



# Coimisiún na Scrúduithe Stáit State Examinations Commission

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LEAVING CERTIFICATE EXAMINATION 2016

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**A C C O U N T I N G - O R D I N A R Y L E V E L**  
(400 marks)

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MONDAY 20 JUNE 2016 – AFTERNOON 2.00 – 5.00

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**This paper is divided into 3 Sections:**

<b>Section 1: Financial Accounting</b> (120 marks).
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This section has four questions (Numbers 1 – 4). The first question carries 120 marks and the remaining three questions carry 60 marks each.
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Candidates should answer either <b>QUESTION 1 only</b> OR attempt any <b>TWO</b> of the remaining three questions in this section.
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<b>Section 2: Financial Accounting</b> (200 marks).
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This section has three questions (Numbers 5 – 7). Each question carries 100 marks.
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Candidates should answer any <b>TWO</b> questions.
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<b>Section 3: Management Accounting</b> (80 marks).
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This section has two questions (Numbers 8 and 9). Each question carries 80 marks.
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Candidates should answer <b>ONE</b> of these questions.
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<b>Calculators</b>
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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.
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**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 Bowe Ltd as on 31/12/2015.

	€	€
Share capital		
Authorised – 1,000,000 Ordinary Shares at €1 each		
Issued – 650,000 Ordinary Shares at €1 each		650,000
Buildings	720,000	
Office equipment	75,000	
Accumulated depreciation – office equipment		22,000
Accumulated depreciation – buildings		86,000
Patents	160,000	
Returns inwards (sales returns)	4,800	
Purchases	225,000	
Sales		560,900
8% Debentures (issued on 01/04/2015)		80,000
Debtors	62,000	
Creditors		48,000
Stock of goods for resale (01/01/2015)	45,600	
Stock of stationery (01/01/2015)	1,200	
Wages/salaries	127,100	
Advertising	18,000	
Stationery	6,300	
VAT		7,200
Provision for bad debts		4,800
Light, heat and insurance	24,000	
Bank		12,500
Directors' fees	35,300	
Debenture interest	1,200	
Profit/loss balance 01/01/2015		22,100
Rent		12,000
	1,505,500	1,505,500

**You are given the following additional information:**

- (i) Stock of goods for resale on 31/12/2015 €45,300.
- (ii) Stock of stationery on 31/12/2015 €700.
- (iii) Depreciation to be provided as follows:
  - Buildings - 2% of cost
  - Office equipment - 10% of book value.
- (iv) Rent receivable due on 31/12/2015 €2,000.
- (v) Advertising was for the year ended 31/03/2016.
- (vi) Provision for bad debts to be adjusted to 5% of debtors.
- (vii) Provide for debenture interest due on 31/12/2015.
- (viii) Provide for corporation tax €15,000.

**Required:**

- (a) Prepare a trading and profit and loss account for the year ended 31/12/2015. (80)
- (b) Prepare a balance sheet as at 31/12/2015. (40)

**(120 marks)**

## 2. Debtors and Creditors Control Account

The following figures were taken from the books of Mary Burke during January 2016:

	€
Debtors ledger balance 01/01/2016 dr	75,800
Debtors ledger balance 01/01/2016 cr	410
Creditors ledger balance 01/01/2016 cr	43,300
Creditors ledger balance 01/01/2016 dr	240
Returns outwards (purchases returns)	350
Discount allowed	560
Discount received	1,320
Purchases (including cash purchases 5,600)	86,300
Returns inwards (sales returns)	310
Bills payable accepted	4,450
Bills receivable issued	5,840
Sales (including cash sales 8,200)	101,600
Discount disallowed to Mary Burke	330
Cheques received from customers	80,300
Cheques paid to suppliers	60,400
Cheques received dishonoured	1,800
Bad debts written off	750
Interest charged by Mary Burke on overdue accounts	100
Transfer from debtors ledger to creditors ledger	320
Debtors ledger balance 31/01/2016	450 cr
Creditors ledger balance 31/01/2016	630 dr

**You are required to prepare for January 2016:**

- (a) Debtors Ledger Control Account. (30)
- (b) Creditors Ledger Control Account. (30)

**(60 marks)**

### 3. Company Profit and Loss

The following information was extracted from the books of Roche Ltd:

- Roche Ltd has an authorised capital of 800,000 ordinary shares at €1 each and 500,000 6% preference shares at €1 each.
- The company has already issued 450,000 of the ordinary shares and 300,000 6% preference shares.
- On 01/01/2015 the company's general reserve account showed a balance of €87,000.
- Roche Ltd had carried forward a profit of €312,000 from 2014 and the accounts showed profits of €170,000 before interest and taxation for the year ended 31/12/2015.
- During the year a total dividend of 8c per ordinary share was paid to the ordinary shareholders and the total preference dividend for the year was paid to the preference shareholders.

On the 31/12/2015 the directors recommended that:

- (i) Interest of €18,000 to be provided for.
- (ii) Taxation of €54,000 to be provided for.
- (iii) The general reserve to be increased by €23,000.

#### Required:

- (a) Show the **profit and loss account** for the year ended 31/12/2015. (35)
- (b) Prepare a **balance sheet** showing the relevant accounts after making the above provisions and appropriations. (25)

**(60 Marks)**

#### 4. Tabular Statement

The following balance sheet shows the financial position of a sole trader, Brendan Boyle, as at 01/01/2016.

