Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2019

ACCOUNTING – ORDINARY LEVEL

(400 marks)

WEDNESDAY 19 JUNE - AFTERNOON 2.00 – 5.00

This paper is divided into 3 Sections:

Section 1: **Financial Accounting** (120 marks)
This section has four 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 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. 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 Green Ltd as at 31/12/2018:

	€	€
Share capital Authorised - 950,000 ordinary shares at €1 each Issued - 430,000 ordinary shares at €1 each		430,000
Delivery vans at cost	70,000	
Buildings	660,000	
Office equipment	75,000	
Patents	80,000	
Accumulated depreciation – buildings		33,000
Accumulated depreciation – office equipment		7,500
Stock of goods for resale (01/01/2018)	91,500	
Stock of stationery (01/01/2018)	1,200	
Advertising	8,400	
Stationery	4,500	
Purchases	470,000	
Sales		880,000
Returns inwards (sales returns)	18,200	
Creditors		82,000
Debtors	73,000	
VAT		6,000
Light and heat	12,100	
Provision for bad debts		4,000
Directors' fees	36,400	
10% Debentures (issued 01/04/2018)		120,000
Debenture interest	5,200	
Bank		8,500
Profit/loss balance 01/01/2018		62,900
Rent and rates	22,100	
Insurance	12,400	
Commission		6,100
	1,640,000	1,640,000

You are given the following additional information:

(i) Stock of goods for resale on 31/12/2018, €54,500.

(ii) Stock of stationery on 31/12/2018, €900.

(iii) Depreciation to be provided as follows:

Buildings	-	2% of cost
Office equipment	-	10% of book value
Delivery vans	-	10% of cost.

(iv) Advertising due on 31/12/2018 was €1,300.

(v) Provide for debenture interest due on 31/12/2018.

(vi) Insurance was for the year ended 31/03/2019.

(vii) Provision for bad debts to be adjusted to 6% of debtors.

(viii) Provide for corporation tax €16,000.

Required:

(a) Prepare a **trading and profit and loss account** for the year ended 31/12/2018. (80)

(b) Prepare a **balance sheet** as at 31/12/2018. (40)

(120 marks)

2. Incomplete Records – Net Worth

M. Forristal, a sole trader, has not been keeping a full set of accounts. The following figures relating to the business were supplied on 01/01/2018:

	€
Premises	520,000
Furniture and equipment at cost	48,200
Motor vehicles at book value	49,000
Accumulated depreciation on furniture and equipment	8,700
Stock	62,300
Insurance prepaid	1,200
Creditors	18,200
Expenses due	2,800
Bank	5,600
Debtors	21,200

Required:

(a) Prepare a statement showing Forristal's **net worth/capital** on 01/01/2018.

(30)

Forristal also supplied the following additional information on 31/12/2018:

(i) During the year €12,000 was transferred from a personal bank account to the business bank account.

(ii) During the year, Forristal had paid €7,100 out of business funds for private house repairs and had also taken goods to the value of €350 per month for private use.

Forristal estimated that on 31/12/2018 the business assets and liabilities were €860,000 and €78,000 respectively, before allowing for the following:

- Depreciation on furniture and equipment at the rate of 25% of cost
- Depreciation on motor vehicles at the rate of 8% of book value
- Expenses due of €920.

(b) Prepare a **statement** showing Forristal's **profit or loss** for the year ended 31/12/2018.

(30)

(60 marks)

3. Depreciation and Revaluation of Fixed Assets

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

01/01/2017	Buildings at cost amounted to €780,000.
01/01/2017	The balance in the provision for depreciation account was €62,000.
01/06/2017	Purchased a building for €140,000.
01/07/2017	Sold for €75,000 a building which cost €110,000. The book value of this building on 01/07/2017 was €50,000.
31/12/2017	The total depreciation for the year ended 31/12/2017 was €34,000.
01/01/2018	The buildings were revalued at €900,000.
31/12/2018	Provide for depreciation at the rate of 5% of the value of the buildings on 01/01/2018.

