Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2011

A C C O U N T I N G - O R D I N A R Y   L E V E L

(400 marks)

MONDAY 20 JUNE – 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. 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. Departmental Final Accounts of a Limited Company

The firm Lambe Ltd, is divided into two departments – Fashion and Sportswear. The following balances were extracted from its books on 31/12/2010:

	€	€
Share Capital:		
Authorised – 700,000 Ordinary Shares at €1 each		
Issued – 590,000 Ordinary Shares at €1 each		590,000
Buildings (Cost 750,000)	640,000	
Furniture and Fittings (Cost 200,000)	160,000	
6% Debentures (issued on 01/04/2010)		140,000
Debtors	88,000	
Creditors		63,000
Fashion Department		
Stock 01/01/2010	53,000	
Purchases	290,000	
Sales		600,000
Returns Inwards (Sales Returns)	3,400	
Sportswear Department		
Stock 01/01/2010	46,000	
Purchases	158,000	
Sales		300,000
Carriage Inwards	5,000	
Insurance	32,000	
Salaries and General Expenses	120,000	
Light and Heat	70,000	
Advertising	38,000	
VAT		10,900
PAYE and PRSI		13,600
Bank		9,800
Directors Fees	30,000	
Profit /Loss Balance 01/01/2010		6,100
	€1,733,400	€1,733,400

You are given the following additional information:

(i) Stocks at 31/12/2010: Fashion: €63,000
Sportswear: €39,000

(ii) Depreciation is to be provided as follows: Buildings 2% of cost
Furniture and Fittings 12.5% of book value

(iii) The floor space of the firm is divided as follows: Fashion 75% Sportswear 25%

(iv) Provision should be made for Debenture Interest due on 31/12/2010.

(v) Included in Advertising is a cheque for €8,000 for an Advertising Campaign for year to 31/3/2011.

(vi) Expenses applicable to both departments should be divided on the basis of **Sales or Floor space** where appropriate.

You are required to prepare:

(a) Departmental Trading, Profit and Loss Account for the year ended 31/12/2010. (80)
(b) Balance Sheet as at 31/12/2010. (40)
(120 marks)

2. Debtors and Creditors Control Accounts

The following figures were taken from the books of Mary Hughes during April 2011:

	€
Debtors Ledger Balance 01/04/2011 Dr	56,300
Debtors Ledger Balance 01/04/2011 Cr	1,800
Creditors Ledger Balance 01/04/2011 Cr	38,500
Creditors Ledger Balance 01/04/2011 Dr	700
Discount allowed	3,400
Discount received	5,800
Purchases (including Cash Purchases €12,100)	184,600
Sales (including Cash Sales €26,500)	309,500
Returns Inwards (Sales Returns)	7,900
Returns Outwards (Purchases Returns)	2,400
Interest charged by Mary Hughes on overdue accounts	1,700
Discount disallowed to Mary Hughes	600
Cheques paid to suppliers	104,600
Cheques received from customers	228,100
Bad debts written off	3,600
Cheques received dishonoured	1,500
Transfer from Debtors Ledger to Creditors Ledger	2,900
Bills Receivable issued	19,500
Bills Payable accepted	7,400
Debtors Ledger Balance at 30/04/2011	1,300 Cr
Creditors Ledger Balance at 30/04/2011	400 Dr

You are required to prepare for April 2011:

(a) Debtors Ledger Control Account. (30)

(b) Creditors Ledger Control Account. (30)

(60 marks)

3. Depreciation and Revaluation of Fixed Assets

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

01/01/2009	Buildings at cost amounted to €680,000.
01/01/2009	The balance in the Provision for Depreciation account was €92,000.
01/06/2009	Purchased a building for €230,000.
01/07/2009	Sold for €250,000 a building which cost €240,000. The book value of this building on 01/07/2009 was €170,000.
31/12/2009	The total depreciation for the year ended 31/12/2009 was €47,000.
01/01/2010	The buildings were revalued at €900,000.
31/12/2010	Provide for depreciation at the rate of 3% of the value of the buildings on the 01/01/2010.

You are required to show:

(a) The **Buildings Account** for the two years **2009** and **2010**. (15)

(b) The **Provision for Depreciation Account** for the two years **2009** and **2010**. (20)

(c) The **Buildings Disposal Account** for the year ended 31/12/2009. (15)

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

(60 marks)

4. Farm Accounts

The following were the assets and liabilities of the Carter Family who carry on a mixed farming business on 01/01/2010:

Land €600,000; Farm Buildings €280,000; Machinery at cost €75,000; Value of sheep €24,000; Value of cattle/cows €68,000; Electricity due €300; Cash in Bank €9,800.

