



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2013

ACCOUNTING - ORDINARY LEVEL (400 marks)

MONDAY 17 JUNE 2013 – AFTERNOON 2.00 – 5.00

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 attempt any **TWO** of the remaining three questions in this section.

Section 2: Financial Accounting (200 marks).

This section has 3 questions (Numbers 5 - 7). Each question carries 100 marks.

Candidates should answer any **TWO** questions.

Section 3: Management Accounting (80 marks).

This section has 2 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. It is very important that workings are shown in the answerbook(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 Manufacturing Company

The following balances were extracted from the books of Maher Ltd as on 31/12/2012

	€	€
Share Capital:		
Authorised – 900,000 Ordinary Shares at €1 each		
Issued – 700,000 Ordinary Shares at €1 each		700,000
Factory Buildings	600,000	
Plant & Machinery (Cost 390,000)	260,000	
Delivery Vans (Cost €80,000)	60,000	
Patents.....	51,000	
Stocks 01/01/2012		
Raw Materials	48,000	
Work in progress.....	16,300	
Finished goods	62,500	
Sales		734,000
Purchase of Raw Materials	378,500	
Returns In (Sales Returns)	10,100	
Debtors.....	93,000	
Creditors.....		81,000
Sale of Scrap Materials		7,500
Factory Wages	130,000	
Direct Expenses	26,000	
Directors Fees	12,800	
Factory Insurance.....	20,000	
Factory Light and Heat	16,300	
Stationery	11,000	
Advertising.....	9,000	
Bank.....		51,200
Provision for Bad Debts.....		4,100
10% Debentures (issued 01/04/2012)		140,000
VAT		13,500
Profit and Loss Balance 01/01/2012		73,200
	<u>1,804,500</u>	<u>1,804,500</u>

You are given the following additional information:

- (i) Stocks at 31/12/2012:

Raw Materials	€37,000
Work in progress	€24,000
Finished Goods	€65,000
- (ii) Depreciation to be provided as follows:

Plant & Machinery	20% of cost
Delivery Vans	10% of book value
Factory Buildings	2% of cost
- (iii) Factory Wages are to be divided: 75% for Direct Wages and 25% for Supervisor's Wages.
- (iv) Provision should be made for Debenture Interest due.
- (v) Factory Insurance was for the year ended 31/03/2013.
- (vi) Finished Goods are to be transferred from factory at Current Market Value of €690,000.
- (vii) Provide for Corporation Tax €14,000.

Required:

- (a) **Manufacturing Account** for the year ended 31/12/2012 (40)
- (b) Prepare a **Trading, Profit and Loss Account** for the year ended 31/12/2012. (40)
- (c) Prepare a **Balance Sheet** as at 31/12/2012. (40)

(120 marks)

2. Farm Accounts

The following were the assets and liabilities of the Moloney Family who carry on a mixed farming business on 01/01/2012:

Land €400,000; Farm Buildings €150,000; Machinery at cost €73,200; Value of sheep €36,000; Value of cattle/cows €109,000; Cash in Bank €17,800; Electricity due €700; Wages due €600.

Required:

- (a) Calculate the Moloney Family **Capital** on 01/01/2012. (20)

The following is a summary of the farm's receipts and payments for the year ended 31/12/2012.

Receipts	€	Payments	€
Sale of Wool	1,800	Purchase of Sheep	6,200
Sale of Lambs	42,600	Purchase of Cattle	36,400
Milk	86,000	Fertiliser	6,700
Single Farm Payment	13,200	Electricity	13,500
Sale of Cattle	47,900	Repairs	14,300
		Wages	22,900

The following additional information is available:

- (i) Closing Stocks 31/12/2012:

Value of Cattle/Cows	€73,000
Value of Sheep	€29,000
- (ii) The Single Farm Payment is to be divided (allocated) between the two enterprises in the ratio:

Cattle/Milk	80%
Sheep	20%
- (iii) Fertiliser, Electricity, Repairs and Wages to be divided (allocated) **equally** between the two enterprises.
- (iv) Lamb used by the family during the year €800.
Milk used by the family during the year €1,900.
- (v) Electricity due on 31/12/2012 €300.

Required:

- (b) (i) Prepare an **Enterprise Analysis Account** for 'Cattle/Milk' for the year ended 31/12/2012. (20)

- (ii) Prepare an **Enterprise Analysis Account** for 'Sheep' for the year ended 31/12/2012. (20)

(60 marks)

3. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Michael Regan for the month of April 2013.

