

**WARNING**

You must return this section with your answer book at the end of the examination, otherwise marks will be lost.

Candidate's Examination Number



# Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION, 2006

## BUSINESS STUDIES – HIGHER LEVEL – PAPER I

WEDNESDAY, 14 JUNE 2006 – MORNING, 9.30am - 12.00 noon

### SECTION A (80 marks)

Answer all 20 questions. Each question carries 4 marks.

Calculators may be used.  
Make and Model of Calculator Used:



1. The following initials appeared on a bank statement. What do they stand for?

SO \_\_\_\_\_

CT \_\_\_\_\_

DD \_\_\_\_\_

ATM \_\_\_\_\_

2. Tick (✓) whether the following forms of communication are INTERNAL or EXTERNAL:

FORM OF COMMUNICATION	INTERNAL	EXTERNAL
Intercom		
Fax		
Notice Board		
Memorandum		

3. Answer *either* (A) *or* (B):

(A) Complete the following Trading Account by filling in the **four** unshaded areas, numbered (i) to (iv):

<b>Trading Account for year ending 31-05-2006</b>			
	€	€	€
Sales			150,000
Stock (1-06-05)		<b>(ii)</b>	
<b>(i)</b>	58,000		
Carriage Inwards	2,000	60,000	
		90,000	
		20,000	70,000
<b>(iii)</b>			<b>(iv)</b>

**OR**

(B) A firm's Profit & Loss Account for the year showed a Net Profit of €65,000. It was later discovered that insurance prepaid of €1,500 was left out.

Tick (✓) the appropriate box below to show the correct net profit figure:

- |              |                       |                          |
|--------------|-----------------------|--------------------------|
| <b>(i)</b>   | Net Profit of €66,500 | <input type="checkbox"/> |
| <b>(ii)</b>  | Net Profit of €63,500 | <input type="checkbox"/> |
| <b>(iii)</b> | Net Profit of €65,000 | <input type="checkbox"/> |
| <b>(iv)</b>  | Net Profit of €62,000 | <input type="checkbox"/> |

4. Name the **four** Ps of marketing:

- (i) \_\_\_\_\_
- (ii) \_\_\_\_\_
- (iii) \_\_\_\_\_
- (iv) \_\_\_\_\_

5. Explain the term **Franchise** in relation to retailing:

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Give **two** examples of well-known franchises:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

6. James has arrived home from the USA with \$850. He goes to his bank to change the dollars into euro and sees the following rates quoted:

CURRENCY	BANK SELLS	BANK BUYS
Dollar	1.15	1.25

Calculate the total amount in euro that James will receive for his \$850:  
(Show your workings.)

<b>Answer:</b>
€

Workings:

7. Outline **two** reasons why farmers prepare farm accounts:

(i) \_\_\_\_\_

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(ii) \_\_\_\_\_

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8. Place a tick (✓) after **each** statement indicating whether it is TRUE or FALSE:

	TRUE	FALSE
Invoices received are recorded in the Sales Day Book		
Credit Notes received are recorded in the Sales Returns Book		

9. Complete and balance the Debtors' Control Account on 31 May 2006 from the following information:

	€
Debtors' balance on 1 May 2006	5,500
Total credit sales for May	3,760
Total sales returns for May	500

Debtors' Control Account					
Dr			Cr		
Date	Details	€	Date	Details	€

OR

Debtors' Control Account				
Date	Details	Dr	Cr	Balance
		€	€	€

10. Outline **two** reasons for advertising:

(i) \_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

\_\_\_\_\_

11. **Column 1** is a list of Balance Sheet terms. **Column 2** is a list of statements which can be matched to these terms. (*One statement does not refer to any of the Balance Sheet terms.*)

Column 1 – Balance Sheet terms	Column 2 – Statements
1. Authorised Share Capital	A. Money available for the day-to-day running of the business
2. Issued Share Capital	B. Ordinary Share Capital plus Reserves minus Long-term Liabilities
3. Capital Employed	C. Maximum amount of capital a company can raise through the issue of shares
4. Working Capital	D. Actual amount of shares sold to shareholders
	E. Ordinary Share Capital plus Reserves plus Long-term Liabilities

Match the two lists by placing the letter of the most appropriate statement under the relevant number below:

1.	2.	3.	4.

12. Identify **two** forms of business ownership in which the owners have limited liability:

- (i) \_\_\_\_\_
- (ii) \_\_\_\_\_

13. Complete the following extract from an invoice:

	€
Total (excluding VAT)	600.00
Trade Discount <b>15%</b>	
Subtotal	
VAT <b>12.5%</b>	
Total (including VAT)	

14. Answer *either* (A) or (B):

- (A) A firm has Current Assets of €65,000 (including Closing Stock of €20,000) and Current Liabilities of €40,000.

