

WARNING

You must return this section with your answer book, otherwise marks will be lost.

Candidate's Examination Number



Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION, 2008

BUSINESS STUDIES – HIGHER LEVEL – PAPER I

TUESDAY, 10 JUNE 2008 – MORNING, 9.30 a.m. - 12.00 p.m.

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 relate to Information Technology. What do they stand for?

| | |
|------------|--|
| VDU | |
| PC | |
| WWW | |
| RAM | |

2. The share of profit which each shareholder in a company receives is called a

- | | |
|-------------------|--------------------------|
| (i) Bonus. | <input type="checkbox"/> |
| (ii) Dividend. | <input type="checkbox"/> |
| (iii) Commission. | <input type="checkbox"/> |
| (iv) Premium. | <input type="checkbox"/> |

Tick (✓) the most appropriate box.

3. Answer A or B.

Complete the Balance Sheet (extract) below by filling in the **four** unshaded areas, numbered (i) to (iv):

| A. Balance Sheet (extract) as on 31-12-2007 | | |
|--|---------|---------|
| | € | € |
| (i) | | 250,000 |
| Current Assets | (ii) | |
| Less Current Liabilities | 110,000 | |
| (iii) | | (iv) |
| Total Net Assets | | 420,000 |

OR

| B. Balance Sheet (extract) as on 31-12-2007 | | |
|--|---|---------|
| | € | € |
| Financed by | | |
| (i) | | 150,000 |
| Reserves | | (ii) |
| | | 310,000 |
| Long-Term Liabilities | | (iv) |
| (ii) | | 420,000 |

4. (i) The cost of living in a country in 2006 was €8,000. In 2007, it was €8,260.

Calculate the rate of inflation. (Show your workings.)

| |
|----------------|
| Answer: |
| |

| |
|-----------|
| Workings: |
| |

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

5. On 9 June 2008, T. Magee, a supermarket owner, purchased goods for €32,000 by cheque. There was no VAT on these goods.

Complete the ledger accounts of T. Magee showing the names of the accounts and the relevant details, numbered (i) to (iv):

(i) _____ A/c

| Dr | | | Cr | | |
|----------------|---------|--------|------|---------|---|
| Date | Details | € | Date | Details | € |
| 2008 June 9 | (ii) | 32,000 | | | |

(iii) _____ A/c

| Dr | | | Cr | | |
|------|---------|---|----------------|---------|--------|
| Date | Details | € | Date | Details | € |
| | | | 2008 June 9 | (iv) | 32,000 |

6. List **two** statutory deductions from wages.

(i) _____

(ii) _____

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

| Column 1 – Insurance Terms | Column 2 – Statements |
|------------------------------|---|
| 1. Actuary | A. Additional premium due to increased risk |
| 2. Assessor | B. Calculates the amount of compensation |
| 3. Principle of Contribution | C. Applies in the case of under-insurance and partial loss |
| 4. Average Clause | D. Calculates the amount of premium |
| | E. Applies in the case where there are two or more insurers |

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

| 1. | 2. | 3. | 4. |
|----|----|----|----|
| | | | |

8. Fill in the names of the drawer, drawee and payee from the following transaction in the appropriate spaces below:

On 3 June 2008, John Ryan, who has a current account in Ulster Bank, Galway, paid €200 by cheque to Sarah Curran.

| | |
|---------------|--|
| DRAWER | |
| DRAWEE | |
| PAYEE | |

9. Explain the difference between a **grant** and a **loan**.

10. From the following list, calculate the total amount of Current Expenditure for a farm. (Show your workings.)

Vet Fees €14,000 Land €56,000 Machinery Repairs €18,000 Sale of Hay €4,000

Answer:

€

Workings:

11. Explain **two** reasons why stocktaking is essential in any business:

(i) _____

(ii) _____

12. Identify **two** rewards of self-employment:

(i) _____

(ii) _____

13. Complete and balance the Debtors Control Account on 31 May 2008 from the following information:

| | |
|---|-------|
| | € |
| Debtors balance on 1 May 2008 | 1,400 |
| Total credit sales for May | 8,500 |
| Total cash received from debtors in May | 6,300 |

| Dr | | Debtors Control Account | | | | Cr |
|------|---------|-------------------------|------|---------|---|----|
| Date | Details | € | Date | Details | € | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

OR (Alternative Format)

| Debtors Control Account | | | | |
|-------------------------|---------|----|----|---------|
| Date | Details | Dr | Cr | Balance |
| | | € | € | € |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

14. The following figures appear in a firm's Final Accounts:

Opening Stock €35,000

Closing Stock €45,000

Cost of Sales €300,000

Calculate the Stock Turnover:
(Show your workings.)

| |
|----------------|
| Answer: |
| _____ times |

| |
|-----------|
| Workings: |
| |

15. Name **two** headings in a Business Plan.

(i) _____

(ii) _____

16. Tick (✓) the appropriate columns to indicate where in the final accounts the following items should be entered on 31/12/2007:

| | Trading A/c | Profit & Loss A/c | Balance Sheet |
|----------------------|--------------------|------------------------------|----------------------|
| Issued Share Capital | | | |
| Carriage Outwards | | | |
| Stock (31/12/2007) | | | |