Dr		Bank Account			Cr
		€			€
April 1	Balance b/d	3,260	April 3	P Ryan 432104	1,200
April 9	Sales Lodged	15,490	April 6	Rent 432105	800
April 16	Lodgement	4,100	April 10	M. Whyte 432106	2,400
April 28	Sales Lodged	13,500	April 11	Insurance 432107	4,900
			April 16	J. Molloy 432108	1,500
			April 21	T. Fallon 432109	2,300
			April 27	Wages 432110	3,900
			April 30	Balance c/d	19,350
		<u>36,350</u>			<u>36,350</u>
May 1	Balance b/d	19,350			

Bank Statement on 30/04/2013				
		Debit	Credit	Balance
		€	€	€
April 1	Balance b/d			3,260
April 3	Interest Received		140	3,400
April 6	P Ryan 432104	1,200		2,200
April 8	Rent 432105	800		1,400
April 9	Lodgement		15,490	16,890
April 12	M. Whyte 432106	2,400		14,490
April 16	Lodgement		4,100	18,590
April 19	J. Molloy 432108	1,500		17,090
April 24	Standing Order	380		16,710
April 25	J. Madden (cheque dishonoured)	1,300		15,410
April 28	Bank Charges	134		15,276
April 28	Wages 432110	3,900		11,376
April 29	B. Lennon	190		11,186

Note: The €190 entered in the Bank Statement on April 29 was entered in error to Michael Regan’s Account instead of Mary Regan’s Account.

Required:

- (a) Show Michael Regan’s **Adjusted Bank Account** and bring down the adjusted balance. (35)
 - (b) Prepare a statement on 30/04/2013 **reconciling** the adjusted Bank Account balance with the Bank Statement balance. (25)
- (60 marks)**

4. Incomplete Records – Net Worth

M. Ryan, a sole trader, has not been keeping a full set of accounts. The following figures relating to the business were supplied on 01/01/2012.

	€
Premises	540,000
Motor Vehicles at book value	43,500
Furniture and Equipment at cost	59,000
Accumulated Depreciation on Furniture and Equipment	12,300
Insurance prepaid	700
Stock	56,400
Creditors	10,300
Expenses due	2,700
Debtors	19,000
Bank	4,300

Required:

- (a) Prepare a statement showing Ryan's **Net Worth/Capital** on 01/01/2012. (30)

Ryan also supplied the following additional information on 31/12/2012:

- (i) During the year €14,000 was transferred from a personal bank account to the business bank account.
- (ii) During the year, Ryan had paid €6,400 out of business funds for private house repairs and had also taken goods to the value of €400 per month for private use.

Ryan estimated that on 31/12/2012 the business assets and liabilities were €960,000 and €80,000 respectively, before allowing for depreciation on furniture and equipment at the rate of 20% of cost, depreciation on motor vehicles at the rate of 10% of book value and before allowing for expenses due of €940.

- (b) Prepare a **statement** showing Ryan's **Profit or Loss** for the year ended 31/12/2012. (30)

(60 marks)

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

5. Interpretation of Accounts

The following information has been taken from the accounts of Waldron Ltd for the year ended 31/12/2012:

Trading and Profit and Loss Account for year ended 31/12/2012

	€	€
Credit Sales		420,000
Less: Cost of Sales		
Opening stock 01/01/2012	36,000	
Add: Purchases	<u>?????</u>	
	<u>?????</u>	
Less: Closing stock 31/12/2012	<u>24,000</u>	
Cost of sales		<u>242,000</u>
Gross Profit		178,000
Less: Total Expenses (including interest)		<u>102,000</u>
Net Profit for year		<u>76,000</u>

Balance Sheet as at 31/12/2012

	€	€
Fixed Assets		712,000
Current Assets (including Debtors €24,000)	83,000	
Less Creditors: amounts falling due within 1 year		
Trade Creditors	<u>39,000</u>	<u>44,000</u>
		<u>756,000</u>
Financed by:		
Creditors: amounts falling due after more than 1 year		
6% Debentures (2019/2020)		90,000
Capital and Reserves	Authorised	Issued
Ordinary Shares	<u>800,000</u>	680,000
Profit and Loss Account		<u>76,000</u>
		<u>756,000</u>

- (a) **You are required to calculate:** (to 2 decimal places where appropriate.)
- (i) The figure for Purchases.
 - (ii) The period of credit given to Debtors.
 - (iii) Return on Capital Employed.
 - (iv) The percentage mark-up. (40)
- (b) **Explain the following:**
- (i) Ordinary Dividend.
 - (ii) Intangible Asset.
 - (iii) Carriage Inwards.
 - (iv) Depreciation. (40)
- (c) (i) Calculate the Acid Test ratio for 2012.
- (ii) What does this ratio tell us? (10)
- (d) The Return on Capital Employed for **2011** was 16%.
Comment on the profitability of the firm in **2012**. (10)

(100 marks)

6. Accounts of a Service Firm

The Burke family are involved in the tourist industry. They run a Bed and Breakfast and rent bicycles and a holiday home to tourists during the holiday season. Included among their assets and liabilities on 01/01/2012 were:

Bed and Breakfast Premises €450,000; Holiday Home €120,000; Equipment & Linen €3,600; Bicycles €5,000; Stock of fuel and heating oil €2,200; Advance deposits from tourists for holiday home €1,500; Cash on hand €4,500

Required:

- (a) Prepare a statement showing the **Accumulated Fund** of the Burke family tourism business on 01/01/2012. (30)

Receipts and Payments Account for the year ended 31/12/2012

Receipts	€	Payments	€
Cash in hand 01/01/2012	4,500	Provisions for Bed and Breakfast	8,500
Receipts from Guests	32,000	Light and Heat	1,600
Rent from Holiday Home	18,000	Drawings	3,300
Receipts from Bicycle hire	2,200	Wages	15,900
		Laundry	2,400
		Advertising	1,900
		Repairs and maintenance	6,600
		Balance 31/12/2012	16,500
	<u>56,700</u>		<u>56,700</u>

The following information and instructions should be taken into account at 31/12/2012.

