



Coimisiún na Scrúduithe Stáit
State Examinations Commission

JUNIOR CERTIFICATE 2012

MARKING SCHEME

BUSINESS STUDIES

HIGHER LEVEL

Junior Certificate Examination 2012

Business Studies

Higher Level Papers 1 & 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.

SECTION A

(80 marks)

Q.1 **GNP:** Gross National Product (1 + 1 + 2)
EU: European Union
CPI: Consumer Price Index

Q.2 **Fixed Cost Examples:** Cost of Van, Motor Tax, Insurance. (2 + 2)
Variable Cost Example: Fuel, Repairs, Maintenance, Wages, Tolls, Ferries.

Q.3 (i) €43,000 (1 + 1 + 2)
(ii) €208,800
(iii) €259,800

Q.4 (2 + 2)

- Conciliator, Labour Relation Commission/Industrial Relations Officer/Rights Commissioner.
- Arbitrator, Labour Court
- Equality Officer
- Employment appeals Tribunal

Q.5 (4)

Answer:
33 ⅓%

Workings: (2)
Sales – Gross Profit = Cost of Sales
$600,000 - 150,000 = 450,000$
$\frac{150,000}{450,000} \times \frac{100}{1}$

Q.6 (2 + 2)
Two Risks of Self - Employment:

- Capital invested in the business may be lost if it fails.
- Due to unlimited liability the owner will be responsible for all the debts of the business.
- There is no guarantee of a regular income/there is no certainty of being paid for work done.
- There may be stress due to long hours or overwork.

- Q.7** (i) Delivery vans/Vans (1 + 1 + 1 + 1)
(ii) Bank
(iii) Bank
(iv) Delivery vans

Q.8 (1 + 1 + 1 + 1)

Dr		Creditors Control Account				Cr
Date	Details	€	Date	Details	€	
2012			2012			
	Cash/Bank	5,400	May 1	Balance b/d	9,100	
May 31	Balance c/d	23,700		Purchases	20,000	
		€29,100			€29,100	
			June 1	Balance b/d	23,700	

OR (Alternative Format)

Creditors Control Account				
Date	Details	Dr	Cr	Balance
		€	€	€
2012				
May 1	Balance			9,100
	Purchases		20,000	29,100
	Cash/Bank	5,400		23,700

Q.9 Principle of 'Insurable Interest' (4)

- To purchase insurance there must be a **financial** interest in the item or person being insured.
- Insured must gain from its existence and suffer **financially** from its loss.

Q.10

(1 + 1 + 1 + 1)

	Trading A/C	Profit & Loss A/C	Balance Sheet
Issued Share Capital			✓
Stock 31/12/2011	✓		✓
Import Duties	✓		

Q.11

(2 + 2)

- To find the value of stock in order to prepare the final accounts
- To check the condition of the stock/to show damaged or obsolete items.
- To check the quantity to reveal any theft or misappropriation.
- To check for under stocking to see if it's necessary to re-order.
- To check for over stocking to reveal what is not selling well.

Q.12

(1 + 1 + 1 + 1)

Joyce Ltd – General Journal				
Date	Details	F	Dr	Cr
			€	€
1/1/2012	Buildings	GL ₁	505,900	
	Bank Overdraft	CB ₁		6,100
	Debtors	DL ₁	21,000	
	Ordinary Share Capital	GL ₂		520,800
	<i>Assets, Liabilities and Share Capital of Joyce Ltd on this date.</i>		€26,900	€26,900

Q.13

(4)

Answer:
€576

Workings:	(2)
$\frac{180,000}{10,000} \times 12 = 216$	$216 + 360 = 576$
$\frac{90,000}{5,000} \times 20 = 360$	

Q.14

(1 + 1 + 2)

DRAWER	John Dolan
DRAWEE	Allied Irish Bank
PAYEE	Andy Earley

Q.15

(2 + 2)

- To inform the public of a product/service for sale/to make people aware of the product.
- To persuade the public to buy their goods/services.
- To promote a brand or product/to increase sales/profits.
- To compete/respond to advertising by competitors.
- Reminder advertising to remind customers of the existence of the product.

Q.16

(4)

Answer:
€ (25) million deficit

Workings:	(2)
Visible Exports – Visible Imports	
800 - 825 = €25 deficit	

Q.17

(1 + 1 + 1 + 1)

<i>Lemon Ltd – Sales Book</i>						
Date	Details	Invoice No.	F	Net €	VAT €	Total €
9 June 2012	Lily Ltd	5	DL ₁	5,000	1,150	6,150

Q.18

(1 + 1 + 2)

- Quotation
- Credit Note
- Receipt.

