Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2022

Marking Scheme

Accounting

Ordinary Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.

Question 1(A) **[80]**

Trading, Profit and Loss Account of Dawn Ltd for year ended 31/12/2021				1
Sales			654,000	4
Less Cost of Sales				
Opening Stock		80,500		4
Purchases	262,800			4
Less Purchases Returns	(7,200)	255,600		4
Cost of goods available for sale		336,100		
Closing Stock		(50,000)		4
Cost of Sales			286,100	
Gross Profit			367,900	1
Expenses				
Administration				1
Stationery	7,100			6
Wages & General Expenses	132,200			5
Directors Fees	32,000			3
Light and heat	22,000			3
Depreciation: Buildings 2% cost	12,400			4
Depreciation: Office Equipment 10% book value	3,800	209,500		4
Selling & Distribution				1
Depreciation on Delivery Van 10% cost	12,000			4
Advertising	15,450			5
Increase in provision for bad debts	1,600	29,050	238,550	6
			129,350	
Add operating Income				
Discount Received			4,000	3
Operating profit			133,350	
Debenture Interest (200,000 x 10% x 9/12)			15,000	6
Net profit before tax			118,350	
less Corporation Tax			18,000	3
Net profit after tax			**100.350**	
Add profit and loss balances 01/01/2021			80,000	3
Profit and Loss Balances 31/12/2021			**180,350**	1

Balance Sheet of Dawn Ltd as at 31/12/2021 [40]				1
Intangible Assets				
Patents			120,000	2
Fixed Assests	**Cost**	**Depreciation**	**N. B.V.**	
Buildings	620,000	37,200	582,800	4
Office Equipment	50,000	15,800	34,200	4
Delivery Vans	60,000	12,000	48,000	3
	730,000	65,000	665,000	
			785,000	
Current Assets				
Closing stock		50,000		2
Stock of stationery		600		2
Advertising prepaid		5,150		2
Debtors	145,000			2
Less 2% provision for bad debts	2,900	142,100		2
		197,850		
Creditors: amounts falling due within 1 year.				
Creditors	65,000			2
Corporation tax	18,000			2
VAT	4,000			2
Wages & general expenses due	5,800			2
Bank	4,900			2
Debenture Interest (15,000-10,200)	4,800	102,500		2
Working Capital			95,350	
Total Net Assets			880,350	
Financed By				
Creditors: amounts falling due after 1 year				
10% Debentures			200,000	2
Capital and Reserves	**Authorised**	**Issued**		
Ordinary share capital	950,000	500,000		2
Profit and Loss Balance 31/12/2021		180,350	680,350	
			880,350	

1.(B) Final Accounts of a Company **40**

Manufacturing Account of Mullins Ltd for year ended 31/12/2021.

Stock Raw Materials 01/01/2021			52,000	[3]
Purchase of Raw Materials			367,000	[2]
			419,000	
Less Stock of Raw Materials 31/12/2021			40,000	[3]
Cost of Raw Materials consumed			379,000	
Add Factory Wages			85,500	[4]
Add Direct Expenses			17,500	[2]
PRIME COST [1]			482,000	
Add Factory Overhead Expenses				
Factory Supervisors Wages	28,500	[2]		
Factory Insurance	21,000	[3]		
Factory Light and Heat	14,400	[3]		
Depreciation Factory Equipment	70,500	[3]		
Depreciation Factory Building	35,900	[3]		
Total Expenses			170,300	
Factory Cost			652,300	
Add work-in-progress 01/01/2021			16,900	[3]
			669,200	
Less work-in-progress 31/12/2021			18,800	[3]
			650,400	
Less Sale of Scrap			5,900	[3]
COST OF MANUFACTURE			644,500	[2]

Trading Profit and Loss Account of Mullins Ltd for the year ended 31/12/2021 **[1]** **40**

