Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2022

ACCOUNTING – ORDINARY LEVEL

(300 marks)

WEDNESDAY 22 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 (A or B) carries 120 marks and the remaining three questions carry 60 marks each. Candidates should answer either **QUESTION 1 (A or B) only** OR answer any **TWO** of the remaining three questions in this section.

Section 2: **Financial Accounting** (100 marks)
This section has three questions (numbers 5 – 7). Each question carries 100 marks. Candidates should answer **ONE** of these 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.

The 2022 examination papers were adjusted to compensate for disruptions to learning due to COVID-19. This examination paper does not necessarily reflect the same structure and format as the examination papers of past or subsequent years.

SECTION 1 (120 Marks)
Answer **Question 1 (A or B)** OR any **TWO** other questions

1. (A) Final Accounts of a Company

The following balances were extracted from the books of Dawn Ltd as at 31/12/2021:

	€	€
Share capital Authorised - 950,000 ordinary shares at €1 each Issued - 500,000 ordinary shares at €1 each		500,000
Delivery vans at cost	60,000	
Buildings (Cost €620,000)	595,200	
Office equipment	50,000	
Accumulated depreciation of office equipment		12,000
Patents	120,000	
Stock of goods for resale (01/01/2021)	80,500	
Stock of stationery (01/01/2021)	1,500	
Wages & general expenses	126,400	
Stationery	6,200	
Advertising	20,600	
Light & heat	22,000	
Purchases	262,800	
Sales		654,000
Returns outwards (purchases returns)		7,200
Creditors		65,000
Debtors	145,000	
VAT		4,000
Directors fees	32,000	
Provision for bad debts		1,300
10% Debentures (issued 01/04/2021)		200,000
Debenture interest	10,200	
Bank		4,900
Profit/loss balance 01/01/2021		80,000
Discount		4,000
	1,532,400	1,532,400

You are given the following additional information:

(i) Stock of goods for resale on 31/12/2021, €50,000.

(ii) Stock of stationery on 31/12/2021, €600.

(iii) Depreciation to be provided as follows:

Buildings	-	2% of cost
Office equipment	-	10% of book value
Delivery vans	-	20% of cost.

(iv) Advertising was for the year ended 31/03/2022.

(v) Provide for debenture interest due on 31/12/2021.

(vi) Wages & general expenses due on 31/12/2021 €5,800.

(vii) Provision for bad debts to be adjusted to 2% of debtors.

(viii) Provide for corporation tax €18,000.

Required:

(a) Prepare a **trading and profit and loss account** for the year ended 31/12/2021. (80)

(b) Prepare a **balance sheet** as at 31/12/2021. (40)

(120 marks)

1. (B) Final Accounts of a Manufacturing Company

The following balances were extracted from the books of Mullins Ltd as at 31/12/2021.

	€	€
Share capital Authorised - 850,000 ordinary shares at €1 each Issued - 630,000 ordinary shares at €1each		630,000
Delivery vans (cost €78,000)	35,000	
Factory equipment (cost €470,000)	270,000	
Factory buildings	718,000	
Patent	85,000	
Stock 01/01/2021		
Raw materials	52,000	
Work in progress	16,900	
Finished goods	58,000	
Purchase of raw materials	367,000	
Returns inwards (sales returns)	18,000	
Factory light and heat	14,400	
Sale of scrap materials		5,900
Sales		877,500
Stationery	6,600	
Factory wages	114,000	
Direct expenses	17,500	
Advertising	8,000	
10% Debentures (issued 01/04/2021)		160,000
Creditors		84,300
Provision for bad debts		2,450
Debtors	77,550	
VAT		13,700
Factory insurance	21,000	
Bank		41,300
Profit and loss balance 01/01/2021		63,800
	1,878,950	1,878,950

You are given the following additional information:

(i) Stock at 31/12/2021:

Raw materials	€40,000
Work in progress	€18,800
Finished goods	€47,000

(ii) Stock of stationery at 31/12/2021 was €720.

(iii) Provision should be made for debenture interest due.

