Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE 2009

MARKING SCHEME

ACCOUNTING

ORDINARY LEVEL

LEAVING CERTIFICATE ACCOUNTING - 2009

Ordinary Level Marking Scheme

INTRODUCTION

The solutions and marking scheme for Accounting Ordinary Level are attached.

Marks allocated to each line/figure are highlighted and shown in brackets like this [6] alongside.

These marks are then totalled for each section/page and shown in a square like this $\boxed{40}$

Accounting solutions are mainly computational and most figures are made up of more than one component. If a figure is not as per the solution, the examiners analyse the make-up of the candidate's figure and allocate some marks for each correct element included. To facilitate this, where relevant, the make-up of the figures is shown in workings attached to the solution.

In some Accounting questions there can be a number of alternative approaches and formats that can be validly used by candidates (eg A Bank Reconciliation Statement can start with either the bank statement figure or the adjusted bank account balance). The solutions provided here are based on the approaches adopted by the vast majority of teachers/candidates and alternatives are not included. In cases where a valid alternative solution is required, it is provided for the examiners, so that full marks can be gained for correct accounting treatment.

Sometimes the solution to a part of a question may depend on the answer computed in another part of that question. Where a calculation in section (a) is incorrect, allowance is made for this in subsequent sections.

Question 1

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Trading and Profit and Loss Account of B. Nolan for the year ended 31/12/2008

	€	€	€
Sales			720,000 [2]
Less Returns In			7,300 [3]
			712,700
Less: Cost of Sales			
Opening Stock		39,000 [2]	
Add Purchases	360,000 [2]		
Less Returns Out	2,400 [3]		
	357,600		
Add Carriage Inwards	1,800 [3]		
		359,400	
		398,400	
Less: Closing Stock		26,000 [2]	
Cost of Sales			372,400
Gross Profit			340,300
Less Expenses			
Administration/ Establishment [1]			
Wages/Salaries	58,800 [6]		
Insurance	6,400 [3]		
Stationery (4,900 - 300)	4,600 [4]		
General Expenses	14,900 [3]		
Depreciation-			
Building 2% of cost	8,400 [4]		
Office Equipment 10% of NBV	2,400 [4]		
		95,500	
Selling and Distribution [1]			
Advertising (24,000 - 6,000)	18,000 [6]		
Depreciation – Motor vehicles 20% cost	26,000 [4]		
Provision for bad debts (3,750 - 1,700)	2,050 [3]		
Commission	7,000 [5]	53,050	
			148,550
			191,750
Add Discount received			5,600 [3]
Operating Profit			197,350 [2]
Less Loan Interest (5,000 + 2,500)			7,500 [8]
Net Profit for this year			189,850 [6]

Question 1

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Balance sheet of B. Nolan as on 31/12/08

	Cost	**Accumulated Depreciation**	**Net Book Value**
Intangible Fixed Assets	€	€	€
Patents			62,000 [1]
Tangible Fixed Assets			
Buildings	420,000 [1]	8,400 [2]	411,600
Motor Vehicles	130,000 [1]	78,000 [2]	52,000
Office Equipment	40,000 [1]	18,400 [2]	21,600
	590,000	104,400	547,200
Current Assets			
Closing Stock		26,000 [2]	
Stock – stationery		300 [2]	
Debtors	75,000 [2]		
Less bad debts provision	3,750 [1]		
		71,250	
Advertising prepaid		6,000 [2]	
		103,550	
Creditors: amounts falling due within 1 year			
Loan interest due	2,500 [3]		
Creditors	36,000 [2]		
Bank	13,100 [3]		
VAT	5,700 [2]		
PRSI	10,000 [2]		
		67,300	
Working Capital			36,250
Total Net Assets			583,450
Financed by:			
Creditors: amounts falling due after more than 1 year			
Term Loan			100,000 [2]
Capital		330,000 [2]	
Add Profit/Loss		189,850 [1]	
		519,850	
Less Drawings		36,400 [4]	
			483,450
Capital Employed			583,450

Question 2 **30**

Debtors Control Account

DR		€			€ CR
			1/3/2009	Balance b/d	450 [2]
1/3/2009	Balance b/d	59,700 [2]	31/3/2009	Discount allowed	1,600 [2]
31/3/2009	Credit Sales	103,200 [5]		Returns in	2,500 [2]
	Interest charged	1,440 [2]		Bank	94,200 [2]
	Cheques dishonoured	1,700 [2]		Bad Debts	940 [2]
			Contra	760 [2]	
				Bills Receivable	1,300 [3]
31/3/2009	Balance c/d	840 [2]	31/3/2009	Balance c/d	65,130 [2]
		166,880			166,880
1/4/2009	Balance b/d	65,130	1/4/2009	Balance b/d	840