Sales					877,500	**[3]**
Less Sales Returns					18,000	**[3]**
					859,500	
Less Cost of Sales						
Opening Stock			58,000	[3]		
Cost of Manufacture			644,500	[3]		
			702,500			
Closing Stock			47,000	[3]		
Cost of Sales					655,500	
Gross Profit					**204,000**	**[1]**
Less Expenses						
Administration **[1]**						
Stationery	5,880	[4]	5,880			
Selling and Distribution **[1]**						
Advertising	6,000	[3]				
Depreciation Delivery van	3,500	[3]	9,500		15,380	
Operating Profit					188,620	
Less Debenture Interest					12,000	[3]
Net Profit for the year					176,620	
Less Taxation					21,000	[3]
					155,620	
Add Profit and Loss Balance 01/01/2021					63,800	[2]
Profit and Loss Balance at 31/12/2021					219,420	[3]

Balance Sheet of Mullins Ltd as at 31/12/2021 **[1]** **40**

Intangible Assets						
Patents					85,000	[2]
Fixed Assets	**Cost**		**Depreciation**		**N.B.V.**	
Factory Buildings	718,000	[1]	35,900	[1]	682,100	[1]
Factory Equipment	470,000	[1]	270,500	[2]	199,500	[1]
Delivery Vans	78,000	[1]	46,500	[2]	31,500	[1]
	1,266,000		352,900		913,100	
					998,100	
Current Assets						
Closing Stocks: Raw Materials	40,000	[2]				
Work-in-Progress	18,800	[2]				
Finished Goods	47,000	[2]	105,800			
Stock of Stationery			720	[2]		
Debtors	77,550	[1]				
Less Bad Debt Provision	2,450	[1]	75,100			
Advertising Prepaid			2,000	[2]		
			183,620			
Creditors: amounts falling due within 1 year						
Creditors	84,300	[2]				
Corporation Taxation	21,000	[2]				
VAT	13,700	[2]				
Bank	41,300	[2]				
Debenture Interest due	12,000	[2]	172,300			
					11,320	
					1009,420	
Financed By						
Creditors: amounts falling due after 1 year						
10% Debentures					160,000	[2]
Capital and Reserves	**Authorised**		**Issued**			
Ordinary Share Capital	850,000	[1]	630,000	[1]		
Profit and Loss 31/12/21			219,420		849,420	
Capital Employed					**1,009,420**	

Question 2 – Incomplete Records

(A) Statement of Net Worth/Capital 01/01/2021 (30 marks)

Assets	€	€	
Premises	580,000		**4**
Motor Vehicles	48,000		**3**
Furniture and equipment (68,000 – 6,200)	61,800		**6**
Debtors	20,800		**3**
Stock	55,000		**3**
Insurance prepaid	1,600		**3**
Bank	6,400		**3**
		773,600	
Liabilities			
Creditors	20,000		**2**
Expenses due	3,200	23,200	**2**
Capital/Net Worth 01/01/2021		750,400	**1**

(B) Statement of Profit/Loss for the year ended 31/12/2021 (30 marks)

	€	€	
Assets		920,000	**3**
Less Depreciation motor vehicles	9,600		**3**
Depreciation furniture and equipment	6,800	(16,400)	**3**
		903,600	
Less Liabilities			
Liabilities	86,000		**3**
Expenses due	640	86,640	**3**
Net worth on 31/12/2021		816,960	
Less Net Worth 01/01/2021		(750,400)	**1**
Apparent profit for the year		66,560	
Less Capital introduced		(20,000)	**5**
		46,560	
Add Drawings			
Repairs	8,200		**3**
Stock	4,800	13,000	**3**
Net Profit for the year 2021		59,560	**3**

3. **Bank Reconciliation**

(a) **[35]**

Adjusted Bank Account								
		€					**€**	
Mar	Balance b/d	6,450	[6]		Mar	Standing Order	80	[6]
	Interest Received	110	[6]			Cheque dishonoured	670	[6]
						Bank charges	115	[6]
						Balance c/d	5,695	[4]
		6,560					6,560	
	Balance b/d [**1**]	5,695						

[25]

(b) **Bank Reconciliation Statement**				**€**	
Adjusted Bank Account Balance				5,695	[**3**]
Add: Cheques drawn not yet cashed					
	300104 A. Fahey	1,745	[4]		
	300107 L. Foley	540	[4]	2,285	
				7,980	
Less: Lodgement not yet credited					
	Sales			5,480	[4]
				2,500	
Less: Bank Error				320	[8]
	Balance as per Bank Statement			2,180	[2]

