AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA

LEAVING CERTIFICATE EXAMINATION, 1999

ACCOUNTING — ORDINARY LEVEL

(400 marks)

TUESDAY, 15th JUNE — AFTERNOON, 2.00 p.m. – 5.00 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

Answer **Question 1** OR any **TWO** other questions

1. Departmental Final Accounts of a Limited Company

The firm Thompson Ltd, is divided into two departments - Grocery and Hardware. The following balances were extracted from its books on 31/12/1998

	£	£
Share Capital		
Authorised - 650,000 Ordinary Shares at £1 each		
Issued - 500,000 Ordinary Shares at £1 each		500,000
Buildings at cost	500,000	
Delivery Vans at cost	180,000	
Office Equipment at cost	15,000	
Accumulated Depreciation - Buildings		50,000
Accumulated Depreciation - Delivery Vans		30,000
Accumulated Depreciation - Office Equipment		6,000
Debtors and Creditors	41,000	36,000
10% Debentures (issued on 1/4/1998)		80,000
Grocery Department		
Stocks 1/1/1998	22,000	
Purchases and Sales	225,000	330,000
Carriage in	2,000	
Hardware Department		
Stocks 1/1/1998	20,000	
Purchases and Sales	160,000	220,000
Returns out		1,000
Profit and Loss Balance 1/1/1998	13,000	
Salaries and general expenses	39,000	
Directors Fees	33,000	
Advertising	4,800	
Insurance	7,200	
VAT		2,000
PAYE and PRSI		1,200
Bank		5,800
	1,262,000	1,262,000

You are given the following additional information:

1. Stocks at 31/12/1998:
   Grocery - £25,000
   Hardware - £23,000
2. Insurance was for the year ended 31/3/1999.
3. Depreciation is to be provided as follows:
   Delivery Vans - 20% of cost.
   Office Equipment - 10% of book value.
   Buildings - 2% of cost.
4. Provision should be made for Debenture Interest due.
5. The floor space of the firm is divided as follows:
   Grocery: 75%
   Hardware: 25%
6. Expenses applicable to both departments should be divided on the basis of Sales or Floor Space where appropriate.

You are required to prepare a:

(a) Departmental Trading and Profit and Loss Account for the year ended 31/12/1998. (80)

(b) Balance Sheet as at 31/12/1998. (40)

(120 marks)

2. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of J. Taylor for the month of May 1998.

Bank Account

			£					£
May	1	Balance b/d	1,650	May 3	R.Cryan	020101		550
May	9	Sales Lodged	1,250	May 5	Rates	020102		640
May	17	Sales Lodged	920	May 8	J. Fahy	020103		320
May	30	Sales Lodged	900	May 12	J. Coyle	020104		220
				May 13	H. Grimes	020105		720
				May 14	Insurance	020106		450
				May 18	J. Gunter	020107		180
				May 31	Balance b/d			1,640
			£4,720					£4,720

Bank Statement on 31/5/1998

			Debit £	Credit £	Balance £
May	1	Balance b/d............................			1,650
May	3	Interest Received		130	1,780
May	5	020101 - R. Cryan.................	550		1,230
May	7	020102 - Rates	640		590
May	10	Lodgement		1,250	1,840
May	13	020103 - J. Fahy	320		1,520
May	16	J Brady (R/D Dishonoured)...	120		1,400
May	18	Lodgement		920	2,320
May	19	020105 - H. Grimes...............	720		1,600
May	22	020106 - Insurance	450		1,150
May	23	Bank Charges	45		1,105
Mav	25	Standing Order......................	300		805
May	28	T Staunton	140		665

Note: The £140 entered in the Bank Statement on May 28 was debited in error to J. Taylor's account instead of to J. Naylor's account.

You are required to:-

(a) Show J. Taylor's adjusted Bank Account in ledger form and to bring down the balance. (30)

(b) Prepare a statement on 31/5/1998 reconciling the adjusted Bank Account balance with the Bank Statement balance. (30)

(60 marks)

3. **Depreciation and Revaluation of Fixed Assets**

The following details were taken from the books of Treacy Ltd:

1/1/1997	Buildings at cost amounted to £200,000.
1/1/1997	The balance in the Provision for Depreciation Account was £25,000.
1/4/1997	Purchased buildings for £120,000.
1/4/1997	Sold for £150,000 a building which cost £80,000. The book value of this building on 1/4/1997 was £72,000.
31/12/1997	The total depreciation for the year ended 31/12/1997 was £4,800.
1/1/1998	The buildings were re-valued at £350,000.
31/12/1998	Provide for depreciation at the rate of 2% of the value of the buildings on 1/1/1998.

