



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Junior Certificate 2015

Marking Scheme

Business Studies

Higher Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.



**Coimisiún na Scrúduithe Stáit
State Examinations Commission**

JUNIOR CERTIFICATE EXAMINATION 2015

BUSINESS STUDIES – HIGHER LEVEL – PAPER I

Marking Scheme and Suggested Solutions

SECTION A

(80 marks)

Answer all 20 questions. Each question carries 4 marks.

1. Visual Display Unit

World Wide Web

Central Processing Unit

2.

Oral Communication:	Meetings, seminars, telephone, intercom, social media
Written Communication:	Email, business documents, sms messaging, memo, report, newsletter, notice boards, intranet

3. (i) Fixed Assets (ii) €129,000 (iii) Working Capital

4.

Answer:	(2)
	15%

Workings:	(2)
Net profit = 160,000 – 64,000 = 96,000	
$\frac{96,000}{640,000} \times \frac{100}{1} = 15\%$	

5. Explain the term 'Actuary':

An Actuary is: A financial professional who analyses risk/outcome and uncertainty which is then used in the calculation of insurance premiums.

6.

(i) Purchases A/c

Dr			Cr		
Date	Details	€	Date	Details	€
2015 June 5	(ii) Bank	1,700			

(iii) Bank A/c

Dr			Cr		
Date	Details	€	Date	Details	€
			2015 June 5	(iv) Purchases	1,700

7.

Dr Debtors Control Account Cr					
Date	Details	€	Date	Details	€
01/05/15	Balance b/d	5,900		Cash Received	5,400
	Sales	6,100	31/05/15	Balance c/d	6,600
		12,000			12,000
01/06/15	Balance b/d	6,600			

OR (Alternative Format)

Debtors Control Account				
Date	Details	Dr	Cr	Balance
		€	€	€
01/05/15	Balance b/d			5,900
	Sales	6,100		12,000
	Cash Received		5,400	6,600

8. Explain, with an example, the term ‘Import Substitution’.

An economic policy that encourages replacing imports with domestically produced (Irish) goods/services e.g. buying Irish potatoes instead of Dutch potatoes.

9.

	Operating Statement	Balance Sheet
Sale of hay	✓	
Stock of fertiliser (31/12/2014)	✓	✓
Stables		✓

10. Explain the term ‘Hire Purchase’.

This is a financial arrangement whereby a person gets the use of a good for a period of time by paying a deposit and then paying regular instalments. The goods are owned when the last payment is made.

11.

O’Driscoll Ltd – General Journal				
Date	Details	F	Dr	Cr
			€	€
01/01/2015	Buildings	GL ₁	812,000	
	Bank Overdraft	CB ₁		22,500
	Creditors	CL ₁		26,600
	Ordinary Share Capital	GL ₂		762,900
	<i>Assets, Liabilities and Share Capital of O’Driscoll Ltd on this date.</i>		812,000	812,000

12.

Answer: (2)
€10,450

Workings: (2)
$19,000 \times 0.45 = 8,550$ (paid)
Bad Debt = $19,000 - 8,550 = 10,450$
OR
$19,000 \times 0.55 = 10,450$ (alternative method)

13. Explain **two** reasons for sales return.

- (i) The goods were not as ordered
- (ii) Goods did not arrive on the agreed date
- (iii) An incorrect quantity was received
- (iv) The goods were damaged

14.

Invoice

Credit Note

Cheque

15.

Shareholders

Board of Directors

Sales Department

16.

	€
Total (excluding VAT)	1500.00
Trade Discount 35%	525.00
Subtotal	975.00
VAT 23%	224.25
Total (including VAT)	1199.25

17.

- (ii) Interest
- (iii) Profit
- (iv) Wages

18. B C D

19.

