Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2023

ACCOUNTING – ORDINARY LEVEL

(400 marks)

WEDNESDAY 21 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 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 **TWO** 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 2023 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 **1(B)** OR any **TWO** other questions

1. (A) Final Accounts of a Sole Trader

The following balances were extracted from the books of Emma Cronin, a sole trader as at 31/12/2022:

	€	€
Delivery vans at cost	72,000	
Accumulated depreciation – delivery vans		26,000
Buildings	550,000	
Office equipment (cost €35,000)	16,000	
Patents	32,600	
Drawings	15,200	
Capital 01/01/2022		280,000
Creditors		28,400
Debtors	36,400	
Sales		574,000
Purchases	191,000	
Returns outwards (purchases returns)		12,700
Returns inwards (sales returns)	19,500	
Stock 01/01/2022	31,700	
Stationery	4,300	
Discount received		3,900
General expenses	3,600	
Wages and salaries	122,000	
Advertising	10,900	
Insurance	13,200	
Term loan (received 01/04/2022)		120,000
Loan interest paid	1,500	
Provision for bad debts		4,200
VAT		20,500
PRSI & USC		18,600
Bank	44,700	
Profit and loss balance 01/01/2022		76,300
	1,164,600	1,164,600

You are given the following additional information:

(i) Stock for resale on 31/12/2022 was €22,000.

(ii) Stock of stationery on 31/12/2022 was €1,200.

(iii) Advertising due on 31/12/2022 was €400.

(Iv) Provision should be made for interest due on the loan.
The rate of interest is 8% per annum.

(v) Included in the insurance is a cheque for €800, which is for Emma Cronin's private car insurance.

(vi) Insurance was for the year ended 31/03/2023.

(vii) Provision for bad debts to be adjusted to 5% of debtors.

(viii) Depreciation is to be provided as follows:

Buildings	2% of cost
Delivery Vans	10% of net book value
Office Equipment	15% of cost.

Required:

(a) Prepare a **trading and profit and loss account** for the year ended 31/12/2022. (80)

(b) Prepare a **balance sheet** as at 31/12/2022. (40)

(120 marks)

1. (B) Final Accounts of a Company

The following balances were extracted from the books of Wallace Ltd as at 31/12/2022:

	€	€
Share capital Authorised - 975,000 ordinary shares of €1 each Issued - 570,000 ordinary shares of €1 each		570,000
Delivery vans at cost	95,000	
Buildings	720,000	
Office equipment	70,000	
Patents	76,400	
Accumulated depreciation – buildings		45,000
Accumulated depreciation – office equipment		13,000
Stock of goods for resale (01/01/2022)	73,500	
Stock of stationery (01/01/2022)	1,800	
Advertising	13,400	
Stationery	4,200	
Purchases	435,000	
Sales		765,000
Returns inwards (sales returns)	22,700	
Creditors		81,100
Debtors	96,300	
VAT		18,900
Light and heat	10,600	
Provision for bad debts		4,300
Directors' fees	27,200	
10% Debentures (issued 01/04/2022)		90,000
Debenture interest	4,100	
Bank		15,700
Profit and loss balance 01/01/2022		71,800
Rent and rates	25,800	
Insurance	17,500	
Commission		18,700
	1,693,500	1,693,500

You are given the following additional information:

(i) Stock of goods for resale on 31/12/2022 was €55,800.

(ii) Stock of stationery on 31/12/2022 was €1,400.

(iii) Insurance was for the year ended 31/03/2023.

(iv) Provision for bad debts to be adjusted to 4% of debtors.

(v) Commission receivable due on 31/12/2022 was €1,500.

(vi) Depreciation is to be provided as follows:

Buildings	- 2% of cost
Office equipment	- 15% of <u>net book value</u>
Delivery vans	- 10% of cost.

(vii) Provide for debenture interest due on 31/12/2022.

(viii) Provide for corporation tax €24,000.

Required:

(a) Prepare a **trading and profit and loss account** for the year ended 31/12/2022. (80)

(b) Prepare a **balance sheet** as at 31/12/2022. (40)

(120 marks)

2. Accounts of a Service Firm

The following were the assets and liabilities of Síobhain O'Neill, a doctor on 01/01/2022.

Premises €450,000, furniture €30,500, motor vehicles €48,400, cash on hand €32,000 , medical equipment at cost €36,000, amounts due from private patients €2,600, light and heat due €750, amounts due from medical card schemes €8,300, depreciation of medical equipment €3,600, insurance prepaid €300.

Required:

(a) Calculate Dr. O'Neill's **capital** on the 01/01/2022. (20)

The following details were taken from her records on 31/12/2022:

Receipts	**€**	**Payments**	**€**
Private patients' fees	144,400	Medical supplies	14,200
Medical card scheme	193,500	Light and heat	3,100
		Telephone & broadband	2,200
		Wages of office staff	26,400
		Magazines	350
		Insurance	3,700
		Repairs and maintenance	5,400
		Motor expenses	1,800
		Substitute doctor fees	20,100

The following information and instructions should be taken into consideration at 31/12/2022:

(i) Amounts due from medical card scheme were €2,400.