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Creditors Control Account

DR		€		€	CR
1/3/2009	Balance b/d	620 [3]			
31/3/2009	Discount Received	800 [2]	1/3/2009	Balance b/d	34,200 [3]
	Returns out	1,500 [2]	31/3/2009	Credit Purchases	59,100 [5]
	Bank	46,300 [2]		Discount disallowed	490 [4]
	Contra	760 [2]			
	Bills payable	530 [3]			
31/3/2009	Balance c/d	43,500 [2]	31/3/2009	Balance c/d	220 [2]
		94,010			94,010
1/4/2009	Balance b/d	220	1/4/2009	Balance b/d	43,500

Question 3

(a)

Buildings Account

DR		€		CR		€	
1/1/2007	Balance b/d	990,000	[4]	1/7/2007	Disposal	210,000	[2]
1/6/2007	Bank	460,000	[4]	31/12/2007	Balance c/d	1,240,000	
		1,450,000				1,450,000	
1/1/2008	Balance b/d	1,240,000					
1/1/2008	Rev. Reserve	260,000	[4]	31/12/2008	Balance c/d	1,500,000	[1]
		1,500,000				1,500,000	
1/1/2009	Balance b/d	1,500,000					

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(b)

Provision for Depreciation on Buildings Account

DR		€		CR		€	
1/7/2007	Disposal	70,000	[3]	1/1/2007	Balance b/d	173,000	[4]
31/12/2007	Balance c/d	138,000		31/12/2007	Profit/Loss	35,000	[4]
		208,000				208,000	
1/1/2008	Rev. Reserve	138,000	[3]	1/1/2008	Balance b/d	138,000	
31/12/2008	Balance c/d	45,000	[2]	31/12/08	Profit /Loss	45,000	[4]
		183,000				183,000	
				1/1/2009	Balance b/d	45,000	

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(c)

Disposal of Buildings Account

DR		€		CR		€	
1/7/2007	Buildings	210,000	[4]	1/7/2007	Bank	420,000	[4]
1/7/2007	Profit/loss	280,000	[3]	1/7/2007	Depreciation	70,000	[4]
		490,000				490,000	

(d)

Revaluation Reserve Account

DR		€		CR		€	
				1/7/2007	Buildings	260,000	[5]
				1/7/2007	Depreciation	138,000	[5]
						398,000	

Question 4 **30**

(a)

Statement of Net Worth/ Capital as at 1/1/2008

Assets	€		€
Premises	740,000	[3]	
Furniture & Equipment (€68,000 - €23,600)	44,400	[6]	
Motor Vehicles	42,600	[3]	
Stock	32,600	[3]	
Debtors	27,000	[3]	
Insurance prepaid	1,600	[3]	
			888,200
Less Liabilities			
Creditors	36,100	[3]	
Expenses Due	4,800	[3]	
Bank Overdraft	35,300	[3]	
			76,200
Capital/Net Worth 1/1/2008			**812,000**

(b) **30**

Statement of Profit or Loss for year ended 31/12/2008

	€		€	
Assets			960,000	[3]
Less Depreciation Furniture & Equipment 20%	3,600	[3]		
Depreciation Motor Vehicles 20%	8,520	[3]	22,120	
Total Assets			937,880	
Less				
Liabilities	80,000	[3]		
Expenses due	880	[3]	80,880	
Net Worth on 31/12/2008			**857,000**	
Less Net worth on 1/1/2008	812,000	[1]		
Apparent Profit for the year	45,000			
Less Capital Introduced	11,000	[5]		
	34,000			
Add Drawings				
Repairs	3,500	[2]		
Stock	7,200	[2]	10,700	
Net Profit for the Year 2008			**44,700**	[5]

Question 5

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(a)

(i) **Purchases**

Cost of sales:	630,000
Add Closing Stock	55,000
	685,000
Less Opening stock	44,000
Purchases	641,000

[10]

(ii) Period of credit given to debtors

$$\frac{\text{Debtors}}{\text{Credit Sales}} \times \frac{365}{1} = \frac{62{,}000}{820{,}000} \times \frac{365}{1} = 27.59 \text{ days}$$ [10]

(iii) % Mark Up: $\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1} = \frac{190{,}000}{630{,}000} \times \frac{100}{1} = 30.15\%$ [10]

