

AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA

JUNIOR CERTIFICATE EXAMINATION, 2002

BUSINESS STUDIES – HIGHER LEVEL – PAPER 11
(160 Marks)

WEDNESDAY, 12 JUNE 2002 – AFTERNOON, 2.00 to 4.00

All questions carry equal marks. Attempt any **FOUR** questions.
Marks will be awarded for layout and presentation including, where appropriate, Folios and Dates showing the day, month and year. Calculators may be used.

1. Answer ALL sections. This is a Book of First Entry and Ledger Question.

The books of YAWLAG Ltd showed the following balances on 1 May 2002:

| | |
|---------------------|--------|
| | € |
| Motor Vehicles | 75,000 |
| Creditor: Quinn Ltd | 19,500 |

- (A) Enter these balances in the General Journal, find the Ordinary Share Capital balance and post these balances to the relevant ledger accounts. (8)
- (B) Post the relevant figures from the Purchases and Purchases Returns Books below to the ledgers.

PURCHASES BOOK (Page 1)

| Date | Details | Invoice No. | F | Net € | VAT € | Total € |
|----------|----------|-------------|-----|----------|----------|------------|
| 6/5/2002 | Carr Ltd | 34 | CL1 | 32,000 | 6,400 | 38,400 |
| | | | | GL1 | GL2 | |

PURCHASES RETURNS BOOK (Page 1)

| Date | Details | Invoice No. | F | Net € | VAT € | Total € |
|----------|-----------|-------------|-----|----------|----------|------------|
| 2/5/2002 | Quinn Ltd | 34 | CL2 | 5,500 | 1,100 | 6,600 |
| | | | | GL3 | GL2 | |

- (C) Record the following Bank Transactions for the month of May. Post relevant figures to the ledger. (8)

Note: Analyse the bank transactions using the following money column headings:

Debit (Receipts) Side: Bank; Sales; VAT; Other

Credit (Payments) Side: Bank; Purchases; VAT; Creditors; Advertising.

| | |
|---|--------------------------------|
| 2/5/2002 Cash sales lodged | €62,400 (€52,000+ VAT €10,400) |
| 7/5/2002 Paid for advertising (Cheque No. 1) | €3,700 |
| 16/5/2002 Paid Quinn Ltd its account in full (Cheque No. 2) | |
| 21/5/2002 Purchases for resale (Cheque No. 3) | €18,500 + VAT 20% |
| 29/5/2002 Shareholder invested €20,000 and this was lodged. Receipt No. 43. | (17) |

- (D) Balance the accounts on the 31 May 2002 and extract a Trial Balance as at that date. (7)
- (40 marks)**

2.

Answer A and B. This is a Final Accounts and Balance Sheet Question.

The following Trial Balance was extracted from the books of MC CARTHY Ltd on 31 May 2002. The Authorised Share Capital is 265,000 €1 ordinary shares.

| Trial Balance as on 31 May 2002 | Dr. € | Cr. € |
|--|----------|----------|
| Purchases and Sales | 84,000 | 185,000 |
| Purchases Returns | | 4,000 |
| Import Duty | 3,600 | |
| Wages | 35,000 | |
| Advertising | 11,000 | |
| Bad Debts | 3,200 | |
| Commission Receivable | | 6,000 |
| Rent Receivable | | 16,000 |
| Premises | 245,000 | |
| Machinery | 60,000 | |
| Debtors and Creditors | 21,200 | 10,000 |
| Opening Stock 1/6/2001 | 18,000 | |
| Bank | 13,000 | |
| 15 year Loan | | 30,000 |
| Reserves (Profit and Loss Balance) | | 23,000 |
| Issued Share Capital: 220,000 €1 ordinary shares | | 220,000 |
| | 494,000 | 494,000 |

- (A) You are required to prepare the company's **Trading, Profit and Loss and Appropriation Accounts** for the year ending 31 May 2002 and a **Balance Sheet** as on that date.

You are given the following information as on 31 May 2002.

- (i) Closing Stock €13,000
- (ii) Rent Receivable prepaid € 2,000
- (iii) Advertising due € 3,500
- (iv) Dividends declared 8%
- (v) Depreciation : Premises 2%; Machinery 15%. (35)

- (B) List **two** ways by which MC CARTHY Ltd could reduce its bad debts. (5)
(40 marks)

3.

Answer (A) and (B). This is an Integrated Forms of Ownership and Company Formation Question.

- (A) Explain **two** of the following forms of ownership
(i) Sole Trader, (ii) Co-operative, (iii) State Ownership. (12)
- (B) On 1 May 2002 Nora Martin, 5 Marino Close, Bray, Co. Wicklow and Joseph O'Connor, 14 Strand Road, Bray, Co. Wicklow formed a Private Limited Company called EDUCU BOOKS Ltd. They prepared a Memorandum of Association and sent it with all the necessary documents to the Registrar of Companies.

The Objectives of the company are to publish and sell educational books.
The Authorised Share Capital of EDUCU BOOKS Ltd is 100,000 €1 ordinary shares.

On 12 May 2002 Nora Martin and Joseph O'Connor purchased 25,000 €1 ordinary shares each. The money received from the issue of the shares was lodged to the company bank account.

You are required to :

- (i) Complete the Memorandum of Association *on the blank memorandum document supplied with this paper.* (16)
- (ii) Record the issue of shares on 12 May 2002 in the Ordinary Share Capital and Bank Accounts *provided on the separate sheet supplied with this paper.*
Prepare the Opening Balance Sheet of the company as on 12 May 2002 also *on the separate sheet supplied with this paper.* (12)
(40 marks)

4.