White Ltd – Purchases Returns Book						
Date	Details	CN No.	F	Net €	VAT €	Total €
24/05/15	Black Ltd	50	CL	5,000	1,150	6,150

20. 1. Special Offer/Promotional Pricing/Discounts 2. Sponsorship

Total 80 marks

SECTION B

Question 1: Budget

	July	Aug	Sept	Oct	Total for period July - Oct
	€	€	€	€	€
TOTAL INCOME	2,420	2,285	2,385	2,285	9,375
TOTAL EXPENDITURE	1,795	2,045	1,935	2,025	7,800
Savings	450	450	450	450	1,800
(Total Expenditure and Savings) TOTAL OUTGOINGS	2,245	2,495	2,385	2,475	9,600
Net Cash	175	(210)	0	(190)	(225)
Opening Cash	596	771	561	561	596
Closing Cash	771	561	561	371	371

20 figures @ ½ each = 10,

€371 in both columns = 1 mark

(11 marks)

(B)

(i) *What is a budget?*

Answer: It is a forecast or plan on future income and expenditure for a specific time period.

(3 × 1)

(ii) *Outline two reasons for preparing a budget*

- To estimate if there will be a surplus and what might be done with it.
- To estimate if there will be a deficit and how it might be financed or eliminated.
- To estimate the income and expenditure for each month and the period in total/to see if they are living within their means.

(2 × 3)

(iii)

Month & Amount: August €210 or October €190

(2)

(B) (iv) Suggest **one** way of overcoming this deficit.

Answer: They could reduce the amount they intend to save or they could cut back on Discretionary expenditure. (3)

(v) No

Give **one** reason for your answer.

They have an overall deficit of €225.


***Yes:** They are saving €1,800 which could be used to pay off the deficit. (3)

(vi)

Car Expense	Fixed	Irregular	Discretionary
NCT Fee	✓		
Diesel		✓	
New Alloy Wheels			✓
Car Service		✓	

(4 × 1)
(21 marks)

(C)

Date	16/06/2015	AIB 93-55-12	
To	Dingle Insurance Ltd	KINSALE, CO. CORK	Date 16 June 2015
Balance b/f	€954.00		
Lodgement			
Total	€954.000	Pay Dingle Insurance Ltd	or order euro euro euro
This Cheque	545.00	Five hundred and forty five euro	€545.00
Balance c/f	409.00	SINEAD DWYER	
	1708	<i>Sinead Dwyer</i>	
	 1708	935512	545914

Counterfoil: 4 items @ ½ mark each
Cheque: 6 items @ 1 mark each

(8 marks)
Total 40 marks

Question 2: Club Account

(A) (i)

Restaurant Trading Account of the Ryder Golf Club for Year Ending 31/12/2014		
Restaurant Sales		10,850
Less <u>Cost of Sales</u>		
Opening Stock	2600	
Restaurant Purchases	6,900	
	9,500	
Less Closing Stock	1,400	
		8,100
Restaurant Profit		2,750

(10)

(ii)

Income and Expenditure Account of the Ryder Golf Club for the Year Ending 31/12/2014			
Income			
Restaurant Profit		2,750	<i>O.F</i>
Profit on Open Week (6250 – 1590)		4,660	
Subscriptions	10,140		
Less Subscriptions prepaid	320	9,820	
Green Fees		11,200	
Profit on Raffle (7800 – 6730)		1,070	
			29,500
Less Expenditure			
Insurance	5,459		
Less Insurance prepaid	280	5,179	
Repairs to Equipment		920	
General Expenses		5,320	
Light & Heat	4,520		
Add Light & Heat due	420	4,940	
Depreciation on Tractor 10%		2,250	
			18,609
Excess of Income over Expenditure			10,891

Excess of income (words) must be consistent with own figure.

€10,891 must be correct to earn 2 marks.