Calculate the Acid Test/Quick ratio:  
(Show your workings.)

<b>Answer:</b>

Workings:

**OR**

- (B) (i) Outline the importance of profitability ratios for a business:

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- (ii) Give **one** example of a profitability ratio:

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15. On 1 May 2006, a car dealer purchased new fixtures and fittings on credit from O'Hare Ltd for €6,000. Record the entry in the General Journal of the car dealer:

General Journal				
Date	Details	F	Dr	Cr
			€	€

16. Joan purchased a pair of jeans in a shop which she did not examine closely until she arrived home. She found they were damaged.

What form of redress is Joan entitled to? Explain your answer.

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17. (i) The cost of living in a country in 2004 was €2,000. In 2005, it was €2,100.  
Calculate the rate of inflation:  
(Show your workings.)

<b>Answer:</b>

<b>Workings:</b>

- (ii) In Ireland, what is the official measure of inflation called?

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18. Outline **two** reasons why a company would prepare a business plan:

(i) \_\_\_\_\_

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(ii) \_\_\_\_\_

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19. Study the following channel of distribution:



(i) Outline **one** reason why the wholesaler might be omitted from a channel of distribution:

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(ii) State **one** service provided by the retailer to the consumer:

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20. On 21 December 2005, Jill Hartman sold goods on credit to Elaine Ward for €1,500. There was no VAT on these goods.

Complete the ledger accounts of Jill Hartman showing the names of the accounts and the relevant details, numbered (i) to (iv):

(i) \_\_\_\_\_ A/c

Dr			Cr		
Date	Details	€	Date	Details	€
2005 Dec 21	(ii)	1,500			

(iii) \_\_\_\_\_ A/c

Dr			Cr		
Date	Details	€	Date	Details	€
			2005 Dec 21	(iv)	1,500



**For use with SECTION B - Question 1**

**(A) Planned Budget for the Maguire Household**

	Jan	Feb	Mar	Total Jan-Mar	Estimate Apr-Dec	Total for year Jan-Dec
PLANNED INCOME	€	€	€	€	€	€
Tom Maguire salary	900	900	900	2,700		
Breda Maguire salary	750	750	750	2,250		
Dividends						
<b>TOTAL INCOME</b>	1,650	1,650	1,650	4,950		
PLANNED EXPENDITURE						
<i>Fixed</i>						
Mortgage	550	550	550	1,650		
Car loan	300	300	300	900		
House insurance	25	25	25	75		
Subtotal	875	875	875	2,625		
<i>Irregular</i>						
Household costs	400	400	400	1,200		
Light and heat	90	80	60	230		
Telephone costs	150	70	220	440		
Car running costs	60	60	60	180		
Subtotal	700	610	740	2,050		
<i>Discretionary</i>						
Holiday			500	500		
Presents		50		50		
Household decoration			2,000	2,000		
Subtotal		50	2,500	2,550		
<b>TOTAL EXPENDITURE</b>	1,575	1,535	4,115	7,225		
Net Cash	75	115	(2,465)	(2,275)		
Opening Cash	160	235	350	160		
Closing Cash	235	350	(2,115)	(2,115)		

**For use with SECTION B - Question 1 (continued)**

**(B) (i)** Explain the term ‘Dividends’ in the Maguire Household Budget.

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**(ii)** At the end of March 2007, what will the expected closing cash balance be for the Maguire household?

<b>Answer:</b>
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**(iii)** The expected closing cash balance has changed from February to March. Explain **two** major reasons for this change.

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**(iv)** Identify **one** method of dealing with this temporary situation at the end of March.

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**For use with SECTION B - Question 5 (A) (i)**

<b>Duggan Insurances Ltd - Claim Form</b>			
Name			
Address			
Policy No.			
Occupation			
Details of Loss/Damage			
Date			
Location			
Description of items lost/damaged	Value (€)	Date of Purchase	
Were details of loss/damage reported at the local Garda station? <i>(Tick (✓)YES or NO.)</i>			YES
			NO
If 'Yes', please complete this section:	⇒	Date of reporting	
		Garda Station	
		Garda who took details	
Signed			
Date			

**For use with SECTION B - Question 6 (B)**

Date		<b>AIB</b>	93-67-65
To		TULLAMORE, CO. OFFALY	Date _____
Balance b/f	€ 950.00		
Lodgment		Pay _____	or order <b>euro euro euro</b>
Total		_____	€ _____
This Cheque			HELEN O'DWYER
Balance c/f			
<b>9998</b>	<b>9998</b>	<b>936765</b>	<b>45678747</b>

**PLEASE REMEMBER TO RETURN THIS SECTION 'A' WITH YOUR ANSWER BOOK**

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