(ii) Light and heat due €280.

(iii) Wages of office staff due were €500.

(iv) Dr. O'Neill wishes to depreciate the medical equipment by 10% of cost and motor vehicles by 15% of cost.

Required:

(b) Prepare Dr. O'Neill's **income and expenditure account** for the year ended 31/12/2022.

(40)

(60 marks)

3. Depreciation and Revaluation of Fixed Assets

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

01/01/2021	Buildings at cost amounted to €750,000.
01/01/2021	The balance in the provision for depreciation account was €149,000.
01/06/2021	Purchased a building for €335,000.
01/07/2021	Sold for €104,000 a building which cost €175,000. The book value of this building on 01/07/2021 was €97,000.
31/12/2021	The total depreciation for the year ended 31/12/2021 was €58,000.
01/01/2022	The buildings were revalued at €1,200,000.
31/12/2022	Provide for depreciation at the rate of 6% of the value of the buildings on 01/01/2022.

You are required to show:

(a) The **buildings account** for the two years **2021** and **2022**. (15)

(b) The **provision for depreciation account** for the two years **2021** and **2022**. (20)

(c) The **buildings disposal account** for the year ended **31/12/2021**. (15)

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

(60 marks)

4. Debtors and Creditors Control Account

The following figures were taken from the books of Terry Beagan during January 2023:

	€
Debtors ledger balance 01/01/2023 dr	92,700
Debtors ledger balance 01/01/2023 cr	2,100
Creditors ledger balance 01/01/2023 cr	51,100
Creditors ledger balance 01/01/2023 dr	680
Returns outwards (purchases returns)	2,400
Discount allowed	1,750
Discount received	2,200
Sales (including cash sales €14,100)	164,100
Purchases (including cash purchases €17,200)	177,200
Cheques paid to suppliers	65,900
Cheques received from customers	110,500
Bad debts written off	1,800
Transfer from debtors ledger to creditors ledger	2,700
Returns inwards (sales returns)	4,300
Bills payable accepted	8,800
Bills receivable issued	19,500
Discount disallowed to Terry Beagan	900
Cheques received dishonoured	3,300
Interest charged by Terry Beagan on overdue accounts	1,400
Debtors ledger balance 31/01/2023	1,850 cr
Creditors ledger balance 31/01/2023	760 dr

You are required to prepare for January 2023:

(a) The debtors ledger control account. (30)

(b) The creditors ledger control account. (30)

(60 marks)

Section 2 begins on page 10

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

5. Interpretation of Accounts

The following information has been taken from the accounts of Ryan Ltd for the year ended 31/12/2022:

Trading and Profit and Loss Account for the year ended 31/12/2022

		€	€
Credit sales			675,000
Less: Cost of sales			
Stock 01/01/2022		115,000	
Add: credit purchases		420,000	
		535,000	
Less: stock 31/12/2022		85,000	
Cost of sales			450,000
Gross profit			???????
Less: Total expenses (including interest)			130,000
Net profit for year			95,000

Balance Sheet as at 31/12/2022

	€	€	€
	Cost	**Depreciation**	**NBV**
Fixed Assets	650,000	65,000	585,000
Current Assets (including trade debtors €55,000)		175,000	
Less Creditors: amounts falling due within 1 year			
Trade creditors		95,000	
			80,000
			665,000
Financed by:			
Creditors: amounts falling due after more than 1 year			
6% Debentures (2028 secured)			250,000
Capital and Reserves	**Authorised**	**Issued**	
Ordinary shares at €1 each	500,000	320,000	320,000
Profit and loss account			95,000
			665,000

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

(i) Percentage mark-up on cost.

(ii) The return on capital employed.

(iii) The period of credit given to debtors in months or days.

(iv) The net profit margin. (40)

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

(i) Trade debtors.

(ii) 6% Debentures 2028 secured.

(iii) Intangible Fixed Assets.

(iv) Shareholders' funds. (40)

(c) (i) Calculate the acid test ratio for **2022** (to 2 decimal places).

(ii) What does the ratio tell us about the liquidity of Ryan Ltd? (10)

(d) The return on capital employed for Ryan Ltd in **2021** was 13%.