(24)
(34 marks)

- (B) (i) Treasurer **(2)**
 (ii) Accumulated Fund **(2)**
 (iii) It may be used to finance planned expansion/may be used for the purchase of capital items such as fixed assets/to make up any excess expenditure. **(2)**

(6 marks)
Total 40 marks

Question 3: National Budget and National Expenditure

(A) (i)

National Budget 2015		(1)
Revenue		
Corporation Tax	675	(1)
Excise Duties	335	(1)
PAYE	3,925	(1)
VAT	3,150	(1)
		8,085
Expenditure		
Health Services	3,500	(1)
Social Protection	1,750	(1)
Education & Skills	2,000	(1)
Debt Servicing	1,250	(1)
Marine & Agriculture	1,000	(1)
		9,500
Deficit (1)		(1,415) (1)

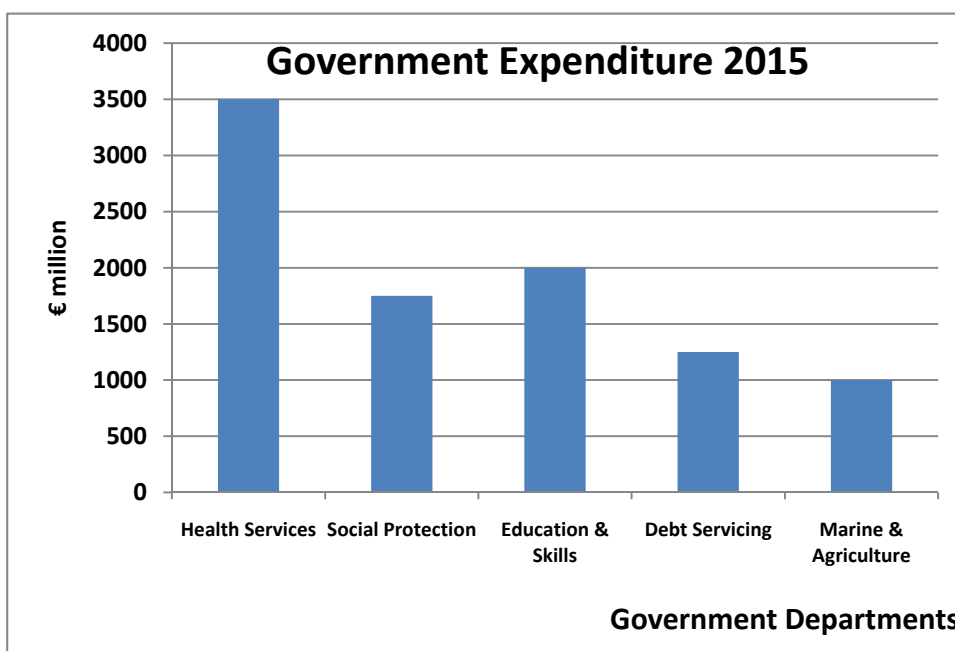
(12)

(ii) Department of Finance or Department of Public Expenditure and Reform.

(1)

(13 marks)

(B) (i)



Title and 2 Labels @ 1 each = 3. Accurate bars, correctly labelled, 5 @ 2 each = Total 13 marks

- (ii) **Capital Expenditure** is once-off/long term/non-recurring expenditure by the Government e.g. infrastructure/building schools or hospitals. (3)

Whereas

Current Expenditure is spending on the day-to-day running of the country e.g. wages of public servants. (3)

- (iii) **Excise Duties** are indirect taxes placed on goods which raise revenue/discourage consumption e.g. petrol, cigarettes, wine, beer etc. (4)

Debt servicing is interest paid on the National Debt. (4)

(27 marks)
Total 40 Marks

Question 4: Consumer and Insurance

(A)

	Electric Saver			Electric Power		
		400 units			400 units	
Standing Charge	€10.50 per month	10.50	1	€10.90 per month	10.90	1
Unit Rate	€0.1701 per unit	68.04	2	€0.1715 per unit	68.60	2
Subtotal		78.54			79.50	
Discounts	15% discount	10.21	1	20% discount	13.72	1
Subtotal		68.33			65.78	
VAT 13.5%		9.22			8.88	
Total		77.5	1		74.66	1

I would advise him to choose the **Electric Power** Company because the net monthly payment will be cheaper than Electric Savers by €2.89 per month. (10)

(2)
(12marks)

(B) Letter

The Square
Rathdowney
Co. Laois

9 June 2015

Mr Brendan Mitchell
The Quay
Arklow
Co. Wicklow

Re: Information on purchasing home insurance

Dear Brendan

In response to your query seeking advice on purchasing home insurance, I hope the following will be of benefit to you.