Q.19

(1 + 1 + 2)

1.	2.	3.
B	C	D

Q. 20

(i) 25,000

(ii) 33,000

(2 + 2)

SECTION B

Q.1 Household Budget

HARTE HOUSEHOLD	ORIGINAL BUDGET				REVISED BUDGET			
	JULY	AUG	SEPT	TOTAL	JULY	AUG	SEPT	TOTAL
Planned Income	€	€	€	€	€	€	€	€
Mr Harte	3,000	3,000	3,000	9,000	2,600	2,600	2,600	7,800
Ms Harte						1,400	1,400	2,800
Child Benefit	374	374	374	1,122	374	374	374	1,122
Other						100		100
Total Income	3,374	3,374	3,374	10,122	2,974	4,474	4,374	11,822
Planned Expenditure								
<i>Fixed</i>								
Mortgage	900	900	900	2,700	900	900	936	2,736
Loan Repayments	450	450	450	1,350	450	450	450	1,350
Insurance	85	85	85	255	85	100	100	285
Subtotal	1,435	1,435	1,435	4,305	1,435	1,450	1,486	4,371
<i>Irregular</i>								
Household Costs	900	900	900	2,700	819	819	819	2,457
Car Costs	150	150	150	450	150	180	180	510
Light & Heat Costs	215		180	395	215		180	395
Telephone Costs	40	50	100	190	40	50	100	190
Subtotal	1,305	1,100	1,330	3,735	1,224	1,049	1,279	3,552
<i>Discretionary</i>								
Entertainment Costs	400	400	400	1,200	420	420	420	1,260
Presents	310		240	550	310		240	550
Holiday						1,200		1,200
Subtotal	710	400	640	1,750	730	1,620	660	3,010
Total Expenditure	3,450	2,935	3,405	9,790	3,389	4,119	3,425	10,933
Net Cash	(76)	439	(31)	332	(415)	355	949	889
Opening Cash	200	124	563	200	200	(215)	140	200
Closing Cash	124	563	532	532	(215)	140	1,089	1,089

1 (A)

Total income line and three subtotal lines 16 figures @ 1 mark each.

Net Cash line 4 figures @ 1 mark each for procedure.

Opening Cash figures for July and Total Column 1 mark each €200 as per solution. August and September 1 mark each for procedure.

Closing Cash for July and August 1 mark each for procedure. Final closing cash figure for September and Total Column must €1089 as per solution and procedure. Both figures must be correct for 2 marks.

[28 marks]

(B)

(i) Explain Fixed Expenditure: It occurs on a regular basis and the amount spent does not vary with usage. (1 + 1)

(ii) Name a month: August (2)

(iii) Expected Savings: €332 (2)

(iv) Is it a good Budget: Yes (2)

The yes/no answer and the reasons are evaluated on the candidates own budget

Two Reasons: (2 + 2)

- They plan to increase their income by €1700/income will increase from €10,122 to €11,822.
- They plan to reduce their household costs by €243/they will reduce irregular expenditure from €3735 to €3552.
- They expect to save €889/their expected income to exceed expenditure by €889/ they plan for an overall surplus of income of €889.
- They expect to have a closing cash balance of €1089 instead of €532 as in the original budget/they expect their bank balance to increase by €557.

[12 Marks]

Total 40 marks

Allied Irish Bank				
CURRENT ACCOUNT APPLICATION FORM				
PERSONAL DETAILS				
Surname	Larkin	Mr, Mrs, Ms.	Mr	
First Name	Michael	Male/Female	Male	
Home Address	Main Street, Cobh, Co. Cork			
Date of Birth	05/09/1951	<i>Please tick appropriate box. ➔</i>	Married	<input checked="" type="checkbox"/>
County of Birth	Cork		Single	<input type="checkbox"/>
EMPLOYMENT/ INCOME DETAILS				
Former Occupation	Financial Accountant			
Former Employer's Name & Address	Mit Medical Ltd			
	Business Park, Cavan.			
Gross income per month		€3,000		
Length of time in your previous employment		29 years		
Will your income be paid into your bank account?	YES	<input checked="" type="checkbox"/>	<i>(Please tick appropriate box.)</i>	
	NO	<input type="checkbox"/>		
CONTACT DETAILS				
Home Telephone Number	021 2612851			
Mobile Phone Number	085 9196050			
e-mail address	micklark@petal.ie			
Please open a Current Account in my name. I certify the accuracy of the information given above.				
SIGNATURE	Michael Larkin	DATE	11th June 2012	