Alternative

				€	
Balance as per Bank Statement				2,180	[3]
Add: Lodgement not yet credited					
	Sales			5,480	[4]
				7,660	
Less: Cheques drawn not yet cashed					
	300104 A. Fahey	1,745	[4]		
	300107 L. Foley	540	[4]	2,285	
				5,375	
Add: Bank Error				320	[8]
	Balance as per Adjusted Bank Account			5,695	[2]

4. **Tabular Statement** **[60]**

Assets		**Mar 4**	**Mar 6**	**Mar 7**	**Mar 16**	**Mar 21**	**Mar 24**	**Mar 25**	**Mar 27**	**Totals**
Buildings	650,000[1]									650,000
Equipment	78,000[1]					+64,000[2]				142,000
Stock	52,000[1]		16,200[2]						-8,000[2]	60,200
Debtors	31,400[1]				-3,900[2]			-4,000[2]	+8,300[2]	31,800
Bank	44,500[1]	-2,400[2]		-1,400[2]	+3,400[2]	-8,000[2]	-460[2]	+800[2]		36,440[1]
Total	**855,900**	**-2,400**	**+16,200**	**-1,400**	**-500**	**+56,000**	**-460**	**-3,200**	**+300**	**920,440**
Liabilities										
Capital	750,000[2]									750,000
Profit/Loss	72,500[2]				-500[3]		+140[2]	-3,200[3]	+300[3]	69,240[1]
Drawings				-1,400[2]						(1,400)
Creditors	31,000[2]		+16,200[2]				-600[2]			46,600
Expenses	2,400[2]	-2,400[2]								
Low Cost Loans Ltd						+56,000[2]				56,000
Total	**855,900**	**-2,400**	**16,200**	**-1,400**	**-500**	**56,000**	**-460**	**-3,200**	**300**	**920,440**

Question 5

(A) (i) Opening Stock

800,000 – 410,000 = 390,000

390,000 + 40,000 -386,000 = €44,000 (12)

(ii) Acid Test Ratio

Current Assets – Closing Stock : Current Liabilities
94,000 – 40,000 : 44,000
54,000 : 44,000
1.23: 1 (12)

(iii) Period of credit received from Trade Creditors

$\frac{\text{Creditors}}{\text{Credit Purchases}} \times \frac{365}{1}$

$\frac{44,000}{381,000} \times \frac{365}{1}$

1.39months 42.15 days

[8]

(iv) Rate of Stock Turnover

$\frac{\text{Opening Stock + Closing Stock}}{2}$

$\frac{44,000 + 40,000}{2} = €42,000$

$\frac{\text{Cost of Sales}}{\text{Average Stock}}$

$\frac{390,000}{42,000} = 9.29 \text{ times}$ (8)

(b)

(i) Depreciation

This is the loss in value of a Fixed Asset during the year due to wear and tear or of the passage of time. A business must decide a suitable percentage for the yearly charge. The depreciation in the above Balance Sheet is €40,000 (10)

(ii) Authorised Share Capital

This the maximum amount of shares a company can issue. In this case Summer Ltd. has an Authorised Share Capital of 800,000 €1 ordinary shares. (10)

(iii) Carriage Inwards

This is the delivery charge that is added to the cost of purchases in the Trading account. There is a carriage in of €5000 in this question. (10)

(iv) 8% Debentures (2026/2027)

Debentures are long term loans. They will be repaid in full during the years 2026/2027. They carry a fixed annual rate of interest of 8%. Summer Ltd has a Debenture loan of €200,000. (10)

(c) No, Summer Ltd will not have difficulty paying its bills as they fall due.

The Acid test ratio is 1.23:1 which is above the ideal of 1:1

Summer Ltd has liquid assets of €1.23 for every €1 that it owes in the short term. This is better than the accepted norm of 1:1 and maybe summer Ltd should look at investing some of the idle cash. (10)

(d)

(i) Return on Capital Employed

$$\frac{\text{Operating Profit}}{\text{Capital Employed}} \times \frac{100}{1}$$

$$\frac{160{,}000 + 16{,}000}{900{,}000} \times \frac{100}{1}$$

19.56%

Comment

The ROCE has increased by 5.56% from 14% to 19.56%

This is a good return, the business is profitable. The trend is encouraging and it is much greater than the return of approximately 1% from a bank or risk free investments. 11.56% higher than cost of borrowing for summer ltd indicates an efficient use of resources. (10)