When purchasing insurance, you need to understand the relevant principles of insurance which are as follows:

Insurable Interest: You must have a financial interest in any item you want to insure/you must stand to gain by its existence or suffer financially by its loss.

Utmost good faith: You must answer all the questions on a proposal form truthfully/disclose all material facts which may affect the insurance contract.

I hope this is of some help to you and feel free to contact me at any time.

Yours sincerely,
Gerry Murphy

Layout	9 @ 1	=	9
2 principles explained	(2 × 4)	=	8
Presentation		=	3

(20 marks)

(C)

(i) **Goods will not be exchanged** – Sale of Goods and Supply of Services Act 1980. **(2)**

Go-Run Running Shoes – Consumer Information Act 1978/Consumer Protection Act 2007. **(2)**

(ii) **Goods will not be exchanged** – The seller is responsible for any faults with the goods and must take them back if not working properly. **(2)**

Go-Run Running Shoes – False or misleading information. **(2)**
(8 marks)

Total 40 marks

Question 5: Analysed Cash Book and Personal Banking

(A) Analysed Cash Book of Mary Kelly

2015		Cash	Pension	Other	2015		Cash	House keeping	L&H	Ins.	Other
May 1	Balance	**750			May 7	Groceries	175	175			
4	Pension	940	940		9	Gas Bill	135		135		
30	Lottery Win	50		50	13	Donation	10				10
					15	House Ins.	30			30	
					19	Fuel Bill	145		145		
					20	Groceries	165	165			
					23	Hairdresser	40				40
					26	Health Ins.	150			150	
					27	Butcher	90	90			
					31	Groceries	95	95			
						Balance	**705				
		1,740	940	50			1,740	525	280	180	50
June 1	Balance	**705									
Marks		3	$\frac{1}{2}$	$\frac{1}{2}$			6	2	1	1	1

Dr side: 750 Balance = 1
 4 figures @ $\frac{1}{2}$ = 2
 Cr side: 20 figures @ $\frac{1}{2}$ = 10
 Balance 705 = 2
 Dates (must have year) = 1
 Title = 1

(17 marks)

(B) (i) State *three* requirements that must be satisfied when opening a bank account.

- Proof of address e.g. utility bill
- Proof of identity e.g. passport, driving licence.
- PPSN (personal public service number).
- Source of income for large lodgements.

(3 × 2)

(ii) Outline *two* differences between a current account and a deposit account.

- A current account may have an overdraft facility but only the amount in a deposit account can be withdrawn.
- Payments can be made by standing order/direct debit/credit transfer/cheques/debit cards from current accounts whereas cash must be withdrawn from a deposit account to make payments.
- Charges may apply to a current account but not to deposit accounts.
- Deposit accounts offer interest on the balance in the account. Receiving interest on current accounts may require a minimum amount in the account.

(2 × 3)

(iii) *State and explain how her monthly pension would transfer into her bank account.*

Electronic Funds Transfer – Her pension is transferred directly into her bank current account by her pension provider.

(2)

(iv) *Explain **three** different methods Mary might use to pay **each** of these bills from her new bank account.*

Gas	Cheque, Direct Debit/Debit Card
Monthly health insurance	Standing Order, Direct Debit
Groceries	Cheque, Debit Card, ATM

Explanations (2 marks each and no repetition)

Cheque: This is an instruction in writing from Mary, to the bank, to pay a specific amount to the person named on the cheque.

Direct Debit: Mary can give permission for a creditor to deduct variable payments from her account on an agreed/variable date.

Standing Order: Mary can instruct her bank to deduct fixed payments from her account on an agreed/fixed date.

Debit Card: When Mary uses her debit card money is taken directly from her account and transferred immediately to another bank account.