- (i) Bicycles to be depreciated by 20% per annum and Equipment & Linen by 25%.
- (ii) One fifth of the provisions purchased were used by the family.
- (iii) Receipts from guests include booking deposits for 2013 of €1,400.
- (iv) Stock of oil €650.
- (v) Owing to local provisions store €260.

Required:

- (b) Prepare an **Income and Expenditure Account** for the year ended 31/12/2012. (40)
- (c) Prepare a **Balance Sheet** on 31/12/2012. (30)

(100 marks)

7. Cash Flow Statement

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

	€
Profit and Loss (extract) for year ended 31/12/2012	
Operating profit	138,000
Interest paid	<u>(16,000)</u>
	122,000
Taxation	<u>(14,000)</u>
	108,000
Dividend paid	<u>(22,000)</u>
Retained Profit for year	86,000
Profit and Loss Balance 01/01/2012	<u>63,000</u>
Profit and Loss Balance 31/12/2012	<u><u>149,000</u></u>

Balance Sheets as at	31/12/2012		31/12/2011	
	€	€	€	€
Fixed Assets				
Land and Buildings	755,000		667,000	
Less depreciation provision	<u>(124,000)</u>	631,000	<u>(96,000)</u>	571,000
Current Assets				
Stock	74,000		67,000	
Debtors	31,000		36,000	
Cash	<u>20,000</u>		<u>14,000</u>	
	<u>125,000</u>		<u>117,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	12,000		8,000	
Taxation	<u>14,000</u>		<u>17,000</u>	
	<u>(26,000)</u>		<u>(25,000)</u>	
Net Current Assets		<u>99,000</u>		<u>92,000</u>
Total Net Assets		<u><u>730,000</u></u>		<u><u>663,000</u></u>
Financed By				
Creditors: amounts falling due after more than 1 year				
9% Debentures		140,000		200,000
Capital and Reserves				
Ordinary Share capital issued		426,000		400,000
Share Premium		15,000		
Profit and Loss Account		<u>149,000</u>		<u>63,000</u>
		<u><u>730,000</u></u>		<u><u>663,000</u></u>

Required:

- (a) **Reconcile** the Operating Profit to Net Cash Inflow from operating activities. (30)
- (b) Prepare the **Cash Flow Statement** of Connolly Ltd for the year ended 31/12/2012 using the following headings:
1. Operating activities
 2. Returns on investments and servicing of finance
 3. Taxation
 4. Capital expenditure and financial investment
 5. Equity dividends paid
 6. Financing. (65)
- (c) **Reconcile** the Net Cash Flow to Movement in Net Debt. (5)

(100 marks)

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

8. Absorption Costing

Europa Ltd, a manufacturing company has two Production Departments, Department A and Department B and one Service Department, Department X. Europa Ltd supplies the following information for the coming year.

	Production		Service
	Department A	Department B	Department X
Overhead Costs allocated per department	€80,000	€60,000	€24,000
Service Department X costs to be apportioned	75%	25%	-----
Budgeted Machine Hours	2,500	-----	-----
Budgeted Labour Hours	-----	1,200	-----

Required:

- (a) Apportion (divide) **overhead costs** of Service Department X to Department A and Department B as per instruction above.
- (b) Calculate the **total overhead costs** to be absorbed by Department A and Department B.
- (c) Calculate the overhead absorption rate for **Department A** using **Machine Hours**.
- (d) Calculate the overhead absorption rate for **Department B** using **Labour Hours**.
- (e) The details of a customer's Job **No. 1869** are as follows:

Direct Materials	€1,850
Direct Labour	€930
Hours in Department A	9
Hours in Department B	4

Calculate the **total cost** of Job **No. 1869**.

- (f) Calculate the **selling price** of Job **No. 1869** if the mark up is **25%**.

(80 marks)

9. Cash Budgeting

Mairead Maguire provides the following information at the end of May 2013.

	€
Debtors 01/06/2013 (April sales €94,000 and May sales €86,000)	180,000
Creditors 01/06/2013	49,000
Bank balance 01/06/2013	27,000

She expects her sales, purchases and expenses for the next five months to be:

	June	July	August	September	October
Sales	€73,400	€65,000	€69,300	€84,200	€54,200
Purchases	€38,000	€27,800	€34,300	€41,900	€27,000
Expenses	€14,100	€16,900	€16,200	€19,500	€11,300

You are given the following additional information:

- 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 €12,000 for cash in July, and are paid for one month after the month of purchase.
- Rent per month is €1,200 and increases to €1,300 from 1st September. (Rent was not included in expenses above.)

Required:

- (a) Prepare a **Cash Budget** on a monthly basis for the period June to October inclusive and also the total column for the period.
- (b) Outline **two** benefits for Mairead in preparing a **Cash Budget**.

(80 marks)

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