**Coimisiún na Scrúduithe Stáit**
State Examinations Commission

# Leaving Certificate 2023

# 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**

**120**

**1(A) Final Accounts of a Sole Trader** [80]

**(a) Trading, Profit and Loss Account of Emma Cronin for the year ended 31/12/2022** [1]

| | € | | € | | € | |
|---|---|---|---|---|---|---|
| Sales | | | | | 574,000 | [4] |
| Less sales returns | | | | | 19,500 | [4] |
| | | | | | 554,500 | |
| **Less cost of sales** | | | | | | |
| Opening stock | | | 31,700 | [4] | | |
| Purchases | 191,000 | [3] | | | | |
| Less purchases returns | 12,700 | [3] | 178,300 | | | |
| | | | 210,000 | | | |
| Less closing stock | | | 22,000 | [4] | | |
| Cost of sales | | | | | 188,000 | |
| ***Gross profit*** | | | | | 366,500 | |
| **Less Expenses** | | | | | | |
| **Administration** [1] | | | | | | |
| Wages and salaries | 122,000 | [4] | | | | |
| General expenses | 3,600 | [4] | | | | |
| Stationery | 3,100 | [6] | | | | |
| Insurance | 9,300 | [6] | | | | |
| Dep - Buildings | 11,000 | [4] | | | | |
| Dep - Office Equip | 5,250 | [4] | 154,250 | | | |
| **Selling and Distribution** [1] | | | | | | |
| Advertising | 11,300 | [6] | | | | |
| Dep - Delivery Vans | 4,600 | [4] | 15,900 | | 170,150 | |
| | - | | | | 196,350 | |
| **Other operating Inc** | | | | | | |
| Discount received | | | | | 3,900 | [3] |
| Decrease in BDP | | | | | 2,380 | [4] |
| Operating profit | | | | | 202,630 | |
| Interest payable | | | | | 7,200 | [6] |
| **Net profit** | | | | | 195,430 | |
| Add profit and loss balance 01/01/2022 | | | | | 76,300 | [2] |
| Profit and loss balance 31/12/2022 | | | | | 271,730 | [2] |

[40]

**(b) Balance Sheet of Emma Cronin as at 31st December 2022** [1]

| | Cost | | Dep | | NBV | |
|---|---|---|---|---|---|---|
| | € | | € | | € | |
| **Intangible Assets** | | | | | | |
| Patents | | | | | 32,600 | [2] |
| **Fixed Assets** | | | | | | |
| Buildings | 550,000 | [1] | 11,000 | [2] | 539,000 | |
| Equipment | 35,000 | [1] | 24,250 | [2] | 10,750 | |
| Delivery vans | 72,000 | [1] | 30,600 | [2] | 41,400 | |
| | 657,000 | | 65,850 | | 623,750 | |
| | | | | | | |
| **Current Assets** | | | | | | |
| Closing stock - goods | | | 22,000 | [2] | | |
| Closing stock - stationery | | | 1,200 | [2] | | |
| Debtors | 36,400 | [2] | | | | |
| Less bad Debt provision | 1,820 | [2] | 34,580 | | | |
| Bank | | | 44,700 | [2] | | |
| Insurance prepaid | | | 3,100 | [2] | | |
| | | | 105,580 | | | |
| **Creditors**: amounts falling due within 1 year | | | | | | |
| Creditors | 28,400 | [2] | | | | |
| VAT | 20,500 | [1] | | | | |
| Advertising due | 400 | [2] | | | | |
| Loan interest | 5,700 | [2] | | | | |
| PRSI/USC | 18,600 | [1] | 73,600 | | | |
| Working capital | | | | | 31,980 | |
| Net worth | | | | | 655,730 | |
| **Financed by:** | | | | | | |
| **Creditors**: amounts falling due after 1 year | | | | | | |
| Loan | | | | | 120,000 | [2] |
| Capital | | | 280,000 | [2] | | |
| Add profit and loss balance | | | 271,730 | [2] | | |
| | | | 551,730 | | | |
| Less drawings | | | 16,000 | [2] | 535,730 | |
| | | | | | 655,730 | |