ATM: Mary can use her card to get cash from her account using an ATM card. The cash can then be used to pay her bills.

(3 × 3)

(23 marks)

Total 40 marks

Question 6: People at Work

(A) (i) It is illegal to look for female applicants only. (2)

(ii) **Basic Pay:** Payment for the normal working week/as per contract. (3)

Overtime: Additional pay/pay at a higher rate per hour for working in excess of the normal working period (3)

E-mail: The sending/receiving of documents/messages/images over the internet using a webmail server address. (3)

Equal Opportunities Employer:

When employing workers the Medial Ltd does not discriminate on the grounds of gender, race, colour, religion or age. (3)

(iii) Educational details
Work experience
Details of referees
Email address
Hobbies/interests/achievements (3 × 2)
(20 marks)

(B) (i) **Shop Steward** (2)

(ii) Inform her of her rights as an employee.
Help resolve any problems with her employer.
Collect union subscriptions.
Would inform Michelle of any relevant information received from Head Office.
Inform her of any activity in the trade union e.g. Credit Union, social activities, upcoming protests. (2 × 3)

(iii) Punctuality at all times.
Confidential with sensitive information.
Honest in all dealings.
Courteous to customers at all times.
Co-operative with the staff.
Obey the rules and regulations of the employer.
Respect equipment and property.
Don't damage good name of the firm. (2 × 2)

(iv) €546/39 = €14 per hour basic.
Time and a half is €21 per hour
Double time is €28 per hour.

Hours	Rate	Total	
39	14.00	546.00	2
7	21.00	147.00	2
3	28.00	84.00	2
Gross Wage		€777.00	2

(8)
(20 marks)
Total 40 marks

Support Notes for 2015

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

(A~B)

Sales Book of BRIGHT Ltd (4)

Date 2015	Details	Invoice No.	F	NET €	VAT €	TOTAL €
1/5	WATT Ltd	20	DL	44,000	10,120	54,120
19/5	WATT Ltd	21	DL	37,000	8,510	45,510
				81,000	18,630	99,630
				GL	GL	
		1 (1/2+1/2)		1 (1/2 + 1/2)	1 (1/2 + 1/2)	1 (1/2 + 1/2)

Purchases Book of BRIGHT Ltd (2 1/2)

Date 2015	Details	Invoice No.	F	NET €	VAT €	TOTAL €
10/5	DIM Ltd	91	CL	26,000	5,980	31,980
				GL	GL	
		1		1/2	1/2	1/2

Analysed Cash Book of BRIGHT Ltd Debit Side (4 1/2)

Date 2015	Details	Receipt No <i>1 (1/2+1/2)</i>	F	Bank €	Sales €	VAT €	Debtors €	Share Capital €	Mark
7/5	Shareholder	6	GL	105,000				105,000	1(1/2 + 1/2)
28/5	WATT Ltd	7	DL	75,000			75,000		1(1/2 + 1/2)
31/5	Sales		GL	25,830	21,000	4,830			1 1/2 (1/2+1/2+1/2)
				205,830	21,000	4,830	75,000	105,000	3 1/2
1/6	Balance B/D			148,080					

Analysed Cash Book of BRIGHT Ltd Credit Side (4 1/2)

Date 2015	Details	Cheque No. <i>1 (1/2+1/2)</i>	F	Bank €	Purchases €	VAT €	Wages €	Mark
12/5	Purchases	30	GL	30,750	25,000	5,750		1 1/2 (1/2+1/2+1/2)
17/5	Wages	31	GL	27,000			27,000	1 (1/2 + 1/2)
				57,750	25,000	5,750	27,000	
31/5	Balance C/D			148,080				1
				205,830				3 1/2

Q.1 contd.

