriage Inwards	2,500		
	Less Carriage Inwards Prepaid	500	2,000	
	Cost of Goods Available for Sale		128,000	
31/5/09	Less Closing Stock		19,000	109,000
	<b>Gross Profit</b>			171,000
	<b>Add Gains</b>			
	Commission Receivable		3,200	
	Add Commission Receivable Due		1,400	4,600
				175,600
	<b>Less Expenses</b>			
	Advertising	8,000		
	Add Advertising Due	1,600	9,600	
	Wages		28,000	
	Bad Debts		3,600	
	Depreciation : Motor Vehicles	8,000		
	Equipment	18,000	26,000	67,200
	Net Profit			108,400
	Less Dividends Declared			33,600
	<b>Reserves</b>			<b>74,800</b>

<b>Alternative Presentation</b> of figures where Expenses are Deducted before Adding Gains	
Gross Profit	171,000
Less Expenses	67,200
	103,800
Add Gains €3,200 €1,400	4,600
Net Profit	108,400

**Q 4 (A) continued**

**Balance Sheet of BROWN Ltd as on 31May 2009**

	€	€	€
<b>Fixed Assets</b>	<b>Cost</b>	<b>Depreciation</b>	<b>NBV</b>
Buildings	330,000	-----	330,000
Motor Vehicles	80,000	8,000	72,000
Equipment	150,000	18,000	132,000
<b>Total Fixed Assets</b>	<b>560,000</b>	<b>26,000</b>	<b>534,000</b>
<b>Current Assets</b>			
Closing Stock	19,000		
Debtors	19,000		
Cash	7,800		
Commission Receivable Due	1,400		
Carriage Inwards Prepaid	500	47,700	
<b>Less Current Liabilities</b>			
Creditors	15,700		
Bank Overdraft	6,000		
Advertising Due	1,600		
Dividends Declared Due	33,600	56,900	
<b>Working Capital</b>			<b>(9,200)</b>
<b>Total Net Assets</b>			<b>524,800</b>
<b>Financed By</b>	<b>Authorised</b>	<b>Issued</b>	
500,000 €l ordinary shares	500,000	420,000	
Add Reserves		74,800	
<b>Add Long Term Liabilities</b>			
20Year loan		30,000	
<b>Capital Employed</b>			<b>524,800</b>

(B) Any **two** methods of reducing bad debts from :

Ask the customer to obtain a Bank Reference or Trade Reference before selling goods on credit;

Stop selling goods on credit;

Limit the amount of Credit Given to the buyer;

Give cash discounts to encourage prompt payment;

Charge interest on overdue accounts.

**Q 5 Report Writing, Business Terms and Assessing a Business Question**

(A)

**Report**

14 Quay Street Waterford	
9 June 2009	
<i>Explanation of Business Terms</i>	
Mr. Martin Kelly, 10 Laoise Street, Carlow	
<i>Further to your enquiry re explanation of business terms in the daily newspaper please find my answers below.</i>	
<p><b>Issued Share Capital</b> This is the amount of finance that a limited company has raised to date from issuing shares to its shareholders (owners).</p> <p><b>Collateral</b> This is the security that a business offers to a bank when it looks for a loan. If the business cannot pay back the loan the bank can takeover the item the loan was secured against. Land and Buildings are examples of security.</p> <p><b>Overtrading</b> This is where a company has a negative working capital i.e. Current Liabilities are greater than Current Assets. <b>OR</b> The company relies too heavily on Creditors and Bank Overdrafts when it should be obtaining more share capital or long term loans.</p> <p>Solvency This is the ability of a company to pay all its debts as they fall due for payment. <b>OR</b> A company is solvent if all of its assets (current and fixed) are <u>greater than</u> its liabilities (current and long term).</p>	
<i>I am available to answer any further questions re the above that you may have.</i>	
<b>Brenda Nolan</b>	
<i>Finance Consultant</i>	

*Note only **three** of the above business terms have to be explained in the report.*

**(Bi) see page 12**

**Q 5(Bi)**

<b>Ratio</b>	<b>Answer</b>
Rate of Stock Turnover	<i>5 times</i>
Net Profit Percentage	<b>15 %</b>
Acid test Ratio	3.1 : 1
Return on Capital Employed	<b>6 %</b>