Note: 18 items @ ½ mark each, signature 1 mark

(10)

Q.2 Club Account

(A) (i)

Linn Swimming Club Income and Expenditure Account for year ended 31 December 2011			
Income:	€	€	€
Competition Receipts	12,600		
Less Competition Expenses	4,225	8,375	
Subscriptions	6,600		
Less subscriptions prepaid	350	6,250	
Sponsorship		9,700	
			24,325
Less Expenditure:			
Affiliation fees		600	
Stationery	740		
Less stock of stationery 31/12/2011	120	620	
General Expenses	520		
Add general expenses due	65	585	
Depreciation: Laptop 25%	290		
Equipment 15%	3,600	3,890	
Insurance		10,220	
Pool Rent		9,000	
			24,915
Excess of expenditure over income			€ (590)

Title & Date (1 + 1), Headings 2 @ 1mk each, Figures 16 @1 mk each.
Correct word = 1 mk.

21 marks

Note:

- (i) If no headings are presented the first detail with figure signifies the heading/list.
- (ii) In vertical format, income must be listed first, if not allow ½ earned marks for figures.
- (iii) Debit/credit format the expenses must be on the debit side, if in complete reversal allow ½ earned marks for correct figures.

(A) (ii)

Balance Sheet as at 31/12/2011			
Fixed Assets	Cost	Depreciation	Net Book Value
	€	€	€
Laptop	1,160	290	870
Equipment	24,000	3,600	20,400
	25,160	3,890	21,270
Current Assets			
Stock of Stationery	120		
Cash at Bank	520	640	
Less Current Liabilities			
Subscriptions prepaid	350		
General Expenses due	65	415	
Working Capital			225
Total Net Assets			21,495
Financed by:			
Accumulated Fund 1/1/2011		22,085	
Less deficit		(590)	
Funds employed			21,495

Title and Date ½ each, Headings 4 @ ½ each, Figures 20 @ ½ each =

13 marks
[34 marks]

(B) Explain two duties of a club treasurer.

(3 + 3)

- Treasurer is responsible for collecting subscriptions/income on behalf of the club
- The treasurer is responsible for making all club payments.
- The treasurer is responsible for preparing the club's final accounts.
- To present a report, comment and advise on the club's finances at the AGM.
- To make applications for bank loans and lottery funding.

[6 marks]

Total 40 marks

Q.3 Economic Awareness, National Budget and Opportunity Cost

(A) (i) **Mixed Economic System:** (2 + 1)
 An economy that has elements of both central planning (government involvement) and private enterprise to provide goods and services/enterprise/establish businesses.

Economic Growth: (2 + 1)
 It is an increase in the quantity/amount of goods and services produced in Ireland from one year to the next.

(ii) Explain two economic consequences (3 + 3)

- A decrease in government revenue from taxation.
- Cuts in government spending/decrease in the quality of government services provided.
- Increase in the national debt as the government has to borrow more/ bailout.
- Increase in the general level of taxation and charges for services.
- Decrease in incomes/decline in the standard of living/increase in the number of people in mortgage arrears due to a fall incomes.
- Increase in unemployment/increase in welfare payments.
- Higher levels of emigration
- Increase in business failures due to less demand/economic activity.

[12 marks]

(B) (i)

National Budget 2012			
		€m	€m
Income	PAYE	1,930	
	VAT	1,860	
	DIRT	135	
	Corporation Tax	225	4,150
Less Expenditure	Education	1,467	
	Health Services	2,130	
	Agriculture	280	
	Debt Servicing	823	
	Social Welfare	1,620	6,320
	Deficit		

Note: Title 1 mk, Headings 2 @ 1mk each, Figures 12 @ 1 mk each, Correct word 1mk.
 The budget may be presented in T format.

[16 marks]

(ii) Department of Finance/Public Expenditure and Reform. (1)

(iii) Explain with example Opportunity Cost: (2 + 1)

The opportunity cost of providing an item is the loss of the other item which could have been provided instead with the same money.

Example: if the Government chooses to build the National Children's Hospital (Financial Cost) then it will have to give up the opportunity (Opportunity Cost) to provide another project such as the Metro system in Dublin. There aren't enough funds to provide both.