Workings:

| | | | |
|---|---|---|---|
| 1. | Stationery | 4,300 – 1,200 | 3,100 |
| 2. | Drawings | 15,200 +800 | 16,000 |
| 3. | Advertising | 10,900 + 400 | 11,300 |
| 4. | Provision for bad debts | 36,400 x 5% | 1,820 |
| 5. | Decrease in bad debts provision | 4,200 - 1820 | 2,380 |
| 6. | Insurance | 13,200 – 800 – 3,100 | 9,300 |
| 7. | Dep - Buildings | 550,000 @2% | 11,000 |
| 8. | Dep – Office Equipment | 35,000 x 15% | 5,250 |
| 9. | Acc dep – office equipment | (35,000 – 16,000) + 5,250 | 24,250 |
| 12. | Dep – Delivery van | (72,000 – 26,000) @ 10% | 4,600 |
| 11. | Acc dep – delivery | 26,000 + 4,600 | 30,600 |
| 12. | Interest payable | 120,000 x 8% x 9/12 | 7,200 |
| 13. | Interest due | 7,200 – 1,500 | 5,700 |

**Question 1(B) Final Accounts a Company**

[80]

**(a)Trading, Profit and Loss Account of Wallace Ltd for the year ended 31/12/2022** [1]

| | € | | € | | € | |
|---|---|---|---|---|---|---|
| Sales | | | | | 765,000 | [4] |
| Less returns inwards | | | | | 22,700 | [4] |
| | | | | | 742,300 | |
| **Less cost of sales** | | | | | | |
| Opening stock | | | 73,500 | [4] | | |
| Purchases | | | 435,000 | [4] | | |
| | | | 508,500 | | | |
| Less closing stock | | | 55,800 | [4] | | |
| Cost of sales | | | | | 452,700 | |
| ***Gross profit*** | | | | | 289,600 | |
| **Less Expenses** | | | | | | |
| **Administration** [1] | | | | | | |
| Stationery | 4,600 | [6] | | | | |
| Light and heat | 10,600 | [3] | | | | |
| Directors fees | 27,200 | [4] | | | | |
| Rent and rates | 25,800 | [3] | | | | |
| Insurance | 13,125 | [4] | | | | |
| Dep - Buildings | 14,400 | [4] | | | | |
| Dep - Office equip | 8,550 | [4] | 104,275 | | | |
| | | | | | | |
| **Selling and Distribution** [1] | | | | | | |
| Advertising | 13,400 | [4] | | | | |
| Dep - Delivery vans | 9,500 | [4] | 22,900 | | 127,175 | |
| | - | | | | 162,425 | |
| **Other Operating Inc** | | | | | | |
| Commission | | | | | 20,200 | [3] |
| Reduction in BDP | | | | | 448 | [4] |
| Operating profit | | | | | 183,073 | |
| Less interest payable | | | | | 6,750 | [6] |
| **Net profit** | | | | | 176,323 | |
| Less taxation | | | | | 24,000 | [4] |
| | | | | | 152,323 | |
| Add profit and loss balance 01/01/2022 | | | | | 71,800 | [2] |
| Profit and loss balance 31/12/2022 | | | | | 224,123 | [2] |

[40]

**(b) Balance Sheet of Wallace Ltd as at 31st December 2022** [1]

| | Cost | | Dep | | NBV | |
|---|---|---|---|---|---|---|
| | € | | € | | € | |
| **Intangible Assets** | | | | | | |
| Patents | | | | | 76,400 | [2] |
| **Fixed Assets** | | | | | | |
| Buildings | 720,000 | [1] | 59,400 | [2] | 660,600 | |
| Equipment | 70,000 | [1] | 21,550 | [2] | 48,450 | |
| Delivery vans | 95,000 | [1] | 9,500 | [2] | 85,500 | |
| | 885,000 | | 90,450 | | 870,950 | |
| | | | | | | |
| **Current Assets** | | | | | | |
| Closing stock | | | 55,800 | [2] | | |
| Stock of stationery | | | 1,400 | [2] | | |
| Debtors | 96,300 | [2] | | | | |
| Less bad debt provision | 3,852 | [2] | 92,448 | | | |
| Insurance prepaid | | | 4,375 | [2] | | |
| Commission due | | | 1,500 | [2] | | |
| | | | 155,523 | | | |
| **Creditors**: amounts falling due within 1 year | | | | | | |
| Creditors | 81,100 | [2] | | | | |
| VAT | 18,900 | [1 | | | | |
| Bank | 15,700 | [2] | | | | |
| Debenture interest due | 2,650 | [2] | | | | |
| Corporation tax | 24,000 | [1] | 142,350 | | | |
| Working capital | | | | | 13,173 | |
| Net worth | | | | | 884,123 | |
| | | | | | | |
| **Financed by** | | | | | | |
| **Creditors**: amounts falling due after 1 year | | | | | | |
| Loan | | | | | 90,000 | [2] |
| **Capital and Reserves** | **Authorised** | [1] | **Issued** | [1] | | |
| Capital | 975,000 | [1] | 570,000 | [1] | | |
| Add profit and loss balance | | | 224,123 | [2] | 794,123 | |
| | | | | | 884,123 | |