Date 2015	Details	F	Total €	Date 2015	Details	F	Total €	Mark
GENERAL LEDGER OF BRIGHT Ltd								
Ordinary Share Capital A/C (1)								
				7/5	Bank	GL	105,000	1
Sales A/C (2)								
				31/5	Total Net Debtors	SB	81,000	1
				31/5	Bank	ACB	21,000	1
							102,000	
Purchases A/C (2)								
31/5	Total Net Creditors	PB	26,000					1
31/5	Bank	ACB	25,000					1
			51,000					
VAT A/C (5)								
31/5	Credit Purchases	PB	5,980	31/5	Credit Sales	SB	18,630	1 + 1
31/5	Cash Purchases	ACB	5,750	31/5	Cash Sales	ACB	4,830	1 + 1
31/5	Balance C/D		11,730					1
			23,460				23,460	
				1/6	Balance B/D		11,730	
Wages A/C (1)								
17/5	Bank	ACB	27,000					1
DEBTORS LEDGER OF BRIGHT Ltd								
WATT Ltd A/C (4)								
1/5	Sales	SB	54,120	28/5	Bank	ACB	75,000	1 + 1
19/5	Sales	SB	45,510	31/5	Balance C/D		24,630	1 + 1
			99,630				99,630	
1/6	Balance B/D		24,630					
CREDITORS LEDGER OF BRIGHT LTD								
DIM Ltd A/C (1)								
				10/5	Purchases	PB	31,980	1
Total Marks								16

Q.1 contd.

Trial Balance of Bright Ltd as on 31/5/2015

	DR €	CR €	Mark
Bank	148,080		½
Purchases	51,000		½
Wages	27,000		½
WATT Ltd	24,630		½
Share Capital		105,000	½
Sales		102,000	½
VAT		11,730	½
DIM Ltd		31,980	½
	250,710	250,710	4

Marks Summary

Sales Book	Purchases Book	Analysed Cash Book	Ledger	Trial Balance	Dates	Folio	Total
4	2½	9	16	4	2½	2	40

Q.2 Credit Purchases, Business Documents and Bookkeeping Question

(A) (i)

Two Documents	Mark
Invoice, Statement	2 + 2

(ii)

Reason	Mark
To encourage payment before the due or agreed date	2
To attract new customers/increase sales	4

For Use with Q.2 (B) (i)

GB Ltd, Western Way, Tralee, Co. Kerry		Order No. 11	Mark
Telephone: 066 7612317		VAT Reg. No. IE 5542134	
<i>CP Ltd</i>	Date: <u>22/5/2015</u> Quotation No: <u>31</u>		<i>1 + 1</i>
<i>Green Field Road</i>			
<i>Cavan</i>			
<i>Co. Cavan</i>			
QUANTITY	DESCRIPTION	PRICE EACH €	
<i>100</i>	<i>Pairs of Boots</i>	<i>55</i>	<i>3</i>
<i>200</i>	<i>Sun Hats</i>	<i>12</i>	
<i>200</i>	<i>Plastic Mats</i>	<i>20</i>	
Goods to be delivered to the above address within 10 days			<i>1 + 1</i>
Signature <u>Gertrude Brooks</u>	Position <u>Purchasing Manager</u>		

(7 marks + Bonus 1)

Q.2 (B) (ii)

Procedures	Mark
File a copy of the order/file electronically	2
Check that the <u>name</u> and <u>address</u> of the seller is correct	2

Q.2 contd.

For Use with Q.2 (C) (i)

CP Ltd, Green Field Road, Cavan, Co. Cavan			CREDIT NOTE No. 22	Mark
Telephone: 049 9132131			VAT Reg. No. IE 2356731	
GB Ltd,	Date: <u>09 /6/2015</u> Your Order No: <u>11</u>			1 + 1
Western Way,				
Tralee,				
Co. Kerry				
QUANTITY	DESCRIPTION	PRICE EACH €	TOTAL €	
50	Plastic Mats	20	1,000	4
	Reason: <i> torn (1)</i>			
Total (excluding VAT)			1,000	
Trade Discount			300	1
Subtotal			700	1
VAT			161	1
E & O E Total (Including VAT)			861	1

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

Sales Returns Book of CP Ltd

Date	Details	Credit Note No	F	NET €	VAT €	TOTAL €	Mark
9/6/2015	GB Ltd	22	DL	700	161	861	7