(iv) Return on Capital Employed

$$\frac{\text{Net Profit + Interest}}{\text{Capital Employed}} \times \frac{100}{1} = \frac{117{,}000 + 7{,}200}{660{,}000} = \frac{124{,}200}{660{,}000} \times \frac{100}{1} = \frac{1242}{66} = 18.82\%$$

[10]

(b)

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(i) Debentures (2013/2014)
8% Fixed Annual Rate of Interest
Debenture – long term loan
Paid back in full during the years 2013/2014 in one lump sum. [10]

(ii) Acid Test Ratio
This shows the ability of the business to pay its current liabilities/debts as they fall due, it is the Ratio of Liquid assets to Current Liabilities, the recommended is 1 : 1. [10]

(iii) Ordinary dividend – the part of the net profit paid out to the Ordinary Shareholders.
The rate is decided by the Directors and is a % of the Issued Share Capital. [10]

(iv) Intangible Assets – fixed assets that have real value but we cannot see e.g.
Patents, goodwill. [10]

(c) No. Acid Test Ratio (144,000-55,000) : 34,000
2.62 : 1
For every €1 they owe they have liquid asset of €2.62 – this is excellent, better than the Recommended 1 : 1

10

(d) 2007 = 11% 2008 = 18.7%
The return on Capital Employed has increased by roughly 8%. This is an excellent return, way above from what they would get from a bank at less than 4%.

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Question 6

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Accumulated Fund as on 01/01/2008

(a)

Liabilities			**Assets**		
Accumulated Fund	789,760	[2]	Clubhouse	430,000	[2]
Expenses due	1,140	[2]	Land	280,000	[2]
Bar Creditors	1,400	[2]	Equipment	14,000	[2]
			Bar Stock	6,200	[2]
			Investments	50,000	[2]
			Subs due	800	[2]
			Cash	11,300	[2]
	792,300			792,300	

(b)

Bar Trading Account

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Bar Sales			56,200	[1]
Less Cost of Sales				
Opening Stock	6,200	[1]		
Add Purchases	39,300	[1]		
Add Creditors 31/12/08	430	[1]		
Add Creditors	2,500	[1]		
	42,230			
Less Creditors 1/1/08	1,400	[1]	40,830	
			47,030	
Less Closing Stock	5,400	[1]	41,630	
Bar Profit			14,570	[1]

(c)

Income/Expenditure Account of Pearses Football Club for year ended 31/12/08

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Income Subs	43,800	[3]		
Less subs prepaid 31/12/2008	300	[2]		
	43,500			
Less subs due 1/1/2008	800	[2]	42,700	
Interest			900	[3]
Annual sponsorship			8,000	[3]
Bar profit			14,570	[1]
Lotto receipts 34,600				
Lotto prizes 16,000			18,600	[4]
			84,770	
Less Expenses				
General expenses	67,600	[2]		
Add expenses due 31/12/2008	1,700	[2]		
	69,300			
Less expenses due 1/1/2008	1,140	[2]	68,160	
Depreciation of Clubhouse 3%	12,900	[4]		
Depreciation of Equipment 10%	1,770	[4]	82,830	
Surplus of Income/Expenditure [1]			1,940	[1]

(d)

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Balance Sheet of the Pearses Football Club as on 31/12/08

Fixed Assets	**Cost**		**Acc. Dep**		**Net**	
Clubhouse	430,000	[2]	12,900	[2]	417,100	
Land	280,000	[2]			280,000	
Equipment	17,700	[2]	1,770	[2]	15,930	
	727,700		14,670		713,030	
Investments					50,000	[3]
					763,030	
Current Assets						
Bar Stock			5,400	[3]		
Bank			25,700	[3]		
			31,100			
Creditors: Amounts falling due within 1 year						
Bar Creditors	430	[3]				
Subs prepaid	300	[3]				
Expenses due	1,700	[3]				
			2,430			
Working Capital					28,670	
Total net Assets					791,700	
Financed by:						
Accumulated Fund					789,760	[1]
Add surplus of Income/Expenditure					1,940	[1]
Capital Employed					791,700	

(e) The Closing Balance in the Receipts & Payments Account is the amount of money the club has at the end of the year, while the Balance in the Income/Expenditure is the Profit or Loss for the year. The balance can be different because expenses due are included in the income /expenditure account even though they are not yet paid and therefore not in the receipts and payments account.