You are required to show:

(a) The **buildings account** for the two years **2017** and **2018**. (15)

(b) The **provision for depreciation account** for the two years **2017** and **2018**. (20)

(c) The **buildings disposal account** for the year ended **31/12/2017**. (15)

(d) The **revaluation reserve account**. (10)

(60 marks)

4. Farm Accounts

The following were the assets and liabilities of the O'Rourke family who carry on a mixed farming business on 01/01/2018:

Land €900,000; farm buildings €360,000; machinery at cost €144,000;
value of sheep €28,000; value of cattle/cows €115,000; cash in bank €23,200;
electricity due €850; wages due €1,100.

Required:

(a) Calculate the O'Rourke family **capital** on 01/01/2018. (20)

The following is a summary of the farm's receipts and payments for the year ended 31/12/2018.

Receipts	€	Payments	€
Sale of wool	200	Purchase of sheep	6,600
Sale of lambs	32,600	Purchase of cattle	42,350
Milk	94,000	Fertiliser	13,800
Single farm payment	24,100	Electricity	15,300
Sale of cattle	51,700	Repairs	18,900
		Wages	34,500

The following additional information is available:

(i) Closing stocks 31/12/2018:

Value of cattle/cows	€122,000
Value of sheep	€31,000

(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 was €650.
Milk used by the family during the year was €1,300.

(v) Electricity due on 31/12/2018, €470.

Required:

(b) (i) Prepare an **enterprise analysis account** for '**cattle/milk**' for the year ended 31/12/2018. (20)

(ii) Prepare an **enterprise analysis account** for '**sheep**' for the year ended 31/12/2018. (20)

(60 marks)

Section 2
begins on page 8

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

5. Interpretation of Accounts

The following information has been taken from the accounts of Kennedy Ltd for the year ended 31/12/2018:

Trading and Profit and Loss Account for the year ended 31/12/2018

	€	€	€
Credit sales			650,000
Less: Cost of sales			
Stock 01/01/2018		33,000	
Add: credit purchases		342,000	
		375,000	
Less: stock 31/12/2018		30,000	
Cost of sales			345,000
Gross profit			???????
Less: Total expenses (including interest)			150,000
Net profit for year			155,000

Balance Sheet as at 31/12/2018

	€	€	€
	Cost	**Depreciation**	**NBV**
Fixed Assets	970,000	50,000	920,000
Current Assets (including trade debtors €32,000)		88,000	
Less Creditors: amounts falling due within 1 year			
Trade creditors		33,000	
			55,000
			975,000
Financed by:			
Creditors: amounts falling due after more than 1 year			
7% Debentures (2023/2024)			100,000
Capital and Reserves	**Authorised**	**Issued**	
Ordinary shares at €1 each	950,000	720,000	720,000
Profit and loss account			155,000
			975,000

(a) **You are required to calculate**: (to 2 decimal places where appropriate).

(i) The gross profit margin.

(ii) The acid test ratio.

(iii) The period of credit received from trade creditors.

(iv) The rate of stock turnover. (40)

(b) **Explain** the following terms and **state how they apply to the above accounts** where appropriate:

(i) Depreciation

(ii) Shareholders' funds

(iii) Intangible assets

(iv) 7% Debentures (2023/2024) (40)

(c) Would Kennedy Ltd have difficulty paying its bills as they fall due?

Explain your answer. (10)

(d) The return on capital employed for Kennedy Ltd in **2017** was 12%.

(i) Calculate the return on capital employed for **2018**.

(ii) Comment on the profitability of Kennedy Ltd for **2018**. (10)

(100 marks)

6. Cash Flow Statement

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

Profit and loss (extract) for year ended 31/12/2018	€
Operating profit	135,000
Interest paid	(19,000)
	116,000
Taxation	(25,000)
	91,000
Dividends paid	(26,000)
Retained profit	65,000
Profit and loss balance 01/01/2018	122,000
Profit and loss balance 31/12/2018	187,000

Balance Sheets as at	**31/12/2018**		**31/12/2017**	
	€	€	€	€
Fixed Assets				
Land and buildings	930,000		780,000	
Less depreciation provision	(70,000)	860,000	(55,000)	725,000
Current Assets				
Stock	78,000		70,000	
Debtors	29,000		40,000	
Bank	15,000		10,000	
	122,000		120,000	
Less Creditors: amounts falling due within 1 year				
Creditors	35,000		42,000	
Taxation	25,000		29,000	
	(60,000)		(71,000)	
Net Current Assets		62,000		49,000
Total Net Assets		922,000		774,000
Financed by				
Creditors: amounts falling due after 1 year				
7% Debentures		250,000		200,000
Capital and Reserves				
Ordinary share capital issued		470,000		452,000
Share premium		15,000		----------
Profit and loss account		187,000		122,000
		922,000		774,000