Marks Summary

A	B	C	Total
10	12	18	40

Q.3 This is a Cash Flow Forecast and Business Start-up Question

CASH FLOW FORECAST of LALA Ltd for the period April to September 2016

	April €	May €	June €	July €	Aug. €	Sept. €	Total April - Sept €	Marks 28
RECEIPTS								
Cash Sales	75,000	75,000	75,000	75,000	75,000	97,500	472,500	2
Share Capital				190,000			190,000	1
Grant		100,000					100,000	1
A. Total Receipts	75,000	175,000	75,000	265,000	75,000	97,500	762,500	0
PAYMENTS								
Light and Heat	3,800		3,800		4,636		12,236	2
Wages	24,000	24,000	24,000	24,000	27,000	24,000	147,000	2
Machinery	120,000				100,000		220,000	1
Loan Repayments	5,000	5,000	5,000	5,000			20,000	1
Cash Purchases	18,000	18,000	18,000	18,000	18,000	22,500	112,500	2
Transport Costs	11,000	11,000	11,000	11,000	11,000	12,650	67,650	2
B. Total Payments	181,800	58,000	61,800	58,000	160,636	59,150	579,386	0
C. Net Cash (A-B)	(106,800)	117,000	13,200	207,000	(85,636)	38,350	183,114	5
D. Opening Cash	54,000	(52,800)	64,200	77,400	284,400	198,764	54,000	4
E. Closing Cash (C+D)	(52,800)	64,200	77,400	284,400	198,764	237,114	237,114	5

(B) (i)

Explanation	Mark
To find out if LALA Ltd can live within its means	3
To find out if LALA Ltd will have any liquidity problems in the future	3

(B) (ii)

Headings in a Business Plan Explained with Examples	Mark
Product: This gives a description of the good or service sold by the business e.g. LALA Ltd makes household furniture.	3
Market Research: This sets out information about consumers or competitors e.g. LALA Ltd has three competitors and 1,000 customers.	
Sales Promotion: This explains the methods used to encourage and increase sales e.g. LALA Ltd uses television advertisements to promote its furniture.	
Finance: This shows <u>how much money</u> is needed by LALA Ltd e.g. LALA Ltd needs €100,000 to buy new machinery and can use some of its <u>reserves</u> .	3

Marks Summary

A	B	Total
28	12	40

Q.4 Final Accounts and Balance Sheet

(A)

	1½	1	1½	Mark
Trading, Profit and Loss Appropriation Account of LVG Ltd for the year ended 31/12/2014				
		€	€	€
Sales			353,000	½
Less Cost of Sales				
Opening Stock 01/01/2014			30,000	½
Purchases			190,000	½
Carriage Inwards			5,000	½
			225,000	0
Closing Stock 31/12/2014			23,000	½+0
GROSS PROFIT			151,000	2 (1 + 1)
Add Gains				
Commission Receivable			6,000	½
Add Commission Receivable due			2,000	½+½
			159,000 (OF)	0
Less Expenses				
Advertising	14,000			½
Less Advertising prepaid	3,000	11,000		½ + ½
Bad Debts		7,000		½
Wages	64,000			½
Add Wages due	4,000	68,000		½ + ½
Depreciation: Machinery	27,150			½
Motor Vans	10,680	37,830	123,830	½ + ½ + 0
NET PROFIT			35,170 (OF)	3 (1 + 2)
Less Dividends paid			25,000	½
			10,170	0
Add Opening Reserves			12,000	1
RESERVES			22,170 (OF)	0
				19½

Q.4 contd.