(iv) Depreciation is to be provided as follows:

Factory buildings	5% of cost
Delivery vans	10% of book value
Factory equipment	15% of cost.

(v) Advertising is for the year ended 31/03/2022.

(vi) Factory wages are to be divided 75% for direct wages and 25% for supervisor's wages.

(vii) Provide for corporation tax €21,000.

Required:

(a) Prepare a **manufacturing account** for the year ended 31/12/2021. (40)

(b) Prepare a **trading**, **profit and loss account** for the year ended 31/12/2021. (40)

(c) Prepare a **balance sheet** as at 31/12/2021. (40)

(120 marks)

2. Incomplete Records – Net Worth

D. Coleman, a sole trader, has not been keeping a full set of accounts. The following figures relating to the business were supplied on 01/01/2021:

	€
Premises	580,000
Furniture and equipment at cost	68,000
Motor vehicles at book value	48,000
Accumulated depreciation on furniture and equipment	6,200
Stock	55,000
Insurance prepaid	1,600
Creditors	20,000
Expenses due	3,200
Bank	6,400
Debtors	20,800

Required:

(a) Prepare a statement showing Coleman's **net worth/capital** on 01/01/2021. (30)

Coleman also supplied the following additional information on 31/12/2021:

(i) During the year €20,000 was transferred from a personal bank account to the business bank account.

(ii) During the year, Coleman had paid €8,200 out of business funds for private house repairs and had also taken goods to the value of €400 per month for private use.

Coleman estimated that on 31/12/2021 the business assets and liabilities were €920,000 and €86,000 respectively, before allowing for the following:

- Depreciation on furniture and equipment at the rate of 10% of **Cost.**
- Depreciation on motor vehicles at the rate of 20% of **Book Value.**
- Expenses due of €640.

(b) Prepare a **statement** showing Coleman's **profit or loss** for the year ended 31/12/2021. (30)

(60 marks)

3. Bank Reconciliation Statement

Set out below are the Bank Account and Bank Statement of Anne Madden for the month of March 2022.

Dr **Bank Account** Cr

		€				€
Mar. 1	Balance b/d	3,160	Mar. 5	K. Mullins	300101	1,280
Mar. 8	Sales lodged	9,250	Mar. 7	Insurance	300102	3,600
Mar. 18	Lodgement	6,750	Mar. 11	S. Connolly	300103	825
Mar. 24	Sales lodged	5,480	Mar. 13	A. Fahey	300104	1,745
			Mar. 19	L. Brennan	300105	3,700
			Mar. 22	Rent	300106	6,500
			Mar. 27	S. O'Meara	300107	540
			Mar. 31	Balance c/d		6,450
		24,640				**24,640**
Apr. 1	Balance b/d	6,450				

Bank Statement on 31/03/2022				
		Debit	**Credit**	**Balance**
		€	**€**	**€**
Mar. 1	Balance b/d			3,160
Mar. 4	Interest Received		110	3,270
Mar. 8	K. Mulllins 300101	1,280		1,990
Mar. 8	Lodgement		9,250	11,240
Mar. 10	Insurance 300102	3,600		7,640
Mar. 13	S. Connolly 300103	825		6,815
Mar. 17	A.Harding (cheque dishonoured)	670		6,145
Mar. 18	Lodgement		6,750	12,895
Mar. 22	L. Brennan 300105	3,700		9,195
Mar. 25	Rent 300106	6,500		2,695
Mar. 26	Bank Charges	115		2,580
Mar. 28	Standing Order	80		2,500
Mar. 29	A. Madden	320		2,180

Note: The €320 entered in the Bank Statement on March 29 was entered in error to Anne Madden's account instead of Alan Madden's Account.