(v) Explain Capital & Current Expenditure and provide one example of each. $2 \times (2 + 1)$

Capital expenditure is once off/long term expenditure which will have long term benefits for the country e.g. building new schools or hospitals.

Current expenditure is spending on a regular basis for the day to day running of the country e.g. wages of public servants, social welfare.

(v) Debt servicing is paying the interest on the National Debt. (2)

[28 marks]

Total 40 marks

Q.4 Consumer question

(A)

<p>Coast Road, Kilkee, Co. Clare.</p>
<p>28th May 2012</p> <p>The Manager, Glazeco Ltd Kilrush Road, Ennis Co. Clare</p> <p style="text-align: center;"><u>Re: Woodgrain PVC Windows</u></p> <p>Dear Sir/Madam,</p> <p>I am writing to complain about ‘Treble Glazed Woodgrain PVC Windows installed by you on 24th April 2012, costing €7,800, copy of receipt enclosed.</p> <p>After one month I noticed condensation patches on three windows as the seals had broken down.</p> <p>I would like these windows replaced as they are not fit for purpose.</p> <p>I look forward to a prompt response.</p> <p>Yours faithfully,</p> <p><u>Sinead Glynn</u> Sinead Glynn</p>

Layout 7 @ 1 mark each, Contents 3 @ 3 marks each, English: punctuation 1mk, paragraph 1mk.

[18 marks]

- (B) (i) The Sale of Goods and Supply of Services Act 1980. (2)
- (ii) Explain two relevant principles of consumer law broken in this case. (3 + 3)
- The windows were not fit for the purpose intended.
 - The windows did not conform to sample.
 - The windows were not as described.
 - The windows were not of merchantable quality.
 - The quality of the service was not of good standard
- (iii) Identify two ways Sinead could show evidence of purchase. (3 + 3)
- She could give her receipt/invoice/contract.
 - She could give a credit card statement/credit card voucher.
 - She could give a bank statement showing cheque or laser card transactions.
- (iv) Explain why it is important to file and record details of her purchases. (2)
- For making complaints in the event of a defect in the goods.
 - To prove the date of purchase to avail of the guarantee.
 - To be able to prove ownership/provide evidence of purchase.
 - For future reference to help in planning/budgeting and decision making/to be able to make price comparisons.

[16 marks]

- (C) Explain two characteristics of a good consumer. (3 + 3)
- A good consumer knows his/her rights/is aware of the relevant laws.
 - A good consumer knows the organisations that provide consumer protection.
 - A good consumer is able to make a complaint when necessary.
 - A good consumer will be well informed/shop around when purchasing goods or services/will try to get good value/will not be affected by false economies.
 - Avoids impulse buying by sticking to a shopping list and budget.
 - Files quotations, invoices, receipts, guarantees and relevant documents/keeps a record of purchases.

[6 marks]

Total 40 marks

Q.5 Personal Banking and Savings

(A) (i) Form on Page 8 Section A. (10 marks)

(ii) Name three requirements when opening a bank account. (2 + 2 + 2)

- 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.

(iii) Outline two differences between a current account and deposit account. 2 x (2 + 2)

- Current account may have an overdraft facility not so in a deposit account.
- Cheque book is provided with a current account but not with a deposit account.
- Payments can be made by standing order/direct debit/credit transfers from current accounts but not from deposit accounts.
- A current account is used for regular transactions whereas a deposit account is used for savings.
- Charges may apply to a current account while not to deposit accounts.
- Deposit accounts offer interest on the balance. Receiving interest on current accounts is dependent on the financial institution and could require a minimum amount in the account.

(iv) State three methods of withdrawing money from a current account. (2 + 2 + 2)

- | | |
|-----------------------------|-------------------|
| • Withdrawal slip | • Cheque |
| • ATM | • Standing Order, |
| • Laser Card/Cash back | • Direct Debit |
| • Credit Transfer/Bank Giro | |

[30 marks]

(B) (i) Explain two reasons why he would save his money. (3 + 3)

- For emergencies in the future/rainy day e.g. flood damage to home or illness
- Michael might save for future planned expenditure/specific purpose e.g. holiday.
- To earn interest so that he can increase his income

(ii) Explain two factors considered before choosing a financial institution. (2 + 2)

- Is the institution financially sound and reliable?
- Is the capital sum (principle) guaranteed?
- What interest rate is being offered on the investment?
- Is the interest subject to DIRT?
- What access has Michael to his money during the investment period?
- To gain future benefits such as loans.