| | | | |
|---|---|---|---|
| 1. | Stationary | 4,200 + 1,800 – 1,400 | 4,600 |
| 2. | Dep - buildings | 720,000 @ 2% | 14,400 |
| 3. | Acc dep - buildings | 45,000 + 14,400 | 59,400 |
| 4. | Dep – office equip | (70,000 – 13,000) @ 15% | 8,550 |
| 5. | Acc dep – office equip | 13,000 + 8,550 | 21,550 |
| 6. | Dep – delivery vans | 95,000 @ 10% | 9,500 |
| 7. | Interest payable | 90,000 @10% x9/12 | 6,750 |
| 8. | Interest payable due | 6,750 – 4,100 | 2,650 |
| 9. | Insurance | 17,500 – 4,375 | 13,125 |
| 10. | Provision for bad debts | 96,300 @ 4% | 3,852 |
| 11. | Reduction in BDP | 4,300 – 3,852 | 448 |
| 12. | Commission | 18,700 + 1,500 | 20,200 |

**Question 2 – Accounts of a Service Firm**

**Statement of Capital 01/01/22** [20] **60**

| **Assets** | € | | € | |
|---|---|---|---|---|
| Premises | 450,000 | [2] | | |
| Furniture | 30,500 | [1] | | |
| Motor vehicles | 48,400 | (2) | | |
| Medical equipment | 36,000 | [2] | | |
| Cash | 32,000 | [2] | | |
| Private patients | 2,600 | [2] | | |
| Insurance prepaid | 300 | [2] | | |
| Medical card scheme | 8,300 | [2] | 608,100 | |
| **Liabilities** | | | | |
| Light and heat due | 750 | [2] | | |
| Depreciation of medical equipment | 3,600 | [2] | 4,350 | |
| Capital 01/01/22 | | | 603,750 | [1] |
| | | | | |

**(a) Income and expenditure account year ended 31/12/2022** [40]

| **Income and Expenditure Account 31/12/2022** | | | | |
|---|---|---|---|---|
| | | | | |
| **Income** | € | | € | |
| Private patients fees | 141,800 | [4] | | |
| Medical card scheme | 187,600 | [6] | 329,400 | |
| | | | | |
| **Expenditure** | | | | |
| Medical supplies | 14,200 | [2] | | |
| Light and heat | 2,630 | [6] | | |
| Telephone and broadband | 2,200 | [2] | | |
| Wages of office staff | 26,900 | [3] | | |
| Magazines | 350 | [1] | | |
| Insurance | 4,000 | [3] | | |
| Repairs and maintenance | 5,400 | [1] | | |
| Motor expenses | 1,800 | [2] | | |
| Substitute doctor's fees | 20,100 | [2] | | |
| Depreciation | | | | |
| - Medical equipment | 3,600 | [3] | | |
| - Motor vehicles | 7260 | [3] | 88,440 | |
| **Excess income over expenditure 31/12/2022** | | | 240,960 | [2] |

| | | | |
|---|---|---|---|
| 1. | Private patients | 144,400 - 2,600 | 141,800 |
| 2. | Medical card scheme | 193,500 – 8,,300 + 2,400 | 187,600 |
| 3. | Light and heat | 3,100 – 750 + 280 | 2,630 |
| 4. | Wages of office staff | 26,400 + 500 | 26,900 |
| 5. | Insurance | 3,700 + 300 | 4,000 |
| 6. | Dep medical equipment | 36,000 @ 10% | 3,600 |
| 7. | Dep motor vehicles | 48,400 @ 15% | 7,260 |