$\frac{1}{2}$	1	$\frac{1}{2}$	Mark
Balance Sheet of LVG Ltd as on 31/12/2014			
FIXED ASSETS	Cost €	Depreciation €	NBV €
Machinery	181,000	27,150 (OF)	153,850 (OF)
Motor Vans	89,000	10,680 (OF)	78,320 (OF)
Total Fixed Assets	270,000	37,830 (OF)	232,170 (OF)
CURRENT ASSETS			
Closing Stock	23,000		
Cash	3,000		
Bank	27,000		
Debtors	22,000		
Advertising prepaid	3,000		
Commission Receivable due	2,000	80,000	
Less CURRENT LIABILITIES			
Creditors	16,000		
Wage due	4,000	20,000	
WORKING CAPITAL			60,000
TOTAL NET ASSETS			292,170
FINANCED BY	AUTHORISED	ISSUED	
380,000 €1 Ordinary Shares	380,000	240,000	
Add Reserves		22,170	
Long Term Liabilities			
30 Year Loan		30,000	
CAPITAL EMPLOYED			292,170
			14½

(B)

Explanation	Mark
Carriage Inwards is an expense paid by a buyer for transporting goods purchased.	5

Marks Summary

A	Trading, Profit and Loss Appropriation Account Balance Sheet Presentation	19½ 14½ 1	35	Total
B	Correct Answer		5	40 marks

Q.5 This is a Chain of Production, Finance and Banking Question.

(A) (i)

		Mark
Sector	Services	3
Reason	R&M IRELAND Ltd provide courses and training.	3

(A) (ii)

Name of Business/Institutions		Mark
Banking		2
Insurance		2

(B) (i)

	Loan Information	Mark
1	Purpose of Loan	2
2	Amount	2
3	Proof of ability to repay the loan	2

(B) (ii)

Explanation		Mark
This is the security given by a borrower to a lender which may be sold in the event that the loan was not repaid.		3
Example Buildings/Land		1

(B) (iii)

Year	Capital €	Interest at 8% APR €	Explanation	Mark
1	45,000	3,600	<i>8% of €45,000</i>	3
2	30,000	2,400	<i>8% of €30,000</i>	3
3	15,000	1,200	<i>8% of €15,000</i>	3
Total Interest To Be Paid		7,200		3

(B) (iv)

Source	Explanation	Mark
Share Capital	Money/assets invested by the shareholders	(2 + 4)
Grant	Money given by government/EU under certain conditions that does not have to be repaid	2

Marks Summary

A	B	Total
10	30	40

Q.6 This is a Business Insurance and Report Writing Question.

REPORT FORMAT		Mark
From:	<i>Bridget O'Connor, 13 Low Risk Drive, Galway</i>	<i>1</i>
To:	<i>The Directors of HOME COMFORTS Ltd, Claremorris, Co. Mayo</i>	<i>1</i>
Report Title:	<i>Advice on Insurance Cover and Other Questions</i>	<i>1</i>
Date:	<i>9 June 2015</i>	<i>1</i>
Introduction:	<i>I have reviewed the questions you asked me and set out my answers below</i>	<i>1</i>
Answers to Questions A (i), (ii), (iii)	<i>A (i) A risk is uninsurable if there is not enough similar risks to be insured e.g. Travel insurance to the moon</i>	<i>4</i>
	<i>A (ii) Motor insurance is required by law.</i>	<i>2</i>
	<i>A (iii) <u>Theft insurance</u> in the case of goods being stolen.</i>	<i>4</i>
	<i><u>Cash in Transit insurance</u> in case the cash being transferred to the bank twice weekly is stolen.</i>	<i>4</i>
	<i><u>Employers' Liability insurance</u> in case any of the company's workers were injured while at work.</i>	<i>4</i>
Follow Up:	<i>I am available to discuss any questions that the directors may have.</i>	<i>1</i>
Signature:	<i>Bridget O'Connor</i>	<i>1</i>
Title of Report Writer:	<i>Insurance Consultant</i>	<i>1</i>

B (i)

Explanation	Mark
<i>Adequate Insurance means having all possible risks insured for the correct amount.</i>	<i>3</i>

B (ii)

Answer	Reason	Mark
€150,000	Buildings were underinsured by €200,000 i.e. only insured for 75% of value. 75% of €Damage €200,000 is €150,000.	5 + 2

Marks Summary

A	B	Total
30	10	40