Question 6 Cash Flow Statement

(a) Reconciliation of Operating profit to Net Cash inflow from Operating Activities (30)

	€	
Operating profit	156,000	**3**
Add depreciation	30,000	**6**
Increase in stock	(10,000)	**6**
Decrease in debtors	20,000	**6**
Increase in creditors	10,000	**6**
Net cash inflow from operating activities	206,000	**3**

(b) Cash Flow Statement of Rush Ltd for the year ended 31/12/2021 (65)

		€	
Operating Activities [3]			
Net cash inflow from operating activities		206,000	**[6]**
Return on Investment and Servicing of Finance [3]			
Interest paid		(20,000)	**[6]**
Taxation [3]			
Tax paid		(28,000)	**[6]**
Capital Expenditure and Financial Investment [3]			
Purchase of land/buildings		(220,000)	**[6]**
Equity Dividends Paid [3]			
Dividends paid		(27,000)	**[6]**
Net cash outflow before liquid resources and financing		(89,000)	
Financing			
Issue of ordinary share capital	40,000		**[6]**
Share premium	24,000		**[6]**
Debentures	30,000	94,000	**[6]**
Increase in cash		**5,000**	**[2]**

(c) Reconciliation of Net Cash Flow to movement in Net Debt (5)

Increase in cash in the period	5,000	**[1]**
Debentures	(30,000)	**[1]**
Change in net debt	(25,000)	**[1]**
Net debt 01/01/2021	(205,000)	**[1]**
Net debt 31/12/2021	(230,000)	**[1]**

Question 7 – Club Accounts

(A) Accumulated Fund as on 01/01/2021 **[20]**

Assets		**€**		**€**
	Boathouse	680,000	**3**	
	Land	200,000	**3**	
	Investments	60,000	**2**	
	Equipment	36,000	**2**	
	Bar stock	10,100	**2**	
	Cash in hand	3,200	**2**	989,300
Less Liabilities				
	Bar creditors	4,200	**2**	
	Subscriptions prepaid	2,100	**2**	6,300
Capital/Accumulated Fund 01/01/2021				983,000 (**2**)

(B) Bar Trading Account for the year ended 31/12/2021 **[8]**

Bar sales			46,000 (1)
Less cost of sales			
Opening stock		10,100 (1)	
Purchases	24,000(1)		
Add creditors 31/12/2021	3,100 (1)		
	27,100		
Less creditors 01/01/2021	(4,200) (1)	22,900	
		33,000	
Closing stock		(6,400)(1)	
Cost of sales			(26,600)
Bar profit			19,400(2)

(c) **Income and Expenditure Account for the year ended 31/12/2021** **[34]**

Income		**€**		**€**
	Bar profit	19,400	**2**	
	Subscriptions (64,200+2,100-3,600)	62,700	**7**	
	Investment interest	1,200	**3**	
	Annual sponsorship	18,000	**3**	
	Lotto (42,000 – 25,000)	17,000	**4**	118,300
Less Expenses				
	General expense	26,200	**2**	
	Insurance (4,800 - 1,200)	3,600	**4**	
	Depreciation of boathouse	13,600	**4**	
	Depreciation of equipment	8,000	**4**	(51,400)
Excess Income over Expenditure				66,900 [**1**]

(D) Balance Sheet of Sea View Boat Club as on 31/12/2021 **[30]**

Fixed Assets	Cost		Dep.		N.B.V	
Boathouse	680,000	(3)	13,600	(1)	666,400	(1)
Equipment	40,000	(3)	8,000	(1)	32,000	(1)
Land	200,000	(3)	--------		200,000	(1)
	920,000		21,600		898,400	
Investments					60,000	(2)
					958,400	
Current Assets						
Bank	90,600	(2)				
Bar stock	6,400	(2)				
Insurance prepaid	1,200	(2)	98,200			
Current Liabilities						
Bar creditors	3,100	(2)				
Subscriptions prepaid	3,600	(2)	(6,700)			
Working Capital					91,500	
Net Worth					1,049,900	
Financed By						
Accumulated fund					983,000	(2)
Excess income					66,900	(2)
					1,049,900	

(e) **[8]**

- The closing balance in the receipts and payments account is the amount of money the club has at the end of the year, while the balance in the income and expenditure account is the profit or loss for the year.