**Question 3 - Depreciation and Revaluation of Fixed Assets:**

60

a)

**Buildings Account** [15]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | € | | | | € | |
| 01/01/21[1] | Balance b/d | 750,000 | [2] | 01/07/21 | Disposal | 175,000 | [2] |
| 01/06/21 | Bank | 335,000 | [4] | 31/12/21 | Balance c/d | 910,000 | |
| | | 1,085,000 | | | | 1,085,000 | |
| 01/01/22 | Balance b/d | 910,000 | | | | | |
| 01/01/22 | Revaluation | 290,000 | [4] | 31/12/22 | Balance c/d | 1,200,000 | [1] |
| | | 1,200,000 | | | | 1,200,000 | |
| 01/01/23 | Balance b/d | 1,200,000 | [1] | | | | |

**b)**

**Provision for Depreciation on Buildings Account** [20]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | € | | | | € | |
| 01/07/21 | Disposal | 78,000 | [3] | 01/01/21 | Balance b/d | 149,000 | [4] |
| 31/12/21 | Balance c/d | 129,000 | [1] | 31/12/21 | Dep P&L | 58,000 | [4] |
| | | 207,000 | | | | 207,000 | |
| 01/01/22 | Revaluation Reserve | 129,000 | [3] | 01/01/22 | Balance b/d | 129,000 | |
| 31/12/22 | Balance c/d | 72,000 | [1] | 31/12/22 | Dep P&L | 72,000 | [3] |
| | | 201,000 | | | | 201,000 | |
| | | | | 01/01/23 | Balance b/d | 72,000 | [1] |

**c)** **Disposal of Buildings Account** [15]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | € | | | | € | |
| 01/07/21 | Buildings | 175,000 | [4] | 01/07/21 | Depreciation | 78,000 | [4] |
| 01/07/21 | Profit on disposal | 7,000 | [3] | 01/07/21 | Bank | 104,000 | [4] |
| | | 182,000 | | | | 182,000 | |

**d)** **Revaluation Reserve Account** [10]

| | | | | | | |
|---|---|---|---|---|---|---|
| | | € | | | € | |
| | | | 01/01/22 | Buildings | 290,000 | [5] |
| 31/12/22 | Balance c/d | 419,000 | 01/01/22 | Provision for dep | 129,000 | [5] |
| | | 419,000 | | | 419,000 | |
| | | | 01/01/23 | Balance b/d | 419,000 | |

**Question 4 - Debtors and Creditors Control Account** **60**

**(a) Debtors Ledger Control Account:** [30]

| | | € | | | | € | |
|---|---|---|---|---|---|---|---|
| 01/01/23 | Balance b/d | 92,700 | [3] | 01/01/23 | Balance b/d | 2,100 | [3] |
| | Sales | 150,000 | [5] | | Discount allowed | 1,750 | [2] |
| | Dishonoured cheques | 3,300 | [2] | | Cheques received | 110,500 | [2] |
| | Interest charged | 1,400 | [2] | | Bad debts w/o | 1,800 | [2] |
| 31/01/23 | Balance c/d | 1,850 | [2] | | Contra | 2,700 | [2] |
| | | | | | Sales returns | 4,300 | [2] |
| | | | | | Bills receivable | 19,500 | [2] |
| | | | | 31/01/23 | Balance c/d | 106,600 | [1] |
| | | 249,250 | | | | 249,250 | |
| 01/02/23 | Balance b/d | 106,600 | | 01/02/23 | Balance b/d | 1,850 | |

**(b) Creditors Ledger Control Account:** [30]

| | | **€** | | | | **€** | |
|---|---|---|---|---|---|---|---|
| 01/01/23 | Balance b/d | 680 | [3] | 01/01/23 | Balance b/d | 51,100 | [3] |
| | Purchase returns | 2,400 | [3] | | Purchases | 160,000 | [5] |
| | Discount received | 2,200 | [2] | | Dis. disallowed | 900 | [2] |
| | Cheque paid to suppliers | 65,900 | [2] | 31//01/23 | Balance c/d | 760 | [2] |
| | Contra | 2,700 | [3] | | | | |
| | Bills payable | 8,800 | [2] | | | | |
| 31/01/23 | Balance c/d | 130,080 | [1] | | | | |
| | | 212760 | | | | 212760 | |
| 01/02/23 | Balance b/d | 760 | [1] | 01/02/23 | Balance b/d | 130,080 | [1] |

