



Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION 2012

BUSINESS STUDIES – HIGHER LEVEL – PAPER II

(160 Marks)

TUESDAY 12 JUNE 2012 – AFTERNOON 2.00 - 4.00

- **ALL** questions carry 40 marks.
- Answer any **FOUR** questions.
- Marks will be awarded for workings, layout and presentation including, where appropriate, folios and dates.
- Dates should show the day, month and year.
- Calculators may be used.

1. This is a Book of First Entry, Ledger and Trial Balance Question.

Answer all parts of this question:

- (A) On 1 January 2012, the shareholders of PARK Ltd, a musical instruments business, invested €200,000 in the company.

Record this transaction in the Analysed Cash Book and Share Capital Account of PARK Ltd.

(3)

- (B) Record the following Credit Transactions in the Purchases and Purchases Returns Books of PARK Ltd for the month of January 2012.

Post relevant figures from the books to the ledger accounts.

3/1/2012	Purchased goods on credit from CROKE Ltd	Invoice No. 33	€32,000 + VAT 23%
6/1/2012	Purchased goods on credit from GAA Ltd	Invoice No. 78	€65,000 + VAT 23%
9/1/2012	Returned goods to CROKE Ltd	Credit Note No. 4	€13,000 + VAT 23%

(13)

- (C) Record the following Bank Transactions for the month of January 2012 in the Analysed Cash Book of PARK Ltd. Post relevant figures to the Ledger Accounts.

Note: Analyse the Bank Transactions using the following money column headings:

Debit (Receipts) Side:	Bank	Sales	VAT	Share Capital
Credit (Payments) Side:	Bank	Purchases	VAT	Wages

2/1/2012	Sales lodged		€73,800 (€60,000 + VAT €13,800)
4/1/2012	Paid wages	(Cheque No. 7)	€ 9,000
7/1/2012	Shareholder invested €40,000 and this was lodged		Receipt No. 5
16/1/2012	Purchases for resale	(Cheque No. 8)	€28,000 + VAT 23%

(16)

- (D) Balance the accounts on the 31 January 2012 and extract a Trial Balance as at that date.

(8)

(40 marks)

2.

This is a Sales, Business Documents and Bookkeeping Question.

Answer all parts of this question:

(A) (i) Name **three** business documents used by businesses, when purchasing and selling goods on credit **other than** Delivery Dockets, Letters of Complaint and Credit Notes.

(ii) PEILE Ltd purchased goods for resale €30,000. 10% of the goods were not sold because of water damage. The mark-up is 45% on the goods sold. Calculate the total income to be made from the goods that were sold. (Show your workings.)

(12)

(B) On 1 May 2012 HEELS Ltd, Mullingar, Co. Westmeath ordered the following goods (Order No. 31) from MCFOOTWEAR Ltd:

25 pairs of Ladies Wellingtons @ €50 per pair

30 pairs of High Heels @ €75 per pair

Trade Discount was 20% and VAT was 23%.

All the goods were in stock and were delivered to HEELS Ltd.

On 16 May 2012 MCFOOTWEAR Ltd issued a Delivery Docket No. 47 with the goods. This Delivery Docket was signed by Sally High, Purchasing Manager, on behalf of HEELS Ltd.

(i) Complete the Delivery Docket *on the sheet supplied with this paper*.

(ii) State **two** procedures that MCFOOTWEAR Ltd should use when processing outgoing Delivery Dockets.

(10)

(C) On opening the boxes, on 17 May 2012, Sally discovered that 5 pairs of wellingtons were mens' wellingtons. Sally complained to MCFOOTWEAR Ltd.

On 23 May 2012, MCFOOTWEAR Ltd sent HEELS Ltd a Credit Note No. 11 for the 5 pairs of wellingtons.

(i) Complete the blank Credit Note No. 11 *on the sheet supplied with this paper*.

(ii) Record the issuing of the Credit Note in the Sales Returns Book of MCFOOTWEAR Ltd *on the sheet supplied with this paper*.

(18)

(40 marks)

3. **This is a Cash Flow Forecast Question.**

Answer all parts of this question:

(A) *On the separate sheet supplied with this paper is a partially completed Cash Flow Forecast of LEE Ltd, a light engineering business.*

You are required to complete this forecast for the months of April, May, June and July 2013, together with the total column.

The following information should be taken into account:

- Monthly Cash Sales are expected to increase by 25% beginning in July
- LEE Ltd will receive a loan of €180,000 in June
- Monthly Cash Purchases are expected to increase by 20% beginning in July
- Light and Heat, payable every two months, is expected to decrease by €700 in June
- Wages are expected to remain the same, except in June, when an additional €8,000 in bonuses will be paid
- Transport costs are expected to remain the same every month
- LEE Ltd will take over ownership of the building, on payment of €280,000 in June. The rent of buildings will cease after May.

(28)

(B) Answer the following questions.