- The balance can be different because expenses due/prepaid are included in the income/expenditure account even though they are not yet paid and therefore not in the receipts and payments account.

- Purchase/sale of fixed assets are included in the receipts and payments account but are not entered in the income/expenditure account as they are not regular or day to day income/expenditure.

Question 8. Marginal Costing **[80]**

(a)

Selling price per unit = $\frac{800,000}{40,000 \text{ units}}$ = €20 per unit [15]

(b)

Variable cost per unit = $\frac{360,000}{40,000 \text{ units}}$ =€9.00 per unit [15]

(c)

Contribution per unit = SP – VC = C [10]

€20 - €9.00 = €11per unit

(d) [10]

Break-even point = $\frac{\text{Fixed Costs}}{\text{C.P.U}}$ $\frac{€209,000}{€11}$ = 19,000units

Sales Value 19,000 x €20 = €380,000

(e) [10]

Margin of Safety = Budgeted Sales - Break Even Sales

40,000 units - 19,000 units = 21,000 units

Sales Value = 21,000 x €20 = €420,000

(f)

Marginal Costing Statement [15]

	€
Sales (48,000 x €19)	912,000
Variable cost (48,000 x €9)	432,000
Contribution	480,000
Fixed Cost	(209,000)
Profit	271,000

(g) A variable cost is a cost that varies directly with the number of units produced, e.g. direct materials, direct wages, direct expenses. **[5]**

Question 9 – Cash Budgeting **(60)**

Receipts	**June**	**July**	**August**	**Sept**	**October**	**Total**
Debtors	92,800 **1**	68,000 **1**	65,000 **1**	88,000 **1**	85,000 **1**	398,800 **1**
Total receipts	92,800	68,000	65,000	88,000	85,000	398,800
Payments						
Purchases	70,800 **1**	34,000 **1**	76,000 **2**	22,000 **1**	44,000 **1**	246,800 **1**
Wages	18,000 **2**	18,000 **2**	18,000 **2**	18,000 **2**	18,000 **2**	90,000 **1**
Equipment		8,000 **2**				8,000 **2**
Rent	5,000 **2**	5,000 **2**	5,000 **2**	5,000 **2**	5,000 **2**	25,000 **1**
Total payments	93,800	65,000	99,000	45,000	67,000	369,800
Net cash	(1,000) **1**	3,000 **1**	(34,000)**1**	43,000 **1**	18,000 **1**	29,000 **2**
Opening cash	38,000 **1**	37,000 **1**	40,000 **1**	6,000 **1**	49,000 **1**	38,000 **2**
Closing cash	37,000 **1**	40,000 **1**	6,000 **1**	49,000 **1**	67,000 **1**	67000 **2**

(B) Balance Sheet of Joan Smith as at 31/10/2022 **(16)**

	€	€	€
Fixed Assets			NBV
Fixed assets			280,000 (4)
Equipment			8,000 (2)
			288,000
Current Assets			
Stock 31/10/2022	38,200 (2)		
Debtors	83,000 (1)		
Cash	67,000 (2)	188,200	
Current Liabilities			
Creditors		51,200 (1)	
Working Capital			137,000
Net Current Assets			425,000
Financed By			
Capital 1/6/2022		380,000 (2)	
Net profit		45,000 (2)	
Capital employed 31/10/2022			425,000

(C) Two benefits

- It shows the surplus/deficit at the end of each month
- It can help Joan to decide when a bank overdraft is needed
- It can help Joan to decide how to invest the surplus
- A cash budget can show the inflows and outflows for a period of time (4)

Annotation	Use
✓n	Correct element (n marks)
0	No marks awarded. Answer incorrect or insufficient
N	Refer to notes/workings
	Page seen by examiner / Information not valid
[	Surplus answer or part of answer. Marks awarded elsewhere.
P–	Minus one mark – Penalty, Incorrect Calculation, Misplaced Figure, Non Transfer.
✓$\frac{1}{2}$	Total transposition.
	Underline