**Question 5 -Interpretation of Accounts** **100**

**(a)** [40]

(i) **Percentage mark up on cost** [10]

$$\frac{\text{Gross profit}}{\text{Cost of sales}} \times \frac{100}{1} \qquad \frac{225{,}000}{450{,}000} \times \frac{100}{1} = 50\%$$

(ii) **Return on capital employed** 10]

$$\frac{\text{Net profit + interest}}{\text{Capital employed}} = \frac{95{,}000 + 15{,}000}{665{,}000} \text{ X } \frac{100}{1} = 16.54\%$$

(iii) **Period of credit given to debtors** [10]

$$\frac{\text{Debtors}}{\text{Credit sales}} \times \frac{365}{1} = \frac{55{,}000}{675{,}000} \times \frac{365}{1} = 29.74 \text{ days}$$

**(iv) Net profit margin (percentage) [10]**

$$\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1} = \frac{95{,}000}{675{,}000} \times 100 = 14.07\%$$

**(b)** [40]

(i) **Trade debtors**

Goods are sold on credit to debtors and payment is received for these goods at a later date. Debtors are people who owe a business money. They appear as a current asset in the balance sheet. Ryan Ltd has trade debtors of €55,000. [10]

**(ii) Debentures**

Debentures are a long term loan. They carry a fixed annual rate of interest, in this instance 6%. They will be repaid in full in the years 2028.The loan is secured on fixed assets. The 6% Debentures repayable in 2028 of €250,000. [10]

**(iii) Intangible Fixed Assets**

These are assets that cannot be seen or touched but they carry a value in the business. Examples include patents and goodwill. [10

(iv) **Shareholders' funds**

This is the amount of money that belongs to the shareholders in the business. It is made up of issued ordinary share capital and retained profit. Ryan Ltd has shareholders' funds of €415,000 (€320,000 + €95,000). [10]

**(c) Acid test ratio** [10]

**(i)** Current assets – closing stock: current liabilities

175,000 – 85,000 : 95,000

90,000 : 95,000

.95 : 1

**(ii)** Ryan Ltd has an acid test ratio of .95:1 which is slightly less than the ideal ratio of 1:1 but is still good. This means the Ryan Ltd is liquid, for every €1 owed in the short term they have €.95 available in liquid assets. Ryan Ltd will have no problem paying his short term debts as they fall due.

**(d)** [10]

Return on capital employed for Ryan Ltd in 2022 is 16.54% which is an increase of 3.54% from 13% in 2021. This is a very good return and indicates a healthy trend. Ryan limited is making efficient use of his resources. The business is profitable. The current return available from the banks or risk free investments is less than 2%. Overall Ryan Ltd is performing well and is profitable.

**Question 6 - Cash flow Statement**

**100**

| **Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities** | € | [30] |
|---|---|---|
| Operating profit | 155,400 | [3] |
| Add depreciation | 22,000 | [6] |
| Increase in stock | (21,000) | [6] |
| Increase in debtors | (30,000) | [6] |
| Increase in creditors | 8,400 | [6] |
| Net cash inflow from operating activities | 134,800 | [3] |

| **Cash Flow Statement of W. Nally Ltd for the year ended 31/12/22** | | | € | [60] |
|---|---|---|---|---|
| **Operating Activities** [2] | | | | |
| Net cash inflow from operating activities | | | 134,800 | [4] |
| **Return on Investment and Servicing of Finance** [2] | | | | |
| Interest paid | | | (16,800) | [6] |
| **Taxation** [2] | | | | |
| Tax paid | | | (24,000) | [6] |
| | | | | |
| **Capital Expenditure and Financial Investment** [2] | | | | |
| Purchase of land/buildings | | | (140,000) | [6] |
| | | | | |
| **Equity Dividend Paid** [2] | | | | |
| Dividends paid | | | (55,000) | [6] |
| Net cash outflow before liquid resources and financing | | | (101,000) | |
| | | | | |
| **Financing** | | | | |
| Issue of ordinary share capital | 40,000 | [6] | | |
| Share premium | 35,000 | [6] | | |
| Issue of debentures | 60,000 | [6] | 135,000 | |
| **Increase in cash** | | | 34,000 | [4] |

| **Reconciliation of net cashflow to movement in net debt** | | 10] |
|---|---|---|
| Increase in cash in the period | 34,000 | [2] |
| Debentures | (60,000) | [2] |
| Change in net debt | (26,000) | [2] |
| Net debt 01/01/2022 | (108,000) | [2] |
| Net debt 31/12/2022 | (134,000) | [2] |