[10 marks]

Total 40 marks

Q.6 People At Work and Information Technology

(A) (i) **Commission:** It is a method of paying sales people based on the amount/value of sales. (3)

Flexitime: One can work the required hours at any time within limits during the week with the consent of the employer. (2 + 1)

Subsidised Meals: The employer pays part of the price/value of meals in the company canteen. (3)

Equal Opportunities Employer: The employer will not discriminate on the grounds of age, gender, race, etc when employing or recruiting staff. (3)

[12marks]

(B) (i) **Explain three responsibilities of an employee to an employer.** (3 + 3 + 3)

- To do an honest day's work/doing a fair day's work for a fair day's pay.
- To be on time for work, punctuality.
- Not stealing from the employer.
- Respect the property of the employer.
- Be loyal to the employer e.g. not revealing confidential information.
- Abide by the rules and regulations of the workplace/Be courteous to customers.
- Work well with other employees.

(ii) **Describe three IT skills required for this position.** 3 x (2 + 1)

- Ability to use email in order to deal with quotations or queries from customers.
- Experience in using a database so that customer details can be easily accessed.
- Ability to use mail merge facilities to create personalised documents.
- Familiarity with spreadsheets so that budgets or accounts can be accessed, altered and understood.
- Ability to use a word processor to create documents/letters/reports.
- Understand how to use the internet so that information can be researched and also understand the workings of the company website for promotion purposes.
- Good keyboarding skills in order to input information into the computer quickly and efficiently.
- Ability to use modern telecommunications such as headsets and fax machines to deal with customer calls and queries.

[18 marks]

(C)		Workings
Basic Hourly Pay	€624/39 hrs	€16 per hour
Basic Pay		€624
Overtime time and a half	$(€16 \times 1.5/€24) \times 8hr$ $(8hrs \times 1.5/12) \times €16$	€192
Overtime double time	$(1hr \times 2/2) \times €16$	€32
Gross Pay		€848

1 mark each for the words Basic Pay, Overtime and Gross Pay and 7 marks for figures

[10 marks]

Total 40 marks

JUNIOR CERTIFICATE 2012 BUSINESS STUDIES PAPER 11

SUPPORT NOTES

Q.1 Books of First Entry, Ledger and Trial Balance of PARK Ltd

A~D

Date 2012	Details	F	Total €	Date 2012	Details	F	Total €	Mark
GENERAL LEDGER OF PARK Ltd								
Share Capital A/C								
				1/1	Bank	ACB	200,000	1
				7/1	Bank	ACB	40,000	1
							240,000	
Purchases A/C								
31/1	Total Net Creditors	PB	97,000					1
31/1	Bank	ACB	28,000					1
			125,000					
Purchases Returns A/C								
				31/1	Total Net Creditors	PRB	13,000	1
Sales A/C								
				31/1	Bank	ACB	60,000	1
VAT A/C								
31/1	Credit Purchases	PB	22,310	31/1	Purchases Returns	PRB	2,990	1 + 1
31/1	Cash Purchases	ACB	6,440	31/1	Cash Sales	ACB	13,800	1 + 1
				31/1	Balance B/D		11,960	1
			28,750				28,750	
1/2	Balance C/D		11,960					
Wages A/C								
4/1	Bank	ACB	9,000					1
CREDITORS LEDGER OF PARK Ltd								
CROKE Ltd A/C								
9/1	Purchases Returns	PRB	15,990	3/1	Purchases	PB	39,360	1 + 1
31/1	Balance C/D		23,370					1
			39,360				38,360	
				1/2	Balance B/D		23,370	
GAA A/C								
				6/1	Purchases	PB	79,950	1

Total Ledger Marks 16

PURCHASES BOOK of PARK Ltd (4)

Date 2012	Details	Invoice No.	F	NET €	VAT €	Total €
3/1	CROKE Ltd	33	CL	32,000	7,360	39,360
6/1	GAA Ltd	78	CL	65,000	14,950	79,950
				97,000	22,310	119,310
				GL	GL	CL
Mark		<i>1</i>		<i>(1) ½ + ½</i>	<i>(1) ½ + ½</i>	<i>(1) ½ + ½</i>

Q.1 contd.