You are required to:

(a) Calculate the Carter Family **Capital** on 01/01/2010. (20)

The following is a summary of the farm's receipts and payments for the year ended 31/12/2010.

Receipts	€	Payments	€
Milk	32,000	Fertilizer	8,900
Sale of Wool	1,300	Purchases of Sheep	6,200
Sale of Lambs	10,900	Purchases of Cattle	9,700
Sale of Cattle	83,000	Electricity	4,200
Single Farm Payment	16,400	Repairs	1,800
		Wages	26,200

The following additional information is to be taken into account at 31/12/2010:

(i) Closing Stocks 31/12/2010:
Value of Cattle/Cows €29,000
Value of Sheep €25,000

(ii) The Single Farm Payment is to be divided (allocated) between the two enterprises in the ratio:
Cattle/Cows 75%
Sheep 25%

(iii) Electricity due on 31/12/2010 €400

(iv) Fertilizer, Electricity, Repairs and Wages to be divided (allocated) **equally** between the two enterprises

(v) Milk used by the family during the year €1,750
Lamb used by the family during the year €500

You are required to:

(b) (i) Prepare an **Enterprise Analysis Account** for '**Cattle/Milk**' for the year ended 31/12/2010.

(ii) Prepare an **Enterprise Analysis Account** for '**Sheep**' for the year ended 31/12/2010.

(34)

(c) Explain **two** reasons why farmers keep a full set of accounts.

(6)

(60 marks)

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

5. Interpretation of Accounts

The following information has been taken from the accounts of Munster Ltd for the year ended 31/12/2010:

Trading, Profit and Loss Account for year ended 31/12/2010

	€	€
Credit Sales		920,000
Less: Cost of Sales		
Stock 01/01/2010	73,000	
Add: Purchases	?	
	?	
Less: Stock 31/12/2010	64,000	547,000
Gross Profit		373,000
Less: Total Expenses (including interest)		159,000
Net Profit for year		?

Balance Sheet as at 31/12/2010

	€	€
Fixed Assets		896,000
Current Assets (including Debtors €58,000)	210,000	
Less Creditors: amounts falling due within 1 year		
Trade Creditors	83,000	127,000
		1,023,000
Financed by:		
Creditors: amounts falling due after more than 1 year		
6% Debentures (2017/2018)		140,000
Capital and Reserves		
Ordinary Shares		669,000
Profit and Loss Account		214,000
		1,023,000

(a) **You are required to calculate**:
- (i) Net Profit for 2010
- (ii) The figure for Purchases
- (iii) The period of credit given to Debtors
- (iv) Return on Capital Employed for 2010. (40)

(b) **Explain each of the following**:
- (i) 6% Debentures (2017/2018)
- (ii) Intangible Asset
- (iii) Ordinary Dividend
- (iv) Capital Employed. (40)

(c)
- (i) Calculate the Acid Test ratio for 2010.
- (ii) What does this ratio tell us? (10)

(d) The Return on Capital Employed for **2009** was 15%.
Comment on the profitability of the company in **2010**. (10)

(100 marks)

6. Club Accounts

Included in the assets and liabilities of the Round Towers Football Club on the **01/01/2010** were the following:

Clubhouse/Pitches €375,000; Equipment €19,000; Bar Stock €6,300; Investments €30,000; Bar Creditors €900; Members' subscriptions due €800; Cash in hand €25,400.

You are required to:

(a) Prepare a statement showing the club's **Accumulated Fund** on 01/01/2010. (20)

The following is a summary of the club's Receipts and Payments for the year 2010.

Receipts and Payments Account for the year ended 31/12/2010

Receipts	€	Payments	€
Cash in hand 01/01/2010	25,400	Lotto Prizes	13,000
Bar Sales	38,500	Bar Purchases	24,200
Lotto Receipts	43,700	Purchase of Equipment	2,500
Annual Sponsorship	22,000	General Expenses	14,300
Subscriptions	19,000		
Investment Interest	1,500	Cash Balance 31/12/2010	96,100
	€150,100		€150,100

The Treasurer also supplied the following information as at **31/12/2010**:

(i) Bar Stock was €4,800.

(ii) Bar Creditors were €1,300.

