



Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION 2015

BUSINESS STUDIES – HIGHER LEVEL – PAPER II

(160 Marks)

TUESDAY 9 JUNE 2015 – AFTERNOON 2.00 - 4.00

- **ALL** questions carry 40 marks.
- Attempt 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.
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Answer all parts of this question:

BRIGHT Ltd, an electrical business, had both credit and cash transactions during the month of May 2015.

- (A) Record the following credit transactions in the Sales and Purchases Books of BRIGHT Ltd for the month of May 2015.

Post relevant figures from the books to the Ledger Accounts.

1/5/2015	Sold goods on credit to WATT Ltd	Invoice No. 20	€44,000 + VAT 23%
10/5/2015	Purchased goods on credit from DIM Ltd	Invoice No. 91	€26,000 + VAT 23%
19/5/2015	Sold goods on credit to WATT Ltd	Invoice No. 21	€37,000 + VAT 23%

(14)

- (B) Record the following Transactions for the month of May 2015 in the Analysed Cash Book of BRIGHT 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	Debtors	Share Capital
Credit (Payments) Side:	Bank	Purchases	VAT	Wages	

7/5/2015	Shareholder invested €105,000 and this was lodged	Receipt No. 6	
12/5/2015	Purchases for resale	Cheque No. 30	€25,000 + VAT 23%
17/5/2015	Paid wages	Cheque No. 31	€27,000
28/5/2015	WATT Ltd paid €75,000 and this was lodged	Receipt No. 7	
31/5/2015	Sales lodged		€25,830 (€21,000 + VAT €4,830)

(16)

- (C) Balance the accounts on 31 May 2015 and extract a Trial Balance as at that date.

(10)

(40 marks)

2. This is a Credit Purchases, Business Documents and Bookkeeping Question.

Answer all parts of this question:

- (A) (i) Quotations, Orders, Letters of Complaint and Credit Notes are used by businesses when purchasing and selling goods.
Name **two other** documents used by businesses when purchasing and selling goods.
- (ii) Explain **two** reasons why businesses might give their customers cash discounts. (10)

- (B) GB Ltd, Western Way, Tralee, Co. Kerry, a concert supplies company, received a quotation No. 31 from CP Ltd, Green Field Road, Cavan, Co. Cavan on 10 May 2015 for the following goods:

100 pairs of boots	@	€55 per pair
200 sun hats	@	€12 each
250 assorted rain coats	@	€30 each
200 plastic mats	@	€20 each

The quotation stated that Trade Discount was 30% and VAT was 23%.

The quotation for the boots, sun hats and plastic mats was accepted and GB Ltd placed an order for these on 22 May 2015.

- (i) Assume you are Gertrude Brooks, GB Ltd purchasing manager.
Complete the Order Form No. 11 *on the sheet supplied with this paper*.
- (ii) What **two** procedures would you recommend GB Ltd use when processing outgoing orders? (12)
- (C) GB Ltd received the goods on 7 June 2015. On examining the goods Gertrude found that fifty of the plastic mats were torn. She complained to CP Ltd who agreed to send her a Credit Note, No. 22, for the fifty plastic mats.
- (i) Complete the Credit Note No. 22 on 9 June 2015 *on the sheet supplied with this paper*.
- (ii) Record the issue of the Credit Note in the Sales Returns Book of CP Ltd *on the sheet supplied with this paper*.

(18)
(40 marks)

3. This is a Cash Flow Forecast and Business Start-up Question.

Answer all parts of this question:

- (A) *On a separate sheet supplied with this paper is a partially completed Cash Flow Forecast of LALA Ltd, a new start-up business making household furniture.*

You are required to complete this Cash Flow Forecast for the months of June, July, August and September 2016 together with the total column.

The following information should be taken into account:

- Monthly Cash Sales are expected to increase by 30% beginning in September.
- Shareholders are expected to invest €190,000 in July.
- Light and heat, payable every two months, is expected to increase in August by 22%.
- Wages are expected to remain the same, except in August, when an additional bonus of 12.5% will be paid.
- New machinery will be purchased in August costing €100,000.
- The loan repayments are to cease after July.
- Monthly Cash Purchases are expected to increase by 25% in September.
- Transport costs are expected to increase by 15% in September.

(28)

- (B) (i) Explain **two** reasons why it is important for LALA Ltd to prepare a Cash Flow Forecast *on the sheet supplied with this paper.*

- (ii) LALA Ltd was also advised to prepare a Business Plan. *On the sheet supplied with this paper* explain, with appropriate examples, any **two** of the following headings found in a Business Plan:

Product

Market Research

Sales Promotion

Finance.

(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 LVG Ltd, a sports company, on 31 December 2014. The Authorised Share Capital is 380,000 €1 ordinary shares.