**Question 7 – Farm Accounts**

**100**

**(a) Enterprise Analysis Account "Cows/milk" for the year ended 31/12/2022** [20]

| **Income** | | **€** | | **€** | |
|---|---|---|---|---|---|
| | Sale of milk | 114,650 | [2] | | |
| | Sale of cattle | 26,800 | [2] | | |
| | Basic Payment | 21,100 | [2] | | |
| | Drawings | 1,950 | [2] | | |
| | Increase in stock | 7,000 | [1] | 171,500 | |
| | | | | | |
| **Expenditure** | | | | | |
| | Fertilizer | 23,220 | [2] | | |
| | Feedstuff | 32,900 | [2] | | |
| | Vet fees | 3,900 | [1] | | |
| | Cattle | 33,000 | [1] | | |
| | Repairs | 4,500 | [1] | | |
| | Wages | 28,920 | [2] | 126,440 | |
| | **Gross profit 'Cattle & Milk'** | | | 45,060 | [2] |

**(b)(ii)Enterprise Analysis Account "Grain" for the year ended 31/12/2022** [20]

| **Income** | | **€** | | **€** | |
|---|---|---|---|---|---|
| | Sale of grain | 34,800 | [3] | | |
| | Single farm payment | 21,100 | [3] | 55,900 | |
| | | | | | |
| **Expenditure** | | | | | |
| | Fertilizer | 15,480 | [3] | | |
| | Decrease in stock | 1,200 | [3] | | |
| | Seed | 12,100 | [2] | | |
| | Repairs | 3,000 | [2] | | |
| | Wages | 19,280 | [2] | 51,060 | |
| | **Gross profit Grain'** | | | 4,840 | [2] |

### (c) General Profit & Loss Account year ended 31/12/22 [25]

| Income | | € | | € | |
|---|---|---|---|---|---|
| | Gross profit 'Cattle & Milk' | 45,060 | [3] | | |
| | Gross profit 'Grain' | 4,840 | [3] | 49,900 | |
| | | | | | |
| **Expenditure** | | | | | |
| | Electricity | 11,400 | [5] | | |
| | Interest | 18,000 | [3] | | |
| | Depreciation - buildings | 5,800 | [4] | | |
| | Depreciation – machinery | 8,500 | [4] | 43,700 | |
| | **Net profit** | | | 6,200 | [3] |

**Workings**

| | | | |
|---|---|---|---|
| 1. | Fertiliser | 36,700 – 3,700 + 5,700 | 38,700 |
| | | 38,700 X 0.6<br>28,700 X 0.4 | 23,220<br>15,480 |
| 2. | Depreciation - buildings | 290,000 * 2% | 5,800 |
| 3. | Depreciation - machinery | 85,000 * 10% | 8,500 |
| 4. | Feedstuffs | 29,000 -8,900 +12,800 | 32,900 |

**(d) Balance Sheet as at 31/12/2020** [35]

| Fixed Assets | Cost | | Dep | | N.B.V | |
|---|---|---|---|---|---|---|
| Land | 850,000 | [2] | | | 850,000 | [2] |
| Farm buildings | 290,000 | [2] | 35,800 | [2] | 254,200 | [2] |
| Machinery | 85,000 | [2] | 27,500 | [2[ | 57,500 | [2] |
| | 1,225,000 | | 63,300 | | 1,161,700 | |
| **Current Assets** | | | | | | |
| Stock - cattle | 105,000 | [2] | | | | |
| Stock - fertiliser | 3,700 | [2] | | | | |
| Stock - Feedstuff | 8,900 | [2] | | | | |
| Bank | 10,950 | [2] | 128,550 | | | |
| | | | | | | |
| **Current Liabilities** | | | | | | |
| Interest due | 6,000 | [2] | 6,000 | | | |
| Working capital | | | | | 122,550 | |
| Total net assets | | | | | 1,284,250 | |
| | | | | | | |
| **Financed by** | | | | | | |
| **Loan** | | | | | 180,000 | [3] |
| Capital | | | 1,122,000 | [2] | | |
| Net profit | | | 6,200 | [2] | | |
| Less drawings | | | (23,950) | [2] | 1,104,250 | |
| | | | | | 1,284,250 | |