(iii) Subscriptions prepaid were €250.

(iv) Expenses due were €900.

(v) Equipment held on 31/12/2010 to be depreciated by 20%.

(vi) Depreciate the Clubhouse/Pitches by 2% of cost.

You are required to:

(b) Prepare a **Bar Trading Account** for the year ended 31/12/2010. (8)

(c) Prepare the club's **Income and Expenditure Account** for the year ended 31/12/2010. (34)

(d) Prepare the club's **Balance Sheet** on the 31/12/2010. (30)

(e) Explain the difference between the balance in the Income and Expenditure Account and the closing balance in the Receipts and Payments Account. (8)

(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 31/12/2010	**€**
Operating profit	104,000
Interest paid	(9,000)
	95,000
Taxation	(38,000)
	57,000
Dividend paid	(40,000)
Retained Profit for year	17,000
Profit and Loss Balance 01/01/2010	76,000
Profit and Loss Balance 31/12/2010	93,000

Balance Sheets as at	**31/12/2010**		**31/12/2009**	
	€	**€**	**€**	**€**
Fixed Assets				
Land and Buildings	740,000		670,000	
Less depreciation provision	(72,000)	668,000	(64,000)	606,000
Current Assets				
Stock	58,000		52,000	
Debtors	33,000		35,000	
Cash	61,000		62,000	
	152,000		149,000	
Less Creditors: amounts falling due within 1 year				
Creditors	9,000		16,000	
Taxation	38,000		23,000	
	(47,000)		(39,000)	
Net Current Assets		105,000		110,000
Total Net Assets		773,000		716,000
Financed By				
Creditors: amounts falling due after more than 1 year				
9% Debentures		80,000		100,000
Capital and Reserves				
Ordinary Share capital issued		600,000		540,000
Profit and Loss Account		93,000		76,000
		773,000		716,000

You are required to:

(a) **Reconcile** the Operating Profit to Net Cash Inflow from operating activities. (30)

(b) Prepare the **Cash Flow Statement** of Connolly Ltd for the year ended 31/12/2010 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

Blackwell Ltd, a small jobbing company, has the following budgeted figures for the coming year:

Direct Materials	€309,000
Direct Labour	€127,500
Factory Overheads	€108,000
Budgeted Direct Labour hours	15,000 hours
Budgeted Machine hours	9,000 hours

(a) You are required to calculate:

(i) The overhead absorption rate per **Direct Labour Hour**.

(ii) The overhead absorption rate per **Machine Hour**.

The details of a customer's **Job No. 482** are as follows:

Direct Materials	€19,000
Direct Labour hours	240 hours
Machine hours	175 hours

You are required to calculate:

(b) The cost of Job No. 482 using the overhead absorption rate per **Direct Labour Hour**.

(c) The cost of Job No. 482 using the overhead absorption rate per **Machine Hour**.

(d) The **selling price** of Job No. 482 to the customer using **Labour** overhead absorption rate (as calculated in **(a)** (i) above and assuming a mark-up of 25% on cost).

(e) **Outline two reasons why** a business needs to calculate the cost price of a product.

(80 marks)

9. Cash Budgeting

L. Tarpey had the following Assets, Liabilities and Capital at 1 January 2011:

	€
Assets	
Fixed assets	220,000
Stock	46,000
Cash	29,500
Debtors	27,300
	322,800
Liabilities	
Creditors	22,800
Capital	300,000
	322,800

The expected sales and purchases for the next 5 months are as follows:

	Jan	Feb	Mar	Apr	May	Total
Sales	€83,700	€94,300	€67,300	€71,000	€92,200	€408,500
Purchases	€44,200	€62,100	€59,800	€45,400	€77,900	€289,400

- All sales are on credit and are paid for one month after sale.
- All purchases are on credit and are paid for one month later, **except** for €26,000 in March.
- Tarpey rents the premises for €24,000 **per annum** payable monthly.
- Equipment to be bought in February for €17,000 cash.
- Wages per month to be €19,400.
- Closing stock at 31/05/2011 is expected to be €56,400.
- Net Profit for the five months is expected to be €22,500.

You are required to prepare:

(a) A **Cash Budget** showing Tarpey's expected monthly Receipts and Payments for the five months January to May 2011.

(b) A **Budgeted Balance Sheet** as at 31/05/2011.

(c) **Outline two benefits** for Tarpey in preparing a cash budget.

(80 marks)

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