**Q 5 (Bi) Workings**

<b>Ratio</b>	<b>Formula</b>	<b>Workings</b>	<b>Answer</b>
Rate of Stock Turnover	$\frac{\text{Cost of Sales}}{\text{Average Stock}}$	$\frac{€150,000}{€30,000}$	5 times
Net Profit Percentage	$\frac{\text{Net Profit} \times 100\%}{\text{Net Sales}}$	$\frac{€15,000 \times 100\%}{€300,000}$	15%
Acid test Ratio	CA minus Closing Stock : CL	€340,000: €110,000	3.1 : 1
Return on Capital Employed	$\frac{\text{Net Profit} \times 100\%}{\text{Capital Employed}}$	$\frac{€15,000 \times 100\%}{€750,000}$	6%

**Note :** C A = (Current Assets), C L= (Current Liabilities)

**Note :** Average Stock =  $\frac{\text{Opening Stock} + \text{Closing Stock}}{2} = \frac{€40,000 + €20,000}{2}$

**Q 5(Bii) Comparison between 2009 and 2008 ratios**

<b>Ratio</b>	<b>Comparison</b>
Rate of Stock Turnover	Both years had <b>the same</b> rate of Stock Turnover
Net Profit Percentage	2009 had a <b>3% higher</b> Net Profit Percentage than in 2008
Acid Test Ratio	2009 had a <b>0.4 lower</b> Acid Test Ratio than in 2008
Return on Capital Employed	2009 had a <b>2% higher</b> Return on Capital Employed

**Q 6 Form of Ownership and Company Formation Question**

(A) (i) A co-operative is a business owned and managed by its members for the members' benefit. **OR**  
A co-operative is a business where each member has one vote and an equal say in the running of the business regardless of how much they invest in the business.

(ii) A Credit Union is an example of a cooperative in the financial sector.

(B) Comparison of Sole Traders and Private Limited Companies

<b>Comparison Headings</b>	<b>Sole Trader</b>	<b>Private Limited Company</b>
<b>Ownership</b>	1 person	Between <b>1 and 50</b> shareholders
<b>Liability</b>	Owner has <b>Unlimited</b> Liability	Shareholders have <b>Limited</b> Liability.
<b>Control</b>	Owner has <b>complete</b> control	Controlled is <b>shared</b> . Those with the most shares make the decisions.
<b>Profits</b>	Owner <b>keeps all</b> the profits	Profits are <b>shared between</b> 1 to 50 shareholders (called dividends).

(C) (i) Any **two** documents, from below, to be inserted in space provided on page 14:

Articles of Association;

Form A1 **OR any of the following**

Declaration of Compliance with Company Act;

Statement of Nominal Share Capital;

Statement of Consent to become a director.

(C) (ii) see Page 14 over



**For use with Q 6(C) (i)**

Sample answer

<b>1</b>	<i>Articles of Association</i>
<b>2</b>	<i>Declaration of Compliance with Company Act</i>

**For use with Q 6(C) (ii)**

<b>MEMORANDUM OF ASSOCIATION</b>	
<b>1.</b>	<b>The Name of the Company is</b> <u>WESTHURL Ltd</u>
<b>2.</b>	<b>The Objects for which the Company is established are:</b> <u>Manufacture and Sale of Hurleys</u>
<b>3.</b>	<b>The Liability of the members is</b> <u>Limited</u>
<b>4.</b>	<b>The Share Capital of the Company is</b> <u>€300,000</u> <b>divided into</b> <u>300,000 €1 ordinary shares</u>
<p>We the several persons whose names. Addresses and descriptions are subscribed wish to be formed into a Company in pursuance of the Memorandum of Association and we agree to take the number of shares in the Capital of the Company set opposite our names.</p>	
Name, Address of each Subscriber	Number of Shares taken by each subscriber
Nora Clarke,	45,000
26 Nutley Park,	
Galway	
Patrick Canning,	50,000
Portumna,	
Co. Galway	
<b>Date : <u>1 June 2009</u></b>	

**For use with Q 6 (C) (iii)**

**LEDGER of WESTHURL Ltd**

Date	Details	F	Total €	Date	Details	F	Total €
<b>Ordinary Share Capital A/C (p.1)</b>							
				10/6/09	Bank	ACB	95,000
<b>Bank A/C (p.2)</b>							
10/6/09	Ord. Share Capital	GL	95,000				