Required:

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

(b) Prepare the **cash flow statement** of McCabe Ltd for the year ended 31/12/2018 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)

7. Club Accounts

Included in the assets and liabilities of Callan Golf Club on 01/01/2018 were the following:

Clubhouse €620,000; equipment €32,000; investments €60,000; land €240,000; bar stock €7,100; members' subscriptions prepaid €1,800; bar creditors €3,600; cash in hand €3,200.

Required

(a) Prepare a statement showing the club's accumulated fund 01/01/2018. (20)

The following is a summary of the club's receipts and payments for the year 2018:

Receipts and Payments Account for the year ended 31/12/2018

Receipts	€	**Payments**	€
Cash in hand 01/01/2018	3,200	Club lotto prizes	38,000
Investment interest	1,800	Bar purchases	26,900
Bar sales	42,100	General expenses	23,800
Club lotto receipts	63,000	Insurance	5,200
Subscriptions	72,700	Purchase of equipment	3,400
Annual sponsorship	14,000	Cash balance 31/12/2018	99,500
	196,800		196,800

The treasurer also supplied the following information as at **31/12/2018**:

(i) Bar stock was €7,200.

(ii) Bar creditors were €2,300.

(iii) General expenses due were €3,100.

(iv) Subscriptions due were €2,100.

(v) Depreciate the clubhouse by 3% of cost.

(vi) Equipment held on 31/12/2018 is to be depreciated by 25%.

Required:

(b) Prepare a **bar trading account** for the year ended 31/12/2018. (8)

(c) Prepare the club's **income and expenditure account** for the year ended 31/12/2018. (34)

(d) Prepare the club's **balance sheet** as at 31/12/2018. (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)

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

8. Absorption Costing

Flint Ltd, a manufacturing company has two departments, production and servicing. The budgeted overheads for the two departments for the coming year are as follows:

	€	€
Department	**Fixed**	**Variable**
Production	40,000	16,000
Servicing	6,000	10,000

Flint Ltd estimates (budgets) direct labour hours for each department for the coming year as follows:

	Direct Labour Hours
Production	8,000 hours
Servicing	4,000 hours

(a) Calculate **the overhead absorption rate** (both **fixed and variable**) for each **department** based on **direct labour hours**.

(b) The details of customer's **job no**. **572** are as follows:

Direct materials	€1,350
Direct labour	€520
Hours in production	4
Hours in servicing	3

Calculate the **total cost** of **job no**. **572**.

(c) Calculate the **selling price** of **job no**. **572** if the mark up on cost is 15%.

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

(80 marks)

9. Product Budgeting

Doherty Ltd manufactures two types of chargers called '**Superior Charger**' and '**Standard Charger**'. The sales of each type of charger and other relevant information for the coming year are budgeted below:

	Superior Charger	**Standard Charger**
Budgeted sales	5,400 units	2,800 units
Expected selling price	€30	€20

Expected Stock – Finished Goods	**Superior Charger**	**Standard Charger**
Opening stock	610	530
Closing stock	570	420

Material Content and Costs	**Material A**	**Material B**
Superior charger	5 grams	4 grams
Standard charger	3 grams	2 grams
Expected purchase price per gram	€6	€4

Expected Stock - Raw Materials	**Material A**	**Material B**
Opening stock	260 grams	370 grams
Closing stock	280 grams	320 grams

Direct Labour time in hours	
Superior charger	4 hours
Standard charger	3 hours

Direct Labour Rate per hour	€12

Required:

(a) Prepare a sales budget in **unit**s and in **€**.

(b) Prepare a **production** budget in **units**.

(c) Prepare a **material usage** budget in **units**.

(d) Prepare a **material purchases budget** in **units** and **€**.

(e) Prepare a **labour** (wages) budget.

(f) **Why** would Doherty Ltd prepare a labour budget? **(80 marks)**

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