LEAVING CERTIFICATE EXAMINATION, 2001

ACCOUNTING - ORDINARY LEVEL

(400 marks)

THURSDAY, 14th JUNE 2001 – MORNING 9.30 a.m. to 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 any **TWO** other questions

1. **Final Accounts of a Company**

The following balances were extracted from the books of Lupus Ltd., on 31/12/2000:

Share Capital		**£**		**£**
Authorised - 660,000 Ordinary Shares at £1 each				
Issued - 420,000 Ordinary Shares at £1 each				420,000
Patents ………………………………………………	60,000			
Office Equipment …………………………………		20,000		
Buildings …………………………………………		600,000		
Accumulated depreciation – Office Equipment ……..				8,000
Accumulated depreciation – Buildings ………………				84,000
Debtors and Creditors ……………………………		66,000	55,000	
11% Debentures issued on 31/3/2000 ………………				100,000
Purchases …………………………………………		480,000		
Sales ………………………………………………			731,000	
Salaries ……………………………………………	82,000			
Stocks 1/1/2000 …………………………………				
Goods for resale …………………………………		85,600		
Stationery …………………………………………		500		
Profit and Loss Balance 1/1/2000 …………………				21,000
Returns in …………………………………………		1,000		
Stationery …………………………………………		2,400		
Provision for Bad Debts …………………………				2,800
Commission ………………………………………				9,000
Directors Fees ……………………………………		28,000		
Advertising ………………………………………		7,200		
VAT ………………………………………………				2,200
Light, heat and insurance …………………………		16,000		
Bank ………………………………………………				15,700
		1,448,700		1,448,700

You are given the following additional information:

1. Stocks at 31/12/2000:
   Goods for resale - £98,500
   Stationery - 600

2. Provision for bad debts to be adjusted to 3% of debtors.

3. Depreciation is to be provided as follows:
   Office Equipment - 10% of book value.
   Buildings - 2% of cost.

4. Provision should be made for debenture interest due.

5. Advertising was for the year ended 31/3/2001.

6. Provide for corporation tax £10,000.

You are required to prepare a:

(a) Trading and Profit and Loss Account for the year ended 31-12-2000. (80)
(b) Balance Sheet as at 31-12-2000. (40)

(120 marks)

2. Accounts of a Service Firm

The following were the assets and liabilities of Mary Treacy, a dentist, on 1 January 2000: buildings £175,000; furniture £3,900; dental equipment £72,000; motor car £22,000; amounts due from patients £4,500; electricity due £150; cash at bank £2,350; stock of dental materials £645.

The following details were taken from her records on 31 December 2000.

Receipts	£	Payments	£	£
Patients' fees	100,400	Purchases - Dental materials	7,630	
		Technician's fees		10,420
		Anaesthetist's fees		5,540
		Insurance		1,660
		Electricity		740
		Magazines		124
		Telephones		1,756
		Motor expenses		2,444
		Audit fees		720
		Drawings		35,000
		New dental equipment		7,800
		Receptionist's salary	14,000	

The following additional information is to be taken into account at 31 December 2000:

(1) Treacy's stock of dental materials was valued at £2,265.

(2) Amounts owed by patients £2,860.

(3) Receptionist's salary due, £1,100.

(4) She wishes to depreciate dental equipment (including additions) by 10% of cost and motor car by 20% of cost.

You are required to:

(a) Calculate Treacy's capital on 1/1/2000. (20)

(b) Prepare Treacy's income and expenditure account for the year ended 31 December 2000. (40)

(60 marks)

3. Correction of Errors and Suspense Accounts

The trial balance of J. Burke failed to agree on 31/12/2000 and the difference was entered in a suspense account. On examination of the books the following errors were revealed:

1. Discounts received from creditors £420 had been debited to the discount allowed account.
2. Shop equipment purchased on credit for £2,400 had been entered in the purchases day book and posted to the debit of the creditors account.
3. The total of the purchases day book £135,800 had been posted to the purchases account as £138,500.
4. Goods taken by Burke for private use £150 had not been recorded in the books.
5. The sales returns book had been under totted by £110.

You are required to:

(a) Journalise the necessary corrections. (35)

(b) Prepare a Statement of Corrected Net Profit if net profit as per accounts is £21,000. (25)

(60 marks)

4. 1. **Prepayments**

F. Gorman pays rent twice yearly on 1 April and on 1 October. On the 1/1/1999, the rent payable account showed a prepayment of £900. During 1999 and 2000 the following payments were made:

1 April	1999	£2,400
1 October	1999	£2,400
1 April	2000	£2,680
1 October	2000	£2,680

You are required to show Gorman's Rent account for the two years ended 31/12/2000. (25)

2. **Bad Debts and Bad Debts Provision**

J. Hughes had a balance of £1,320 in the Provision for Bad Debts account on 1/1/1999. On 1/6/1999, a debtor, K. Joyce was declared bankrupt and paid a first and final dividend of 25p in the £1 on a debt of £1,200. The balance of Joyce's account was written off as a bad debt against the Provision for Bad Debts account.
On 31/12/1999 Hughes was owed £26,200 by debtors. Hughes decided to write off, as a bad debt against the provision, £200 owed by P. Noonan and to make a provision for the year 2000 of 5% against the remaining debtors.