Required:

(a) Show Anne Madden's **Adjusted Bank Account** and bring down the adjusted balance. (35)

(b) Prepare a statement on 31/03/2022 **reconciling** the adjusted Bank Account balance with the Bank Statement balance. (25)

(60 marks)

4. Tabular Statement

The following balance sheet shows the financial position of a sole trader, Gerard Cunningham, as at 01/03/2022:

Balance Sheet as at 01/03/2022			
Fixed Assets	**€**	**€**	**€**
Buildings		650,000	
Equipment		78,000	
			728,000
Current Assets			
Stock	52,000		
Debtors	31,400		
Bank	44,500	127,900	
Less Creditors: amounts falling due within 1 year			
Trade Creditors	31,000		
Expenses due	2,400	33,400	94,500
Total Net Assets			822,500
Financed by:			
Capital		750,000	
Profit and loss		72,500	
Capital Employed			822,500

The following transactions took place during March 2022:

Mar 4 Paid by cheque expenses that were due at the beginning of the month.

Mar 6 Purchased goods on credit for €16,200.

Mar 7 Paid by cheque from business bank account €1,400 for house repairs to family member.

Mar 16 Received from a debtor a cheque for €3,400 in full settlement of a debt of €3,900.

Mar 21 Purchased new equipment for €64,000. A deposit of €8,000 was paid by cheque and the remainder borrowed from Low Cost Loans Ltd.

Mar 24 Paid by cheque, a creditor's account balance of €600 and received a discount of €140.

Mar 25 A debtor who owed €4,000 was declared bankrupt and paid 20c in the €.

Mar 27 Sold goods on credit for €8,300, which originally cost €8,000.

Required:

Record on a **tabular statement** the effect each of the above transactions had on the relevant assets and liabilities.

Show the **total assets** and **liabilities** on 31/03/2022. **(60 marks)**

Section 2 begins on page 10

SECTION 2 (100 Marks)
Answer any **ONE** question

5. Interpretation of Accounts

The following information has been taken from the accounts of Summer Ltd for the year ended 31/12/2021:

Trading and Profit and Loss Account for the year ended 31/12/2021

	€	€	€
Credit sales			800,000
Less: Cost of sales			
Stock 01/01/2021		?????	
Add: credit purchases (including Carriage Inwards €5,000)		386,000	
		?????	
Less: stock 31/12/2021		40,000	
Cost of sales			???????
Gross profit			410,000
Less: Total expenses (including interest)			250,000
Net profit for year			160,000

Balance Sheet as at 31/12/2021

	€	€	€
	Cost	**Depreciation**	**NBV**
Fixed Assets	890,000	40,000	850,000
Current Assets (including trade debtors €38,000)		94,000	
Less Creditors: amounts falling due within 1 year			
Trade creditors		44,000	
			50,000
			900,000
Financed by:			
Creditors: amounts falling due after more than 1 year			
8% Debentures (2026/2027)			200,000
Capital and Reserves	**Authorised**	**Issued**	
Ordinary shares at €1 each	800,000	540,000	540,000
Profit and loss account			160,000
			900,000

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

(i) The opening stock.

(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) Authorised Share Capital.

(iii) Carriage Inwards.

(iv) 8% Debentures (2026/2027). (40)

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

Explain your answer. (10)

(d) The return on capital employed for Summer Ltd in **2020** was 14%.

(i) Calculate the return on capital employed for **2021**.

(ii) Comment on the profitability of Summer Ltd for **2021**. (10)

(100 marks)

6. Cash Flow Statement

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

Profit and loss (extract) for year ended 31/12/2021	**€**
Operating profit	156,000
Interest paid	(20,000)
	136,000
Taxation	(24,000)
	112,000
Dividends paid	(27,000)
Retained profit	85,000
Profit and loss balance 01/01/2021	120,000
Profit and loss balance 31/12/2021	205,000

Balance Sheets as at	**31/12/2021**		**31/12/2020**	
	€	**€**	**€**	**€**
Fixed Assets				
Land and buildings	840,000		620,000	
Less depreciation provision	(80,000)	760,000	(50,000)	570,000
Current Assets				
Stock	80,000		70,000	
Debtors	25,000		45,000	
Bank	20,000		15,000	
	125,000		130,000	
Less Creditors: amounts falling due within 1 year				
Creditors	42,000		32,000	
Taxation	24,000		28,000	
	(66,000)		(60,000)	
Net Current Assets		59,000		70,000
Total Net Assets		819,000		640,000
Financed by				
Creditors: amounts falling due after 1 year				
8% Debentures		250,000		220,000
Capital and Reserves				
Ordinary share capital issued		340,000		300,000
Share premium		24,000		----------
Profit and loss account		205,000		120,000
		819,000		640,000

Required:

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

(b) Prepare the **cash flow statement** of Rush Ltd. for the year ended 31/12/2021 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 Sea View Boat Club on 01/01/2021 were the following:

Boathouse €680,000; equipment €36,000; investments €60,000; land €200,000; bar stock €10,100; members' subscriptions prepaid €2,100; bar creditors €4,200; cash in hand €3,200.