Comment on the profitability of Ryan Ltd for **2022**. (10)

(100 marks)

6. Cash Flow Statement

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

Profit and Loss (extract) for year ended 31/12/2022	**€**
Operating profit	155,400
Interest paid	(16,800)
	138,600
Taxation	(38,000)
	100,600
Dividends paid	(55,000)
Retained profit	45,600
Profit and loss balance 01/01/2022	44,400
Profit and loss balance 31/12/2022	90,000

Balance Sheets as at	**31/12/2022**		**31/12/2021**	
	€	**€**	**€**	**€**
Fixed Assets				
Land and buildings	750,000		610,000	
Less depreciation provision	(110,000)	640,000	(88,000)	522,000
Current Assets				
Stock	114,000		93,000	
Debtors	84,000		54,000	
Bank	76,000		42,000	
	274,000		189,000	
Less Creditors: amounts falling due within 1 year				
Creditors	61,000		52,600	
Taxation	38,000		24,000	
	(99,000)		(76,600)	
Net Current Assets		175,000		112,400
Total Net Assets		815,000		634,400
Financed by				
Creditors: amounts falling due after 1 year				
8% Debentures		210,000		150,000
Capital and Reserves				
Ordinary share capital issued		480,000		440,000
Share premium		35,000		
Profit and loss account		90,000		44,400
		815,000		634,400

Required:

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

(b) Prepare the **cash flow statement** of Nally Ltd for the year ended 31/12/2022 using the following headings:

1. Operating activities
2. Return on investments and servicing of finance
3. Taxation
4. Capital expenditure and financial investment
5. Equity dividends paid
6. Financing. (60)

(c) **Reconcile** the net cash flow to movement in net debt. (10)

(100 marks)

7. Farm Accounts

The following trial balance was extracted from the books of the Forde family, who carry on a mixed farming business on 31/12/2022:

		€	€
Land		850,000	
Farm buildings (cost €290,000)		260,000	
Machinery (cost €85,000)		66,000	
Stocks 01/01/2022:	Cattle	98,000	
	Grain seeds	1,200	
	Fertilizer	5,700	
	Feedstuff	12,800	
Purchases:	Cattle	33,000	
	Grain seeds	12,100	
	Fertiliser	36,700	
	Feedstuffs	29,000	
Electricity		11,400	
Veterinary fees		3,900	
Farm wages		48,200	
Repairs to machinery		7,500	
10% Loan from Bank (01/01/2022)			180,000
Loan interest		12,000	
Sales:	Grain		34,800
	Milk		114,650
	Cattle		26,800
Bank		10,950	
Capital			1,122,000
Basic payment scheme			42,200
Drawings of cash		22,000	
		1,520,450	1,520,450

The following additional information is available:

(i) Closing stock 31/12/2022:
value of cattle: €105,000; **value of fertiliser**: €3,700: **value of feedstuffs**: €8,900.

(ii) The basic payment scheme is to be divided equally between the two enterprises.

(iii) Farm wages, repairs and fertiliser, are to be allocated between the two enterprises in the ratio: cattle & milk 60%, grain 40%.

(iv) Milk used by the family during the year €1,950.

(v) Depreciation is to be provided as follows: farm buildings 2% of cost; machinery 10% of cost.

Required:

(a) (i) Prepare an **enterprise analysis account** for '**Cattle & Milk**' for the year ended 31/12/2022.
(ii) Prepare an **enterprise analysis account** for '**Grain**' for the year ended 31/12/2022. (40)

(b) Prepare a **general profit and loss** account for the year ended 31/12/2022. (25)

(c) Prepare a **balance sheet** as at 31/12/2022. (35)

(100 marks)

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

8. **Absorption Costing**

Fahy 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	45,000	18,000
Servicing	11,000	16,000

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

Department	**Direct Labour Hours**
Production	9,000 hours
Servicing	5,000 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. 1977** are as follows:

Direct materials	€2,750
Direct labour	€1,275
Hours in production	8 hours
Hours in servicing	5 hours

Calculate the **total cost** of **Job no. 1977**

(c) Calculate the **selling price** of **Job no. 1977** if the mark up on cost is 20%.

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

(80 marks)

9. Product Budgeting

Solid Sound Ltd manufactures two types of soundbars **'Bluetooth'** and **'Wired'**. The sales of each type of soundbar and other relevant information for the coming year are budgeted below:

	Bluetooth	**Wired**
Budgeted sales in units	3,500	4,100
Expected selling price	€75	€99

Expected stock – Finished Goods	**Bluetooth**	**Wired**
Opening stock in units	750	430
Closing stock in units	680	390

Material Content and Costs	**Material X**	**Material Y**
Bluetooth	2 Kg	4 Kg
Wired	4 Kg	3 Kg
Expected purchase price per Kg	€2	€3

Expected Stock - Raw Materials	**Material X**	**Material Y**
Opening stock	170 Kg	240 Kg
Closing stock	230 Kg	310 Kg

Direct Labour time in hours	
Bluetooth	2 hours
Wired	3 hours

Direct labour rate per hour	€12

Required:

(a) Prepare a sales budget in **units** and in **€**.

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

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

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

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

(f) **Why** would Solid Sound Ltd prepare a production budget?

(80 marks)