## 8. Absorption Costing

**80**

**(a) Overhead absorption rates per direct labour hour** [22]

**Production department**

| | Fixed | Variable |
|---|---|---|
| Budgeted Overheads | 45,000 | 18,000 |
| Budgeted labour hours | 9,000 | 9,000 |
| | = €5 per direct labour hour | = €2 per direct labour hour |

[22]

**Service department**

| | Fixed | Variable |
|---|---|---|
| Budgeted Overheads | 11,000 | 16,000 |
| Budgeted labour hours | 5,000 | 5,000 |
| | = €2.20 per direct labour hour | = €3.20 per direct labour hour |

**(b) Total cost of Job No 1977** [22]

| Cost of Job No. 1977 | | € |
|---|---|---|
| **Direct materials** | | 2,750 |
| **Direct labour** | | 1,275 |
| **Fixed overhead** | | |
| Production ( 8 x €5) | 40 | |
| Service ( 5 x €2.20) | 11 | 51 |
| **Variable overhead** | | |
| Production ( 8 x €2) | 16 | |
| Service ( 5 x €3.20) | 16 | 32 |
| **Total cost** | | 4,108 |

**(c) Selling price of Job No 1977** [10]

| | € |
|---|---|
| Total cost | 4,108.00 |
| Mark up 20% | 821.60 |
| **Selling price of Job No. 1977** | **4,929.60** |
| | |

**(d)**

To be able to calculate a selling price [4]

To see if it will be possible to make a profit producing the product and is it worthwhile to produce.

## 9. Product Budgeting

**80**

### (a) Sales Budget

[22]

| | Bluetooth | | Wired | |
|---|---|---|---|---|
| Budgeted sales | 3,500 | [4] | 4,100 | [4] |
| Budgeted selling price | X €75 | [3] | X €99 | [3] |
| | 262,500 | [4] | 405,900 | [4] |

Total Sales = €262,500 + €405,900 = €668,400

### (b) Production Budget

[16]

| | Bluetooth | | Wired | |
|---|---|---|---|---|
| Budgeted sales | 3,500 | [3] | 4,100 | [3] |
| Add closing stock | 680 | [1] | 390 | [1] |
| Less opening stock | (750) | [1] | (430) | [1] |
| Budgeted production in units | 3,430 | [3] | 4,060 | [3] |

### (c) Material Usage Budget

**[16]**

| | Material X | | | Material Y | |
|---|---|---|---|---|---|
| Bluetooth (3,430 x 2) | 6,860 | [3] | Bluetooth (3,430 x 4) | 13,720 | [3]] |
| Wired (4,060 x 4) | 16,240 | [2] | Wired (4,060 x 3) | 12,180 | [2] |
| | 23,100 | [3] | | 25,900 | [3] |

### (d) Materials Purchases Budget

[12]

| | Material X | | Material Y | |
|---|---|---|---|---|
| Budgeted usage | 23,100 | [2] | 25,900 | [2] |
| Add budgeted closing stock | 230 | [1] | 310 | [1] |
| Less budgeted opening stock | (170) | [1] | (240) | [1] |
| Budgeted production in units | 23,160 | | 25,970 | |
| Budgeted purchase price | x €2 | [1] | x €3 | [1] |
| | €46,320 | [1] | €77,910 | [1] |

### (e) Labour Budget

[10]

| | Bluetooth | | Wired | |
|---|---|---|---|---|
| Budgeted production | 3,430 | [1] | 4,060 | [1] |
| No of hours per unit | x 2 | [1] | x 3 | [1] |
| | 6,860 | | 12,180 | |
| Labour rate per hour | x €12 | [1] | x €12 | [1] |
| | 82,320 | [1] | 146,160 | [1] |
| Total labour cost | €228,480 | [2] | | |

[4]

**(f)** A production budget is prepared in order to determine the total number of units the company needs to produce (make) for the coming period. The figure calculated is needed to find out what materials need to be purchased for production.