12769

AN ROINN OIDEACHAIS **M.54**

LEAVING CERTIFICATE EXAMINATION, 1997

ACCOUNTING - ORDINARY LEVEL

(400 marks)

WEDNESDAY, 18th JUNE - MORNING 9.30 a.m. - 12.30 p.m

This paper is divided into 3 Sections:

Section 1: Financial Accounting (120 marks).

This section has 4 questions (Numbers 1-4). The first question carries 120 marks and the remaining three questions carry 60 marks each.
Candidates should answer either **Question 1 only** OR else attempt any **two** of the remaining three questions in this section.

Section 2: Financial Accounting (200 marks).

This section has three questions (Numbers 5-7). Each question carries 100 marks.
Candidates should answer any **TWO** questions.

Section 3: Management Accounting (80 marks).

This section has two questions (Numbers 8 and 9). Each question carries 80 marks.
Candidates should answer **ONE** of these questions.

Calculators

Calculators may be used in answering the questions on this paper: however, it is very important that workings are shown in the answer-book(s) so that full credit can be given for correct work.

SECTION 1 (120 marks)
Answer Question 1 OR TWO other questions

1. **Sole Trader**

The following balances were extracted from the books of M. Brady, a Sole Trader, on 31/12/1996.

	£	£
Buildings	250,000	
Motor Vehicles at cost	110,000	
Accumulated Depreciation on Motor Vehicles		44,000
Office Equipment at cost	18,000	
Accumulated Depreciation on Office Equipment		5,000
Patents	30,000	
Debtors and Creditors	28,000	30,000
Capital 1/1/1996		280,000
Term Loan received on 1/5/1996		90,000
Purchases and Sales	398,000	520,000
Carriage	8,000	
Wages and Salaries	74,000	
Stocks 1/1/1996	48,000	
Returns in	6,000	
Returns out		1,200
Stationery	1,400	
Provision for Bad Debts		1,500
Commission		6,700
Drawings	12,000	
General Expenses	14,000	
Showroom Expenses	4,000	
Advertising	3,600	
Discount		2,100
Loan Interest paid	3,000	
VAT	1,600	
PRSI		2,900
Bank		26,200
	1,009,600	1,009,600

You are given the following additional information:-

(i) Stocks at 31/12/1996 were £65,000.
(ii) Stock of Stationery £300.
(iii) The figure for carriage is to be divided - 60% for carriage on sales and 40% for carriage inwards.
(iv) Wages and salaries are to be divided - 80% for workers and 20% for drawings.
(v) Depreciation is to be provided as follows:
    Buildings - 2% of cost.
    Motor Vehicles - 20% of cost.
    Office Equipment - 10% of book value.
(vi) Provision should be made for interest due on term loan at the rate of 10% per annum.
(vii) Advertising was for the year ended 30/4/1997.
(viii) Provision for bad debts to be adjusted to 5% of Debtors.

You are required to prepare a:

(a) Trading, Profit and Loss Account for the year ended 31/12/1996. (80)
(b) Balance Sheet as at 31/12/1996. (40)

(120 marks)

2. Club Accounts

Included in the assets and liabilities of the "Young Tigers" leisure club on 1/1/1996 were the following:
Clubhouse £200,000; Equipment £45,000; Building Society Deposits £10,000; Bar Stock £1,200; Expenses due £2,440; Subscriptions prepaid £500.
The following is a summary of the club's receipts and payments for the year ended 31/12/1996:

Receipts	£	**Payments**	£
Cash in Hand - 1/1/1996	1,450	Bar Purchases	26,600
Interest	600	Purchase of Equipment	8,500
Subscriptions	24,250	General Expenses	22,400
Bar sales	41,000	Competition Prizes	600
Advertising Receipts	5,500	Bar Creditors	500
		Cash Balance - 31/12/1996	14,200
	72,800		72,800

The treasurer also supplied the following information as at 31/12/1996:

(i) Bar Stock was £1,400.
(ii) Bar Creditors were £400.
(iii) Expenses due were £380.
(iv) Subscriptions due were £750.
(v) Equipment held on 31/12/1996 to be depreciated by 20%.
(vi) Depreciate clubhouse at 2% of cost.