You are required to show:

(a) K. Joyce's Account. (15)

(b) The Provision for Bad Debts Account. (20)

(60 marks)

SECTION 2 (200 marks)
Answer any **TWO** questions

5. Interpretation of Accounts

The following information has been taken from the accounts of Browne Ltd for the year ended 31/12/2000.

Trading Profit and Loss Account for year ended 31/12/2000

	£	£
Credit Sales		490,000
Less cost of sales		
Stock 1/1/2000	60,000	
Purchases	370,000	
Less Stock 31/12/2000	?	?
Gross Profit	105,000	
Less Expenses (including interest)		43,000
Net Profit for year		62,000
Profit and Loss balance 1/1/2000		26,000
Profit and Loss balance 31/12/2000		88,000

Balance Sheet as at 31/12/2000

	£	£
Fixed Assets		370,000
Current Assets (including Debtors £36,000)	88,000	
Less Creditors: amounts falling due within 1 year.	34,000 54,000	
		424,000
Financed By		
Creditors: amounts falling due after more than I year.		
8% Debentures (2005/2006).		50,000
Capital and reserves		
Ordinary Shares	286,000	
Profit and loss account		88,000
		424,000

(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 (2005/2006).
- (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 1999 were 1.5 to 1 and 0.9 to 1, comment on the current liquidity of the firm.** (10)

(100 marks)

OVER →

6. <u>Incomplete Records - Control accounts</u>

T. Sullivan did not keep a full set of books during the year ending 31/12/2000. The following is a summary of the cash account for that period:

Cash Receipts	**£**	**£**
Balance - 1/1/2000	740	
Debtors	21,200	
Commission	760	
Sales	83,400	
Rent	4,500	110,600

Cash Payments		
Drawings	12,500	
Purchases	49,100	
Wages and General Expenses	19,700	
Furniture	4,300	
Creditors	24,200	109,800

The following additional information is also available:

	1/1/2000	31/12/2000
Premises	180,000	180,000
Delivery Vans	26,000	26,000
Expenses due	460	380
Commission receivable due	-	340
Stock	8,700	9,200
Debtors	3,400	4,100
Creditors	7,200	6,900

You are required to:

(a) Calculate Sullivan's Total Purchases and Total Sales. (30)

(b) Prepare a Trading Profit and Loss Account for the year ended 31/12/2000. (30)

(c) Prepare a Balance Sheet on the 31/12/2000. (40)

(100 marks)

7. Cash Flow Statement

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

Profit and Loss Extract for year ended 31/12/2000

		£
Operating profit		126,000
Interest paid		(8,000)
		118,000
Taxation		(28,000)
		90,000
Proposed dividend		(30,000)
Retained profits for year	60,000	
Profit and loss balance 1/1/2000		50,000
Profit and loss balance 31/12/2000		110,000

Balance Sheets as at		**31/12/2000**		**31/12/1999**
	£	**£**	**£**	**£**
Fixed Assets				
Land & buildings	380,000		280,000	
Less depreciation provision	66,000	314,000	60,000	220,000
Current Assets				
Stock	148,000		115,000	
Debtors	85,000		76,000	
Cash	8,000		15,000	
	241,000		206,000	
Less Creditors: amounts falling due within 1 year				
Creditors	47,000		54,000	
Taxation	28,000		20,000	
Proposed dividend	30,000		22,000	
	(105,000)		(96,000)	
Net Current Assets		136,000		110,000
Total Net Assets		450,000		330,000
Financed by				
Creditors: amounts falling due after more than 1 year				
10% Debentures		100,000		80,000
Capital and Reserves				
Ordinary share capital issued		240,000		200,000
Profit & Loss Account		110,000		50,000
		450,000		330,000

You are required to:

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

(b) Prepare the cash flow statement of Jackson Ltd for the year ended 31/12/2000 using the following headings:

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

(70)

(100 marks)

OVER →

SECTION 3 (80 marks)
Answer **ONE** question

8. Absorption Costing

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

	£
Direct material	184,000
Direct labour	66,000
Factory overheads	77,000

For the coming year the company has budgeted 11,000 labour hours and 14,000 machine hours.

The details of a customer's order no 1342 are as follows:

Direct materials	£9,000
Direct labour hours	160 hours
Machine hours	240 hours

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 1342 using overhead absorption rate per machine hour.
(d) The cost of job number 1342 using overhead absorption rate per direct labour hour.
(e) The selling price of job number 1342 to the customer using **both** overhead absorption rates and assuming a mark up of 40% of cost.

(80 marks)

9. Cash Budgeting

Seán Connors has been running a business for a number of years. He provides the following information on 1/3/2001 and asks you to predict what overdraft facilities he will require over the next 5 months.

	£
Debtors on 1/3/2001 (made up of January sales £62,000 and February sales £54,000)	116,000
Creditors on 1/3/2001	46,000
Bank overdraft on 1/3/2001	18,000

He expects his sales, purchases and expenses for the next five months to be:

	Mar	**April**	**May**	**June**	**July**
Sales	£55,000	£75,000	£94,000	£88,000	90,000
Purchases	£42,000	£52,000	£64,000	£55,000	60,000
Expenses	£12,000	£ 9,000	£11,000	£13,000	14,000

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 £14,000 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 Seán's budgeted bank figure on a monthly basis for the period March to July inclusive.

(b) Indicate what information Seán can get from the prepared cash budget.

(80 marks)