TRIAL BALANCE of LVG Ltd as on 31 December 2014	Dr €	Cr €
Purchases and sales	190,000	353,000
Opening stock 01/01/2014	30,000	
Carriage inwards	5,000	
Commission receivable		6,000
Advertising	14,000	
Bad debts	7,000	
Wages	64,000	
Dividends paid	25,000	
Reserves (profit and loss balance)		12,000
Machinery	181,000	
Motor vans	89,000	
Cash	3,000	
Bank	27,000	
Debtors and creditors	22,000	16,000
30 year loan		30,000
Issued share capital		240,000
	657,000	657,000

- (A) You are required to prepare the **Trading, Profit and Loss Appropriation Account** of LVG Ltd for the year ending 31 December 2014 and a **Balance Sheet** as at that date.

You are given the following information on 31 December 2014.

- | | | |
|-------|---------------------------|---------|
| (i) | Closing stock | €23,000 |
| (ii) | Commission receivable due | € 2,000 |
| (iii) | Advertising prepaid | € 3,000 |
| (iv) | Wages due | € 4,000 |
| (v) | Depreciation: | |
| | Machinery 15% | |
| | Motor vans 12% | |

(35)

- (B) Explain the term 'Carriage inwards' in the above trial balance.

(5)

(40 marks)

5. This is a Chain of Production, Finance and Banking Question.

Answer all parts of this question:

R&M IRELAND Ltd is a private limited company which was set up in 2012. It provides courses, in management and training methods, to officials of sporting clubs in Ireland and the European Union.

- (A) (i) In your answer book, state the sector of the economy in which R&M IRELAND Ltd operates from the following list:

Primary Manufacturing Services

Give **one** reason for your answer.

- (ii) State **two** other types of businesses that operate in the same sector of the economy as R&M IRELAND Ltd.

(10)

Due to an increase in business R&M IRELAND Ltd need to borrow €45,000 to purchase a new car. It also needs to obtain more long term finance for future expansion.

The directors of R&M IRELAND Ltd saw the following advertisement in an Irish newspaper for three year loans of €20,000 to €50,000:


AMAN FINANCE LTD

Loans You Can Bank On

Capital repayments are spread evenly over the period of the loan
(e.g. A €45,000 loan for three years requires a yearly repayment of capital of €15,000)

Interest 8% APR

Collateral Required



R&M IRELAND Ltd decided to apply for a loan of €45,000.

- (B) (i) **Other than collateral** state **three** pieces of information that R&M IRELAND Ltd must provide when applying for the loan.
- (ii) Explain, with an example, the term ‘collateral’.
- (iii) Calculate the total amount of interest that R&M IRELAND Ltd will have to pay on the loan of €45,000 from AMAN FINANCE Ltd over the three years.
- (iv) State **two long term sources** of finance **other than loans** that R&M IRELAND Ltd might use. Explain **one** of the long term sources of finance stated.

(30)

(40 marks)

6. This is a Business Insurance and Report Writing Question.

Answer all parts of this question:

HOME COMFORTS Ltd, Claremorris, Co. Mayo manufactures and sells household furniture and provides a nationwide delivery service. The directors of HOME COMFORTS Ltd wish to review their insurance cover and supply the following information about the company:

Buildings €800,000, machinery €400,000, motor vans €180,000, stock of furniture and materials €230,000. HOME COMFORTS Ltd has sixty employees.

It lodges cash twice weekly in the Bank of Ireland five kilometres away.

The directors appoint Bridget O'Connor, Insurance Consultant, 13 Low Risk Drive, Galway, to advise them on their insurance cover.

(A) Assume you are Bridget O'Connor. In your answer book prepare a report dated 9 June 2015 setting out answers to questions (i), (ii) and (iii) raised by the directors of HOME COMFORTS Ltd.

Lay out your report using the following report template headings:

REPORT TEMPLATE HEADINGS

FROM:
TO:
REPORT TITLE:
DATE:
INTRODUCTION:
ANSWERS TO QUESTIONS (i), (ii) and (iii)
FOLLOW UP:
SIGNATURE:
TITLE OF THE REPORT WRITER:

(i) State why a risk might be uninsurable. Use an example to illustrate your answer.

(ii) State **one** type of insurance that the company is required to have by law.

(iii) State **three** types of insurance that the company should purchase **other than the type required by law in (ii) above and buildings insurance**.

State **one** reason for each type of insurance you select.

(30)

(B) (i) Explain the term 'adequate insurance'.

(ii) HOME COMFORTS Ltd insured its buildings for €600,000. Fire caused damage of €200,000. Calculate the amount of compensation it would receive. State **one** reason for your answer.

(10)

(40 marks)

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