- (i) Outline **one** reason for preparing a Cash Flow Forecast.
- (ii) State **one** reason for the expected decrease in Light and Heat payments in June.
- (iii) State **two** items, **other than** Cash Sales and Loans, that could be entered in the Receipts section of the Cash Flow Forecast.

(12)

(40 marks)

4.

This is a Final Accounts and Balance Sheet Question.

Answer all parts of this question:

The following Trial Balance was extracted from the books of FOLEY Ltd, a furniture shop, on 31 December 2011. The Authorised Share Capital is 400,000 €1 ordinary shares.

TRIAL BALANCE OF FOLEY Ltd as on 31 December 2011	Dr €	Cr €
Purchases and Sales	90,000	240,000
Opening Stock 1/1/2011	30,000	
Carriage Inwards	10,000	
Commission Receivable		12,000
Debtors and Creditors	25,000	23,000
Wages	56,000	
Insurance	9,000	
Buildings	310,000	
Motor Vehicles	80,000	
Bank Overdraft		7,000
Cash	2,000	
30 Year Loan		70,000
Equipment	50,000	
Dividends paid	30,000	
Reserves (Profit and Loss Balance)		40,000
Issued Share Capital: 300,000 €1 Ordinary Shares		300,000
	692,000	692,000

- (A) You are required to prepare a **Trading, Profit and Loss Appropriation Account** of FOLEY Ltd for the year ending 31 December 2011 and a **Balance Sheet** as on that date.

You are given the following information as on 31 December 2011.

- | | | |
|--------------------------------|---------------------|--|
| (i) Closing Stock | €20,000 | |
| (ii) Wages due | €14,000 | |
| (iii) Insurance prepaid | € 1,200 | |
| (iv) Commission Receivable due | € 3,500 | |
| (v) Depreciation: | Motor Vehicles 12½% | |
| | Equipment 15% | |

(35)

- (B) Explain the term 'depreciation'.

(5)

(40 marks)

5. **This is a Selling on Credit and Bad Debts Question.**

Answer all parts of this question:

'Businesses have to be careful when selling on credit in case they end up with severe haircuts.'

- (A) (i) State **two** reasons why businesses sell on credit.
- (ii) Explain **two** methods of checking the credit worthiness of customers.
- (iii) Explain **two** ways by which a business could reduce its bad debts **other than** checking the credit worthiness of customers.
- (iv) Explain the impact of bad debts on the profits of a business.

(19)

- (B) On 1 May 2012, FMI Ltd sold goods on credit to AMAN Ltd totalling €30,000.

On 7 June 2012, AMAN Ltd informed FMI Ltd that it had gone bankrupt and would pay 30c for every €1 owed.

FMI Ltd accepted this. FMI Ltd lodged the cash received on 10 June 2012 and issued Receipt No. 2 to AMAN Ltd. The remainder of the debt was written off.

- (i) Explain the term 'bankrupt'.
- (ii) Calculate the amount of cash FMI Ltd received from AMAN Ltd.
- (iii) Calculate the amount of bad debts written off by FMI Ltd.
- (iv) Record the writing off of the bad debt and the cash received in the General Journal of FMI Ltd *on the separate sheet supplied with this paper.*
- (v) Record the cash received and lodged in the Analysed Cash Book of FMI Ltd *on the separate sheet supplied with this paper.*

(21)

(40 marks)

6.

This is a Sources of Finance and Report Writing Question.

Answer all sections of this question:

FGL FINANCE Ltd advertised the following terms on loans of €10,000 to €30,000:

Capital repayments are distributed evenly over the period of the loan
(e.g. A €12,000 loan for three years requires a yearly payment of capital of €4,000)

Interest 9% APR

Collateral / Security Required

O'REILLY Ltd, 32 Cedarwood Avenue, Wexford is a profitable furniture company. It wishes to obtain a computerised glass cutting machine costing €12,000 and a delivery van costing €45,000. On seeing the above advertisement, the directors of O'REILLY Ltd contacted Pat Coyne, Financial Consultant, 10 Fiver Lane, Tullamore, Co. Offaly and asked him to prepare a report on the loans advertised and other suitable sources of finance.

Pat Coyne uses the following Report Template Headings when preparing reports:

REPORT TEMPLATE HEADINGS
FROM:
TO:
REPORT TITLE:
DATE:
INTRODUCTION:
ANSWERS TO QUESTIONS (i) (ii) (iii):
FOLLOW UP:
SIGNATURE:
POSITION / TITLE OF REPORT WRITER:

Assume you are Pat Coyne. In your answer book prepare this report, dated 12 June 2012, for the directors of O'REILLY Ltd, setting out answers to the following questions:

- (i) How much interest would O'REILLY Ltd have to pay on the loan of €12,000 for **three** years from FGL Finance Ltd? (Show workings.)
- (ii) Explain the term 'collateral/security'.
Give **two** possible examples of collateral/security that O'REILLY Ltd might provide.
- (iii) Explain **two** sources of finance, **other than** loans, that O'REILLY Ltd could use to obtain the delivery van.

(40 marks)

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