Required

(a) Prepare a statement showing the club's accumulated fund 01/01/2021. (20)

The following is a summary of the club's receipts and payments for the year 2021:

Receipts and Payments Account for the year ended 31/12/2021

Receipts	**€**	**Payments**	**€**
Cash in hand 01/01/2021	3,200	Club lotto prizes	25,000
Investment interest	1,200	Bar purchases	24,000
Bar sales	46,000	General expenses	26,200
Club lotto receipts	42,000	Insurance	4,800
Subscriptions	64,200	Purchase of equipment	4,000
Annual sponsorship	18,000	Cash balance 31/12/2021	90,600
	174,600		174,600

The treasurer also supplied the following information as at **31/12/2021**:

(i) Bar stock was €6,400.

(ii) Bar creditors were €3,100.

(iii) Insurance prepaid was €1,200.

(iv) Subscriptions prepaid were €3,600.

(v) Depreciate the boathouse by 2% of cost.

(vi) Equipment held on 31/12/2021 is to be depreciated by 20%.

Required:

(b) Prepare a **bar trading account** for the year ended 31/12/2021. (8)

(c) Prepare the club's **income and expenditure account** for the year ended 31/12/2021. (34)

(d) Prepare the club's **balance sheet** as at 31/12/2021. (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. Marginal Costing

Plant Ltd, manufactures a single product. The following is the proposed annual budget for the coming year.

	€	€
Sales (40,000 units)		800,000
Variable Costs	360,000	
Fixed Cost	209,000	569,000
Net Profit		231,000

Required

(a) Calculate the selling price **per unit**.

(b) Calculate the variable cost **per unit**.

(c) Calculate the **contribution** per unit sold.

(d) Calculate the **break-even** point in volume (units) **and** sales value (€).

(e) Calculate the **Margin of Safety** in volume (units) **and** sales value (€), if the budgeted sales for the period are **40,000** units.

(f) Prepare a **Marginal Costing Statement** which includes the following:

- Increase sales volume by 20%
- Reduce the selling price by €1 per unit
- All other costs remain the same.

(g) Explain the term "Variable Cost" in relation to Plant Ltd.
Give **two** examples of a "variable cost" that Plant Ltd might incur.

(80 marks)

9. Cash Budgeting

Joan Smith had the following assets, liabilities and capital on the 01/06/2022:

Assets	€
Fixed Assets	280,000
Stock	40,000
Cash	38,000
Debtors	92,800
	450,800

Liabilities	€
Creditors	70,800
Capital	380,000
	450,800

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

	June	July	Aug	Sept	Oct	Total
Sales	€68,000	€65,000	€88,000	€85,000	€83,000	€389,000
Purchases	€34,000	€46,000	€52,000	€44,000	€51,200	€227,200

- All sales are on credit and are paid for one month after sale.
- All purchases are on credit and are paid for one month after the month of purchase, **except** €30,000 for cash in August.
- Joan rents the premises for €60,000 **per annum**, payable monthly**.**
- Equipment will be bought in July for €8,000 cash.
- Wages per month will be €18,000.
- Closing stock on 31/10/2022 is expected to be €38,200.
- Net profit for the five months is expected to be €45,000.

Required:

(a) Prepare a **cash budget** showing Joan Smith's expected monthly receipts and payments for the five months June to October 2022 and also the total column for the period.

(b) Prepare a **budgeted** balance sheet as at 31/10/2022.

(c) Outline **two** benefits for Smith in preparing a cash budget. **(80 marks)**