PURCHASES RETURNS BOOK of PARK Ltd (2½)

Date 2012	Details	Credit Note No.	F	NET €	VAT €	Total €
9/1	CROKE Ltd	4	CL	13,000	2,990	15,990
				GL	GL	CL
		<i>1</i>		<i>½</i>	<i>½</i>	<i>½</i>

ANALYSED CASH BOOK (debit side) of PARK Ltd (4½)

Date 2012	Details	Rec. No. (1m)	F	Bank €	Sales €	VAT €	Share Capital €	Mark
1/1	Share Capital		GL	200,000			200,000	(1) ½ + ½
2/1	Sales		GL	73,800	60,000	13,800		(1½) ½ + ½ + ½
7/1	Share Capital	5	GL	40,000			40,000	(1) ½ + ½
				313,800	60,000	13,800	240,000	
1/2	Balance B/D			270,360				

ANALYSED CASH BOOK (credit side) of PARK Ltd (4½)

Date 2012	Details	Cheq. No. (1m)	F	Bank €	Purchases €	VAT €	Wages €	Mark
4/1	Wages	7	GL	9,000			9,000	(1) ½ + ½
16/1	Purchases	8	GL	34,440	28,000	6,440		(1½) ½ + ½ + ½
				43,440	28,000	6,440	9,000	
16/1	Balance C/D			270,360				<i>1</i>
				313,800				

Trial Balance of PARK Ltd as on 31/1/2012

	Dr €	Cr €	Mark
Bank	270,360		½
Purchases	125,000		½
Wages	9,000		½
VAT	11,960		½
Share Capital		240,000	½
Sales		60,000	½
Purchases Returns		13,000	½
CROKE Ltd		23,370	½
GAA Ltd		79,950	½
	416,320	416,320	(4½)

Marks Summary

Ledger	Purchases Book	Purchases returns Book	Analysed Cash Book	Trial Balance	Dates	Folios	Total
<i>16</i>	<i>4</i>	<i>2½</i>	<i>9</i>	<i>4½</i>	<i>2</i>	<i>2</i>	<i>40</i>

Q.2 Sales, Business Document and Bookkeeping Question

(A) (i)

Three documents named	Mark
Quotation, Order, Invoice	6 (3 @ 2)

(A) (ii)

Answer	Workings	Mark
€39,150	Cost of goods sold €30,000 – damaged goods €3,000 (10%) = €27,000 Selling price of goods sold €27,000 + mark up €12,150 (45%) = €39,150	6 (4+ 2 for workings)

(B) (i) **Delivery Docket Completion**

MCFOOTWEAR Ltd West Park, Co. Galway		DELIVERY DOCKET No. 47	Mark
			(6)
Telephone: 091 485152		VAT Reg. No. IE 2356731	
To: <i>HEELS Ltd</i>	Date: 16/5/2012		<i>1 + 1</i>
<i>Mullingar</i>	Your Order No: 31		<i>1</i>
<i>Co. Westmeath</i>			
QUANTITY	DESCRIPTION		
25	<i>Ladies Wellingtons</i>		<i>1/2 + 1/2</i>
30	<i>High Heels</i>		<i>1/2 + 1/2</i>
Received the above goods in good condition Signed: <u>Sally High</u> Purchasing Manager			<i>1</i>

(B) (ii) **Two procedures**

	Procedures for processing Outgoing Delivery Dockets	Mark
1	Check that the name and address of the buyer is correct	2 @ 2
2	Check that the details re quantities and description are as per order	

Q.2 (C) (i)

MCFOOTWEAR Ltd, West Park, Co. Galway			CREDIT NOTE No. 11	Mark <i>(11)</i>
Telephone: 091 485152		VAT Reg. No. IE 2356731		
To: <i>HEELS Ltd</i>		Date: <u>23/5/2012</u> Your Order No: 31		<i>1 + 1</i>
<i>Mullingar</i>				
<i>Co. Westmeath</i>				
<i>(1)</i>	<i>(1 + 1)</i>	<i>(1)</i>	<i>(1)</i>	
QUANTITY	DESCRIPTION	PRICE EACH €	TOTAL €	
<i>5</i>	<i>Ladies Wellingtons</i>	<i>50</i>	<i>250</i>	← ↑
	<i>Reason: men's wellingtons instead of ladies</i>			
Total (Excluding VAT)			<i>250</i>	←
Trade Discount			<i>50</i>	
Subtotal			<i>200</i>	
VAT			<i>46</i>	
Total (Including VAT)			<i>246</i>	
E & O E				

For use with Question 2 (C) (ii)