You are required to show:

(*a*) The Buildings Account for the two years 1997 and 1998. (15)

(*b*) The Provision for Depreciation Account for the two years 1997 and 1998. (20)

(*c*) The Buildings Disposal Account for the year ended 31/12/1997. (15)

(*d*) The Revaluation Reserve Account. (10)

(60 marks)

4. **Incomplete Records**

J. Tierney did not keep a full set of books during the year ended 31/12/1998. The following is a summary of the cash account for that period:

	£	£
Cash Receipts		
Balance – 1/1/1998	1,400	
Debtors	21,400	
Commission	1,300	
Sales	92,700	
Rent	3,600	120,400
Cash Payments		
Drawings	12,600	
Purchases	47,300	
Wages and General Expenses	19,300	
Furniture	4,500	
Creditors	32,700	116,400

The following additional information is also available:

	1/1/1998	**31/12/1998**
Buildings at cost	80,000	80,000
Delivery Vans at cost	28,000	28,000
Expenses due	450	660
Commission receivable due		500
Stock	8,400	8,900
Debtors	5,300	5,700
Creditors	6,100	6,800

Depreciation to be provided as follows on cost:

Buildings	2%
Delivery Vans	25%
Furniture	20%

Credit Purchases and Credit Sales for 1998 were £33,400 and £21,800 respectively.

You are required to:

(*a*) Prepare a Trading, Profit and Loss Account for the year ended 31/12/1998. (30)

(*b*) Prepare a Balance Sheet as at 31/12/1998. (30)

(60 marks)

SECTION 2
Answer **ANY TWO** questions

5. Interpretation of Accounts

The following final accounts refer to the firm Tuttle Ltd for the years ended 31/12/1997 and 31/12/1998:

Trading Profit and Loss Accounts for the year ended

		31/12/1998		31/12/1997	
		£	£	£	£
Sales			325,000		240,000
Less:	Cost of Sales				
	Opening Stock	70,000		?	
	Add Purchases	?		150,000	
	Less Closing Stock	75,000	(205,000)	70,000	(140,000)
Gross Profit			120,000		100,000
Expenses			(55,000)		(48,000)
Net Profit			65,000		52,000
Taxation			(20,000)		(18,000)
			45,000		34,000
Dividends			(25,000)		(10,000)
Retained Profits			20,000		24,000
Profit and Loss balance 1/1			30,000		6,000
Profit and Loss balance 31/12			50,000		30,000

Balance Sheets as at	**31/12/1998**	**31/12/1997**
Fixed Assets	235,000	210,000
Current Assets	135,000	130,000
Creditors: amounts falling due within 1 year	(70,000)	(60,000)
	300,000	280,000
Financed by:		
Capital and Reserves		
Capital	250,000	250,000
Profit and Loss Balance	50,000	30,000
	300,000	280,000

You are required to calculate for both years:

(a) 1. Return on Capital Employed.
2. Period of credit given to Debtors if Debtors were £45,000 in 1997 and £50,000 in 1998.
3. Purchases in 1998 and Opening Stock in 1997.
4. Acid Test Ratio. (80)

(b) Compare the: 1. Profitability of the firm in 1998 with that in 1997.
2. Liquidity of the firm in 1998 with that in 1997. (20)

(100 marks)

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6. Accounts of a Service Firm

The Toolan family are involved in the tourist industry. They run a guest house and rent boats and a holiday home to tourists during the holiday season. Included among their assets and liabilities on 1/1/1998 were Guest House £220,000, Holiday Home £60,000, Boats £6,000, Stock of fuel and heating oil £500, Advance deposits from tourists for holiday home £1,000 and Linen & Equipment £1,500.

The following is a summary of the Receipts and Payments for the year ended 31/12/1998:

Receipts	**£**	**Payments**	**£**
Cash at bank	550	Provisions for guest house	6,900
Receipts from guests during the year	18,800	Light, heat & fuel	750
Rent from holiday home	6,500	Drawings	9,000
Receipts from Boat hire	2,900	Wages	2,600
		Laundry	350
		Advertising	200
		Repairs and maintenance	700
		Balance	8,250
	28,750		28,750

The following information and instructions should be taken into account at 31/12/1998.