Answer ALL sections. This is a Business Banking and Finance Question.

- (A) Name **four** services provided by banks for businesses. (8)
- (B) List **three** pieces of information that a private limited company must provide when opening a current account in a bank. (6)
- (C) State **four** factors that banks consider when granting a loan. (12)
- (D) F & M Ltd received a three year loan of €15,000. Terms of the loan agreement were:
Capital repayments €5,000 per year; interest 12% APR.
Calculate the total interest payable over the three years. (14)
(40 marks)

5. Answer ALL sections. This is an Integrated Business Documents Question.

The following details refer to the sale of goods on credit by Lennon Ltd to Quinn Ltd, 13 Bridge St., Carlow for the month of May 2002.

On 1 May 2002 there was a balance of €850 in Quinn’s account in the Debtors Ledger of Lennon Ltd.

| | | |
|-----------|---|-------------------|
| 3/5/2002 | Lennon Ltd sent an Invoice No. 3 to Quinn Ltd | € 2,400 |
| 6/5/2002 | Lennon Ltd sent an Invoice No. 12 to Quinn Ltd | €13,000 |
| 13/5/2002 | Lennon Ltd received a cheque from Quinn Ltd | € 8,500 |
| 17/5/2002 | Lennon Ltd sent an Invoice No. 89 to Quinn Ltd | € 6,700 |
| 21/5/2002 | Lennon Ltd sent a credit note No. 67 to Quinn Ltd | € 1,200 + 20% VAT |
| 28/5/2002 | Lennon Ltd sent an Invoice No. 98 to Quinn Ltd | € 6,500 |

On 31 May 2002 Lennon Ltd sent a Statement of Account to Quinn Ltd.

Quinn Ltd paid the amount due on the statement by cheque.

Lennon Ltd sent a receipt No. 23 to Quinn Ltd on 11 June 2002, signed by William Lennon.

You are required to :

- (A) List **three** checks that Lennon Ltd should carry out before sending out their statement. (6)
 - (B) Complete the Statement No. 30 sent by Lennon Ltd on 31 May 2002 *on the blank statement document supplied.* (17)
 - (C) Complete the Receipt No. 23 issued by Lennon Ltd on 11 June 2002 *on the blank receipt document supplied.* (10)
 - (D) Record the issuing of the Credit Note No. 67 in the Sales Returns Book *on the blank bookkeeping sheet supplied with this paper.* (7)
- (40 marks)**

6. Answer (A) and (B). This is a Question on Report Writing and Assessing a business.

- (A) State **two** limitations of Final Accounts and Balance Sheets in assessing a business. (6)
- (B) The directors of Bingo Ltd, Sligo supplied the following figures for the years 2000 and 2001.

| | 2000 | 2001 |
|---------------------|-------------|-------------|
| | € | € |
| Sales | 530,000 | 560,000 |
| Net Profit | 120,000 | 110,000 |
| Current Assets | 36,000 | 24,000 |
| Current Liabilities | 16,000 | 32,000 |
| Capital Employed | 380,000 | 460,000 |

Assume you are Pauline Willis, Management Consultant, Double Entry Road, Wexford.

Prepare a report, on today’s date, for the directors of Bingo Ltd **comparing and commenting** on the performance of the business over the two years, 2000 and 2001.

Use the following **three ratios** in comparing the performance:

Net Profit Percentage; Return on Capital Employed; Current Ratio.

(34)
(40 marks)

MEMORANDUM OF ASSOCIATION

1. The Name of the Company is _____
2. The Objects for which the Company is established are :

3. The Liability of the members is Limited
4. The Share Capital of the Company is _____ divided into _____

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.

| Name, Address of each Subscriber | Number of Shares taken by each Subscriber |
|----------------------------------|---|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

Date

For use with Question 3 (B)(ii)

| Date | Details | F | Amount € | Date | Details | F | Amount € |
|------|---------|---|-------------|------|---------|---|-------------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Balance Sheet as on 12/5/2002

| | | | |
|-----------------------|--|--|--|
| Current Assets | | | |
| | | | |
| Financed By | | | |
| | | | |
| | | | |

BUSINESS STUDIES – PAPER 11, 2002

EXAMINATION NUMBER

For use with QUESTION 5 (B)

| STATEMENT | | | | No. 30 |
|---|---------|---|--------|--|
| <p>Lennon Ltd, Mountain View, Carlow</p> | | | | |
| <p>To : _____ _____ _____</p> | | <p>Tel. 0503 94613 VAT No. IE33423 Account No. 76 Date _____</p> | | |
| DATE | DETAILS | DEBIT | CREDIT | BALANCE |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | <p align="center">↑ Amount Due</p> |

For use with QUESTION 5 (C)

| RECEIPT | | No.: 23 |
|--------------------|---|----------|
| DATE: _____ | Lennon Ltd, Mountain View, Carlow. | |
| RECEIVED FROM: | | |
| | | <p>€</p> |
| THE SUM OF: | | |
| | | |
| <i>With Thanks</i> | Signed: _____ (Accounts Department) | |

For use with QUESTION 5 (D)

SALES RETURNS BOOK Page 1

| Date | Details | Credit Note No. | F | NET | VAT | TOTAL |
|------|---------|-----------------|---|-----|-----|-------|
| | | | | | | |

PLEASE ENCLOSE WITH YOUR ANSWERBOOK