You are required to:

(a) Prepare a statement showing the Club's Accumulated Fund on 1/1/1996. (15)
(b) Prepare the Club's Income and Expenditure Account for the year ended 31/12/1996. (35)
(c) Explain the difference between an Income and Expenditure Account and a Receipts and Payments Account. (10)

(60 marks)

3. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Thelma Byrne for the month of March 1997:

Bank Account

		£				£
March 1	Balance b/d	1,810	March 5	P Wade	567891	540
March 9	Sales Lodged	1,020	March 7	Rent	567892	400
March 16	Lodgement	900	March 10	J Walsh	567893	350
March 29	Sales Lodged	750	March 12	J Grady	567894	120
			March 13	P Higgins	567895	505
			March 14	Insurance	567896	360
			March 18	J Mallon	567897	140
			March 31	Balance b/d		2,065
		£4,480				£4,480

Bank Statement on 31/3/1997

		Debit £	Credit £	Balance £
March 1	Balance b/d			1,810
March 4	Interest Received		80	1,890
March 7	567891 - P Wade	540		1,350
March 9	567892 - Rent	400		950
March 9	Lodgement		1,020	1,970
March 14	567893 - J Walsh	350		1,620
March 13	P Fahy (R/D Dishonoured)	130		1,490
March 16	Lodgement		900	2,390
March 16	567895 - P Higgins	505		1,885
March 18	567896 - Insurance	360		1,525
March 20	Bank Charges	45		1,480
March 24	Standing Order	280		1,200
March 26	T Arnold	160		1,040

Note: The £160 entered in the Bank Statement on March 26 was debited in error to Thelma Byrne's account instead of to Thomas Byrne's account.

You are required to:-

(a) show Thelma Byrne's Adjusted Bank Account and to bring down the adjusted balance. (35)
(b) prepare a statement on 31/3/1997 reconciling the adjusted Cash Account with the Bank Statement balance. (25)

(60 marks)

4. **Company Profit and Loss**

O' Brien Ltd has an Authorised Capital of 500,000 Ordinary Shares at £1 each and 200,000 8% Preference Shares at £1 each. The company has already issued 300,000 Ordinary Shares and 100,000 8% Preference shares. On the 1/1/1996 the company's General Reserve Account showed a balance of £60,000. O'Brien Ltd had carried forward a credit balance in its Profit and Loss Account of £25,000 from 1995 and the accounts showed profits before taxation of £110,000 for the year ended 31/12/1996. During the year an interim dividend of 5% had been paid to the Ordinary Shareholders and a half year's dividend on Preference shares.

On the 31/12/1996 the directors recommended that:
(i) The Preference Dividend due be paid.
(ii) A final Dividend of 10% be paid on Ordinary Shares.
(iii) The General Reserve be increased by £20,000.
(iv) Provision be made for Taxation of £27,000.

You are required to:
(a) show the Profit and Loss Account for the year ended 31/12/1996. (35)
(b) prepare a Balance Sheet showing the relevant accounts after making the above adjustments. (25)
(60 marks)

SECTION 2 (200 marks)
Answer ANY TWO questions

5. **Interpretation of Accounts**

The following information has been taken from the accounts of Aheme Ltd for the year ended 31/12/1996:

Trading Profit and Loss Account for year ended 31/12/1996

Credit Sales		450,000
Less Cost of Sales		
Stock 1/1/1996	38,000	
Purchases	360,000	
	?	
Less Stock 31/12/1996	?	?
Gross Profit		92,000
Less Expenses including interest		38,000
Net Profit for year		54,000
Profit and Loss balance 1/1/1996		21,000
Profit and Loss balance 31/12/1996		75,000

Balance Sheet as at 31/12/1996

	£	£
Fixed Assets		320,000
Current Assets (including Debtors £25,000)	85,000	
Less **Creditors:** amounts falling due within 1 year.	40,000	45,000
		365,000
Financed By		
Creditors: amounts falling due after more than 1 year		
8% Debentures (2000/2001).		50,000
Capital and reserves		
Ordinary Shares		240,000
Profit and loss account		75,000
		365,000

(a) **You are required to:**
(i) Calculate the Percentage Mark-up on cost
(ii) Calculate the Closing Stock.
(iii) Calculate the Period of Credit given to Debtors.
(iv) Calculate the Return on Capital Employed. **(40)**

(b) **Explain the following:**
(i) Debentures (2000/2001).
(ii) Intangible Assets.
(iii) Rate of Stock Turnover.
(iv) Capital Employed. **(40)**

(c) Would the above firm have fared better if it had sold out and invested its money in a financial institution for the past year? Give reasons for your answer. **(10)**

(d) If the current ratio and the acid test ratio for 1995 were 1.6 to 1 and 0.8 to 1 respectively, comment on the liquidity of the firm at the end of 1996.
(10)
(100 marks)

6. **Incomplete Records - Control accounts**

R.O'Riordan did not keep a full set of books during the year ended 31/12/1996. The following is a summary of the cash account for that peiod:

	£	£
Cash Receipts		
Balance - 1/1/1996	1,480	
Debtors	17,400	
Commission	800	
Sales	74,300	
Rent	2,500	96,480
Cash Payments		
Drawings	9,600	
Purchases	41,700	
Wages and General Expenses	18,200	
Furniture	6,600	
Creditors	21,100	97,200

The following additional information is also available:	**1/1/1996**	**31/12/1996**
Premises	70,000	70,000
Delivery Vans	18,000	18,000
Expenses due	350	560
Commission receivable due	—	200
Stock	7,600	8,200
Debtors	4,800	5,300
Creditors	6,400	6,700

You are required to:

(a) Calculate O' Riordan's Total Purchases and Total Sales. **(30)**

(b) Prepare a Trading and Profit and Loss Account for the year ended 31/12/1996. **(30)**

(c) Prepare a Balance Sheet as on the 31/12/1996. **(40)**

(100 marks)

7. **Cash Flow Statement**

The following information has been extracted from the books of Anderson Ltd:

Profit and Loss Extract for year ended 31/12/1996

	£
Operating profit	101,000
Interest paid	(8,000)
	93,000
Taxation	(31,000)
	62,000
Proposed dividend	(37,000)
Retained profits for year	25,000
Profit and loss balance 1/1/1996	45,000
Profit and loss balance 31/12/1996	70,000

Balance Sheets for years ended		**31/12/1996**		**31/12/1995**
	£	£	£	£
Fixed Assets				
Land & Buildings	405,000		335,000	
Less Depreciation Provision	68,000	337,000	60,000	275,000
Current Assets				
Stock	138,000		110,000	
Debtors	75,000		64,000	
Cash	22,000		15,000	
	235,000		189,000	
Less **Creditors:** amounts falling due within 1 year				
Creditors	74,000		48,000	
Taxation	31,000		25,000	
Proposed dividend	37,000		16,000	
	(142,000)		(89,000)	
Net Current Assets		93,000		100,000
Total Net Assets		430,000		375,000
Financed by				
Creditors: amounts falling due after more than 1 year				
10% Debentures		80,000		80,000
Capital and Reserves				
Ordinary Share Capital issued		280,000		250,000
Profit & Loss Account		70,000		45,000
		430,000		375,000

You are required to:

(a) Reconcile the operating profit to net cash inflow from operating activities. **(30)**

(b) Prepare the cash flow statement of Anderson Ltd for the year ended 31/12/1996 under the following headings:

(i) Operating activities.

(ii) Return on investment and servicing of finance.

(iii) Taxation.

(iv) Investing activities.

(v) Financing. **(70)**

(100 marks)

SECTION 3 (80 marks)
Answer ONE question

8. **Costing: Cost-Volume-Profit (Marginal Costing)**

Anchor Ltd is a manufacturing company producing a single product. The following is the proposed budget for the coming year:

	£	£
Sales (30,000 units)		210,000
Variable costs	90,000	
Fixed costs	24,000	114,000
Net profit		96,000

You are required to calculate:

1. The Variable Cost per unit. (5)
2. The Fixed cost per unit. (5)
3. The Contribution per unit. (10)
4. The Break-even point in volume and sales value. (20)
5. The profit from 31,000 units. (10)
6. The level of sales that will give a profit of £120,000. (10)
7. The profit from the expected increase of 10% in sales volume if the company spent £2,000 extra on advertising and sold its products at £6 per unit. (20)

(80 marks)

9. **Cash Budgeting**

Miriam and Martin Ashe have been running a business for a number of years selling souvenirs. They provide the following information and ask you to predict what overdraft facilities they will require over the next 4 months:

	£
Debtors on 1/3/1997	
(made up of January sales £35,000 and February sales £55,000)	90,000
Creditors on 1/3/1997	60,000
Bank overdraft on 1/3/1997	16,000

They expect their sales, purchases and expenses for the next four months to be:

	Mar	**April**	**May**	**June**
Sales	50,000	70,000	90,000	80,000
Purchases	40,000	45,000	58,000	42,000
Expenses	11,000	8,000	9,000	12,000

Expenses are paid as they are incurred.
All sales are on credit and are paid for two months after the month of sale.
All purchases are on credit except for £10,000 of the May purchases and are paid for one month after the month of purchase.

You are required to:

(a) Prepare a cash budget showing their budgeted bank balance on a monthly basis for the period March to June inclusive. (65)

(b) Prepare a budgeted Trading, Profit and Loss Account for the four month period (closing stock is estimated to be 20% of that month's purchases). (15)

(80 marks)