1. Boats to be depreciated by 20% per annum and Linen and equipment by 25% pa.
2. One fifth of the provisions purchased were used by the family.
3. Receipts from guests include booking deposits for 1999 of £750.
4. Stock of oil £450.
5. Owing to local provisions store £150.

You are required to prepare:

(a) A statement to show the total net assets of the Toolan family business at 1/1/1998. (30)

(b) An Income and Expenditure Account for the year ended 31/12/1998. (40)

(c) A Balance Sheet (Statement of total net assets) on 31/12/1998 (30)

(100 marks)

7. Cash Flow Statement

The following information has been extracted from the books of Tallon Ltd.

Profit and Loss Extract for year ended 31/12/1998	**£**
Operating profit	142,000
Interest paid	(7,000)
	135,000
Taxation	(35,000)
	100,000
Proposed dividend	(30,000)
Retained profits for year	70,000
Profit and loss balance 1/1/1998	60,000
Profit and loss balance 31/12/1998	130,000

Balance Sheets as at	**31/12/98**		**31/12/97**	
	£	**£**	**£**	**£**
Fixed Assets				
Land & buildings	300,000		300,000	
Less: depreciation provision	66,000	234,000	60,000	240,000
Equipment	75,000			
Less: depreciation provision	15,000	60,000		
Current Assets				
Stock	144,000		115,000	
Debtors	96,000		74,000	
Cash	38,000		46,000	
	278,000		235,000	
Less **Creditors:** amounts falling due within 1 year				
Creditors	67,000		76,000	
Taxation	35,000		24,000	
Proposed dividend	30,000		15,000	
	(132,000)		(115,000)	
Net Current Assets		146,000		120,000
Total Net Assets		440,000		360,000
Financed by:				
Creditors: amounts falling due after more then 1 year				
10% Debentures		50,000		90,000
Capital and Reserves				
Ordinary share capital issued		260,000		210,000
Profit & Loss Account		130,000		60,000
		440,000		360,000

You are required to:

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

(b) Prepare the cash flow statement of Tallon Ltd for the year ended 31/12/1998 under the following headings:

(1) Operating Activities
(2) Return on investment
(3) Taxation
(4) Investing activities
(5) Financing

(70)
(100 marks)

SECTION 3
Answer any **ONE** question

8. Absorption Costing

Tripod Ltd, a small jobbing company, has the following budgeted costs for the coming year:

Direct materials	£200,000
Direct labour	£36,000
Factory overheads	£48,000
Labour hours	6,000
Machine hours	10,000

The details of a customer's order number 200 are as follows:

Direct materials	£7,500
Direct labour hours	180
Machine hours	260

You are required to calculate:

(a) The overhead absorption rate per machine hour

(b) The overhead absorption rate per direct labour hour

(c) The cost of job number 200 using overhead absorption rate per machine hour

(d) The cost of job number 200 using overhead absorption rate per direct labour hour

(e) The selling price of job number 200 to the customer using ***both*** overhead absorption rates and assuming a mark up of 25% on cost

(80 marks)

9. Budgeting

Topsound Ltd., manufacture two types of radio called Fine and Robust. The expected sales of each radio for the year ended 31/12/1999 are budgeted at:

	Fine	**Robust**
Budgeted sales	400 units	300 units
Expected selling price per unit	£60	£90
Expected stocks - *Finished Goods*	**Fine**	**Robust**
Opening stocks	50	30
Closing stocks	40	35
Material content and Costs	**Material A**	**Material B**
Fine	2 kgs	1 kg
Robust	1 kg	2 kgs
Expected price per kg	£10	£12
Expected stocks - *Raw materials*	**Material A**	**Material B**
Opening stocks	180 kgs	220 kgs
Closing stocks	200 kgs	240 kgs
Direct labour time in hours		
Fine	4 hours	
Robust	5 hours	
Direct labour rate per hour	£6	

You are required to prepare the following budgets:

(a) Sales Budget in units and £'s

(b) Production Budget.

(c) Material Usage Budget

(d) Material Purchases Budget

(e) Labour Budget

(80 marks)