17. Complete the sentences below by selecting the **two** correct terms from the following list:

| | | | |
|------------------------|--------------------------|------------------------|--------------------------|
| Visible Exports | Invisible Exports | Visible Imports | Invisible Imports |
|------------------------|--------------------------|------------------------|--------------------------|

(i) Irish people taking a holiday in a foreign country is shown under

_____.

(ii) Winnings by Irish horses racing in foreign countries are shown under

_____.

18. (i) Enter the following balances in the partially completed General Journal of Power Ltd:

| | | |
|----------------|----------------|---------|
| 1 January 2008 | Stock | €22,000 |
| | Bank Overdraft | €5,000 |

(ii) Calculate the Ordinary Share Capital:

| Power Ltd – General Journal | | | | |
|-----------------------------|--|-----|---------|----|
| Date | Details | F | Dr | Cr |
| | | | € | € |
| | Buildings | GL1 | 100,000 | |
| | Stock | GL2 | | |
| | Bank Overdraft | CB1 | | |
| | Ordinary Share Capital | GL3 | | |
| | Assets, Liabilities and Share Capital of Power Ltd on this date. | | | |

19. Explain **two** reasons why a business would prepare a cash flow statement:

(i) _____

(ii) _____

20. Enter the following transaction in the Sales Returns Book of McGrath Ltd:

On 12 May 2008, Roche Ltd returned goods €5,400 to McGrath Ltd (Credit Note No. 9).
 The VAT rate on these goods is 21%.

| McGrath Ltd – Sales Returns Book | | | | | | |
|----------------------------------|---------|---------|---|-------|-------|---------|
| Date | Details | C N No. | F | Net € | VAT € | Total € |
| | | | | | | |

For use with Section B - Question 1(A)

Budget Comparison Statement for the Burke household for the year 2007

| INCOME | Budget Jan – Dec € | Actual € | Difference € |
|-----------------------------|--------------------------|-------------|-----------------|
| Salaries | 21,000 | | |
| Child benefit | 720 | | |
| Interest | 250 | | |
| Other | | | |
| TOTAL INCOME | 21,970 | | |
| EXPENDITURE | | | |
| <i>Fixed</i> | | | |
| Mortgage | 4,080 | | |
| Car insurance | 560 | | |
| House insurance | 235 | | |
| Subtotal | 4,875 | | |
| <i>Irregular</i> | | | |
| Household costs | 7,800 | | |
| Car costs | 1,550 | | |
| Clothing and footwear costs | 2,000 | | |
| Light and heat costs | 1,600 | | |
| Medical expenses | 400 | | |
| Subtotal | 13,350 | | |
| <i>Discretionary</i> | | | |
| Entertainment costs | 1,560 | | |
| Presents | 300 | | |
| Holidays | 1,800 | | |
| Subtotal | 3,660 | | |
| TOTAL EXPENDITURE | 21,885 | | |
| Net Cash | 85 | | |
| Opening Cash | 1,400 | | |
| Closing Cash | 1,485 | | |

Note: Do not complete the shaded boxes

For use in answering Section B – Question 1(B and C)

1. (B)

| | | | |
|--------------|--|----------------|---|
| (i) | What was the budgeted closing cash at the end of 2007? | Answer: | € |
| (ii) | How much had the Burke household budgeted to save during 2007? | Answer: | € |
| (iii) | What was the actual closing cash at the end of 2007? | Answer: | € |
| (iv) | State by how much the Burke household exceeded their budgeted total expenditure. | Answer: | € |

(v) Explain **one** possible reason why the ‘Actual’ interest was less than the ‘Budget’ interest.

1. (C)

(i) Explain the term ‘discretionary expenditure’.

(ii) Explain the term ‘health insurance’.

(iii) Give **two** examples of companies offering health insurance to the public in Ireland.

1

2

For use with Section B – Question 4(A)

| ESB Direct Debit Instruction | | | | | | | | | | | |
|--|-------------|--|---|---|--|---|--|---|--|--|--|
| Your Electricity Account Number: | | | | - | | | | - | | | |
| I wish to pay my electricity bill every two months. | | | | | | | | | | | |
| To | The Manager | | | | | | | | | | |
| Bank | | | | | | | | | | | |
| Bank Address | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| I give permission to ESB to charge variable amounts to my bank account. | | | | | | | | | | | |
| Name of Bank Account to be debited | | | | | | | | | | | |
| Account type | | | | | | | | | | | |
| Bank Account Number | | | | | | | | | | | |
| Branch Sorting Code | | | - | | | - | | | | | |
| Contact Telephone Number | | | | | | | | | | | |
| Signature | | | | | | | | | | | |
| Date | | | | | | | | | | | |

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

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