Sales Returns Book of MCFOOTWEAR Ltd

Date	Details	Credit Note No.	F	Net	VAT	Total	Mark
<i>23/5/2012</i>	<i>HEELS Ltd</i>	<i>11</i>	<i>DL</i>	<i>200</i>	<i>46</i>	<i>246</i>	
<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>7</i>

Marks Summary

A	B	C	Total
12	10	18	40

Q.3 Cash Flow Forecast Question

(A)

CASH FLOW FORECAST OF LEE Ltd FOR THE PERIOD FEBRUARY TO JULY 2013

	Feb. €	March €	April €	May €	June €	July €	Total Feb. – July €	Mark (28)
RECEIPTS								
Cash Sales	80,000	80,000	80,000	80,000	80,000	100,000	500,000	2
Loan					180,000		180,000	1
A. TOTAL RECEIPTS	80,000	80,000	80,000	80,000	260,000	100,000	680,000	0
PAYMENTS								
Cash Purchases	26,000	26,000	26,000	26,000	26,000	31,200	161,200	2
Light And Heat	2,200		2,200		1,500		5,900	2
Wages	16,000	16,000	16,000	16,000	24,000	16,000	104,000	2
Motor Vehicles		50,000					50,000	1
Transport Costs	5,000	5,000	5,000	5,000	5,000	5,000	30,000	1
Buildings					280,000		280,000	1
Rent	3,500	3,500	3,500	3,500			14,000	1
B. TOTAL PAYMENTS	52,700	100,500	52,700	50,500	336,500	52,200	645,100	0
Net Cash (A-B)	27,300	(20,500)	27,300	29,500	(76,500)	47,800	34,900	5
Opening Cash	4,000	31,300	10,800	38,100	67,600	(8,900)	4,000	5
Closing Cash	31,300	10,800	38,100	67,600	(8,900)	38,900	38,900	5

(B)

	Answers	Mark (12)
(i)	To identify if there will be any cash shortage and make plans to deal with it	3
(ii)	Longer day light / warmer weather	3
(iii)	Share Capital, Grant	3+3

Marks Summary

A	28
B	12
Total	40

Q.4 Final Accounts and Balance Sheets

(A)

<i>1½</i>		<i>1</i>	<i>1½</i>	Mark (19)
Trading, Profit and Loss Appropriation Account of FOLEY Ltd for the year ended 31/12/2011				
	Sales		240,000	½
	Less Cost Of Sales			
1/1/2011	Opening Stock	30,000		½
	Purchases	90,000		½
	Carriage Inwards	10,000		½
		130,000		0
31/12/2011	Less Closing Stock	20,000	110,000	½ + 0
	Gross Profit		130,000	1 + 1
	Add Gains			
	Commission Receivable	12,000		½
	add Commission Receivable due	3,500	15,500	½ + ½
			145,500	0
	Less Expenses			
	Wages	56,000		½
	add Wages due	14,000	70,000	½ + ½
	Insurance	9,000		½
	less Insurance prepaid	1,200	7,800	½ + ½
	Depreciation: Motor Vehicles	10,000		½
	Equipment	7,500	17,500	½ + ½ + 0
	Net Profit		50,200	1 + 2
	Less dividends paid		30,000	½
			20,200	0
	Add Opening Reserves		40,000	1
	Reserves		60,200	0

Q.4 (A) contd.

$\frac{1}{2}$	1	$\frac{1}{2}$	Mark	
Balance Sheet of FOLEY Ltd as at 31 /12/2011			15½	
	€	€	€	
Fixed Assets	Cost	Depreciation	NBV	
Buildings	310,000	-----	310,000	$\frac{1}{2} + \frac{1}{2}$
Motor Vehicles	80,000	10,000	70,000	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
Equipment	50,000	7,500	42,500	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
Total Fixed Assets	440,000	17,500	422,500	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
Current Assets				
Closing Stock	20,000			$\frac{1}{2}$
Cash	2,000			$\frac{1}{2}$
Debtors	25,000			$\frac{1}{2}$
Insurance prepaid	1,200			$\frac{1}{2}$
Commission receivable due	3,500	51,700		$\frac{1}{2} + 0$
Less Current Liabilities				
Creditors	23,000			$\frac{1}{2}$
Bank overdraft	7,000			$\frac{1}{2}$
Wages due	14,000	44,000		$\frac{1}{2} + 0$
Working Capital			7,700	0
Total Net Assets			430,200	$\frac{1}{2}$
Financed By	Authorised	Issued		
400,000 € ordinary shares	400,000	300,000		$1 + 1$
Add reserves		60,200		$\frac{1}{2}$
Add Long Term Liabilities				
30 Year Loan		70,000		$\frac{1}{2}$
Capital Employed			430,200	$\frac{1}{2}$