Question 7

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(a)

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

Operating Profit	175,000	[2]
Add Depreciation	10,000	[6]
Less Stock Increase	(7,000)	[6]
Add Debtors Decrease	6,000	[6]
Add Creditors Increase	20,000	[6]
Net Cash inflow from Operating Activities	204,000	[4]

(b)

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Cash Flow Statement of Walsh Ltd. For the year ended 31/12/08

Operating Activities			[1]		
Net Cash inflow from Operating Activities				204,000	[4]
Returns on investment and servicing of finance			[1]		
Interest paid				(8,000)	[8]
Taxation			[1]		
Tax paid				(15,000)	[8]
Capital Expenditure and Financial Investment			[1]		
Purchases of Land/Buildings				(170,000)	[8]
Equity Dividends paid			[1]		
Dividends paid during the year				(55,000)	[8]
Net cash outflow before liquid resources and financing				(44,000)	[3]
Financing:			[1]		
Issue of ordinary share capital	80,000	[6]			
Repayment of debentures	(20,000)	[6]		60,000	
Increase in cash				16,000	[8]

Reconciliation of Net Cash Flow to movement in Net Debt

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Increase in cash in the period	16,000	[1]
Cash used to repay debentures	20,000	[1]
Change in net debt	36,000	[1]
Net debt at 1/1/08	(28,000)	[1]
Net funds at 31/12/08	8,000	[1]

Question 8

(a) Overhead absorption rate per direct labour hour

$$\text{Direct labour hour rate} = \frac{\text{Budgeted factory overheads}}{\text{Budgeted direct labour hours}} = \frac{97{,}500}{10{,}000 \text{ hrs}} = €9.75 \text{ per lab/hr}$$ [15]

(b) Overhead absorption rate per machine hour

$$\text{Machine hour rate} = \frac{\text{Budgeted factory overheads}}{\text{Budgeted machine hours}} = \frac{97{,}500}{12{,}500 \text{ hrs}} = €7.80 \text{ per Mch/hr}$$ [15]

(c) Total cost of job No. 591

	Machine Hour Rate	
Direct Material	9,000.00	[2]
Direct Labour (W1)		
(180 hrs x 7.50)	1,350.00	[6]
Factory Overheads		
(220 hrs x 7.80)	1,716.00	[6]
Total Cost	12,066.00	[2]

(d) Total Cost of Job No. 590

	Labour Hour Rate	
Direct Materials	9,000	[2]
Direct Labour	1,350	[6]
Factory Overheads		
(180 hrs x €9.75)	1,755	[6]
Total Cost	12,105	[2]

(e) Selling Price

	Machine Hr		**Labour Hr**	
Cost	12,066.00	[2]	12,105.00	[2]
Add mark up 20%	2,413.20	[2]	2,421.00	[2]
Selling Price	14,479.20	[5]	14,526.00	[5]

(W1) $$\frac{€75{,}000}{10{,}000 \text{ hrs}} = €7.50$$

Question 9

Cash Budget

(a)

		June	July	August	September	October	Total
Receipts							
Debtors	April	52,000 [2]					52,000 [1]
	May		63,000 [2]				63,000 [1]
	June			59,000 [2]			59,000 [1]
	July				67,000 [2]		67,000 [1]
	August					75,000 [2]	75,000 [1]
Total Receipts		**52,000**	**63,000**	**59,000**	**67,000**	**75,000**	**316,000**
Payments							
Creditors	May	44,000 [2]					44,000 [1]
	June		36,000 [2]				36,000 [1]
	July			69,000 [3]			69,000 [1]
	August				48,000 [3]		48,000 [1]
	September					59,000 [3]	59,000 [1]
Expenses		12,000 [1]	17,000 [1]	14,000 [1]	16,000 [1]	15,000 [1]	74,000 [1]
Rent		1,100 [1]	1,100 [1]	1,100 [1]	1,100 [1]	1,100 [1]	5,500 [1]
Total Payments		**57,100**	**54,100**	**84,100**	**65,100**	**75,100**	**335,500**
Net Monthly Cash Flow		**(5,100) [2]**	**8,900 [2]**	**25,100 [2]**	**1,900 [2]**	**(100) [2]**	**(19,500) [2]**
Opening Bank Balance		**(34,000) [1]**	**28,900 [1]**	**37,800 [1]**	**12,700 [1]**	**14,600 [1]**	**34,000 [3]**
Closing Bank Balance		**28,900 [1]**	**37,800 [1]**	**12,700 [1]**	**14,600 [1]**	**14,500 [3]**	**14,500 [3]**

(b) It will show her cash inflows and cash outflows for the period.
She will see what month she has a surplus/deficit.
She will see when a bank overdraft is needed.

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