(B) Depreciation is **reduction in the value** of a **Fixed Asset**, due to **age, obsolesce or use**. **5** (2 + 2 + 1)

Marks Summary

A	Trading Profit and Loss Appropriation Account Headings 4 marks 18 @ $\frac{1}{2}$, 1 @ 1, 1 @ 2, 1 @ 3 = 15marks 19 marks Balance Sheet Headings 2 marks 23 @ $\frac{1}{2}$, 2 @ 1 13½ marks 15½ marks Presentation ½ marks	35
B		5
Total		40

Q.5 Selling on Credit and Writing off Bad Debts

(A)	Answer	Mark
(i)	To obtain more business To compete with bigger businesses who do not give credit	4 marks (2 @ 2)
(ii)	<u>Ask customer</u> to obtain a bank reference from their bank manager <u>Ask customer</u> to obtain a trade (business) reference from another business	6 marks (2 @ 3)
(iii)	Stop selling on credit Offer discounts/ incentives for prompt payment	6 marks (2 @ 3)
(iv)	It reduces the profit of the business	3 marks

(B)	Answer	Mark
(i)	A business is unable to pay what it owes and this is publically declared by a judge.	3 marks
(ii)	FMI Ltd will receive € 9,000 (€30,000 × €0.30)	2 marks
(iii)	FMI Ltd will write off bad debts of €21,000	2 marks

(iii)

General Journal of FMI Ltd

Date	Details	F	Dr €	Cr €	Mark (9)
10/5/2012	Cash	ACB	9,000		1 + 1 (correct detail and side)
	Bad Debts	GL	21,000		1 + 1
	AMAN Ltd			30,000	1 +
					1 (date ½ + folio ½)
	Narration: AMAN Ltd goes bankrupt and pays 30 cent per euro				2

(iv)

Analysed Cash Book of FMI Ltd

Date	Details	Receipt No.	F	Bank	Debtors	Mark
10/6/2012	AMAN Ltd	2	DL	9,000	9,000	
½	1	1	½	1	1	5

Marks Summary

A	19
B	21
Total	40

Q.6 Sources of Finance and Report Writing Question

REPORT FORMAT		Mark
From:	<i>Pat Coyne, 10 Fiver Lane, Tullamore, Co. Offaly</i>	<i>1</i>
To:	<i>Directors of O'Reilly Ltd, 32 Cedarwood Avenue, Wexford</i>	<i>1</i>
Report Title:	<i>Advice on Sources of Finance, and Business Plans</i>	<i>1</i>
Date:	<i>12 June 2012</i>	<i>1</i>
Introduction:	<i>I have examined the different questions you requested me to consider and I have set out my answers below.</i>	<i>1</i>
Main Body Answers to Questions	(i) <i>The total amount of interest you will have to pay on the loan is €2,160. I have set out my workings in a separate sheet attached to the report.</i>	<i>12</i>
	(ii) <i>The term collateral /security is an <u>item of value given by a borrower to a lender which may be sold / taken over if the borrower fails to pay back the amount borrowed.</u> The company might provide: buildings, land.</i>	<i>10</i>
	(iii) <i>A delivery van is a medium term need and should therefore be financed by:</i> <i>Hire Purchase, where O'REILLY Ltd will make a number of monthly payments and when the last payment is made it becomes the owner of the vans.</i> <i>Leasing where O'REILLY Ltd could pay for the van as it uses them. It will never own the van but it can obtain a replacement van when there are a lot of kilometres up on the clock.</i>	<i>10</i>
Follow Up	<i>I am available to discuss any questions that the directors may have re the above answers.</i>	<i>1</i>
Signature	<i>Pat Coyne</i>	<i>1</i>
Position/ Title of Report Writer	<i>Financial Consultant</i>	<i>1</i>

Workings for (i) Total Interest to be paid:

Year	Capital €	Interest at 9% APR €	Explanation of workings
1	12,000	1,080	9% of €12,000
2	8,000	720	9% of €8,000
3	4,000	360	9% of €4,000
Total Interest To Be Paid		2,160	

Summary of Marks

Report Layout	8
(i)	12 (3 + 3 + 3 + 3)
(ii)	10 (6 + 2 + 2)
(iii)	10 (5 [2 + 3] + 5 [2 + 3])
Total Marks	40 marks