<b>Balance Sheet as at 01/01/2016</b>			
	€	€	€
<b>Fixed Assets</b>			
Buildings		450,000	
Machinery		82,000	
			532,000
<b>Current Assets</b>			
Stock		32,000	
Debtors		28,000	
Bank		30,500	
		90,500	
<b>Less Creditors: amounts falling due within 1 year</b>			
Creditors	24,000		
Rent due	3,500	27,500	
			63,000
			595,000
<b>Financed by:</b>			
Capital		590,000	
Profit/loss account		5,000	
			595,000

#### The following transactions took place during January 2016:

- Jan 3 Received from a debtor a cheque for €3,700 in full settlement of a debt of €3,900.
- Jan 7 Purchased goods on credit for €14,200.
- Jan 12 Paid by cheque rent that was due at the beginning of the month.
- Jan 16 Paid, by cheque, a creditor's account balance of €4,100 and received a discount of €300.
- Jan 19 Sold goods on credit for €8,200, which originally cost €9,200.
- Jan 21 A debtor who owed €600 was declared bankrupt and paid 30c in the €.
- Jan 23 Paid by cheque from business bank account €3,300 for roof repairs to private house.
- Jan 26 Purchased a new warehouse for €170,000. A deposit of €15,000 was paid by cheque and the remainder borrowed from Warehouse Finance Ltd.

#### 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 31/01/2016.

**(60 marks)**

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

**5. Interpretation of Accounts**

The following information has been taken from the accounts of McBreen Ltd for the year ended 31/12/2015:

<b>Trading and Profit and Loss Account for the year ended 31/12/2015</b>			
	€	€	€
Credit Sales			680,000
<b>Less: Cost of Sales</b>			
Stock 01/01/2015	42,000		
Add: Credit Purchases	????		
	????		
Less: Stock 31/12/2015	58,000		
Cost of Sales			???
Gross Profit			300,000
<b>Less: Total Expenses (including interest)</b>			220,000
Net Profit for year			80,000
<b>Balance Sheet as at 31/12/2015</b>			
	€	€	€
	Cost	Depreciation	NBV
<b>Fixed Assets</b>	500,000	50,000	450,000
<b>Current Assets</b> (including debtors €20,000)		210,000	
<b>Less Creditors:</b> amounts falling due within 1 year			
Trade Creditors		88,000	122,000
			572,000
<b>Financed by:</b>			
<b>Creditors:</b> amounts falling due after more than 1 year			
6% Debentures (2020/2021)			150,000
<b>Capital and Reserves</b>	Authorised	Issued	
Ordinary Shares at €1 each	600,000	342,000	342,000
Profit and Loss Account			80,000
			572,000

- (a) **You are required to calculate:** (to 2 decimal places where appropriate.)
- (i) The figure for purchases
  - (ii) The percentage mark-up on cost
  - (iii) Net profit margin/percentage
  - (iv) The period of credit given to debtors. (40)
- (b) **Explain** the following terms and state how they apply to the above balance sheet:
- (i) Depreciation
  - (ii) Tangible assets
  - (iii) Shareholders' funds
  - (iv) Authorised share capital. (40)
- (c) (i) Calculate the acid test ratio for 2015.  
(ii) What does this ratio tell us about McBreen Ltd? (10)
- (d) The return on capital employed for **2014** was 18%.
- (i) Calculate the return on capital employed for **2015**.
  - (ii) Comment on the current profitability of McBreen Ltd in **2015**. (10)

**(100 marks)**

## 6. Cash Flow Statement

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

<b>Profit and loss (extract) for year ended 31/12/2015</b>	<b>€</b>
Operating profit	140,000
Interest paid	(12,000)
	128,000
Taxation	(28,000)
	100,000
Dividends paid	(42,000)
Retained profit	58,000
Profit and loss balance 01/01/2015	43,000
Profit and loss balance 31/12/2015	101,000

<b>Balance sheets as at</b>	<b>31/12/2015</b>		<b>31/12/2014</b>	
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Fixed assets</b>				
Land and buildings	850,000		700,000	
Less depreciation provision	(100,000)	750,000	(88,000)	612,000
<b>Current assets</b>				
Stock	70,000		66,000	
Debtors	38,000		46,000	
Cash	6,000		7,000	
	114,000		119,000	
<b>Less creditors: amounts falling due within 1 year</b>				
Creditors	45,000		40,000	
Taxation	28,000		38,000	
	(73,000)		(78,000)	
<b>Net current assets</b>		41,000		41,000
<b>Total net assets</b>		791,000		653,000
<b>Financed by</b>				
<b>Creditors: amounts falling due after 1 year</b>				
6% Debentures		180,000		150,000
<b>Capital and reserves</b>				
Ordinary share capital issued		500,000		460,000
Share premium		10,000		
Profit and loss account		101,000		43,000
		791,000		653,000

**Required:**

- (a) Reconcile the operating profit to net cash inflow/outflow from operating activities. (30)
- (b) Prepare the **cash flow statement** of Carter Ltd for the year ended 31/12/2015 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. Farm Accounts

The following trial balance was extracted from the books of the Cantwell Family, who carry on a mixed farming business, on 31/12/2015.

	€	€
Land	950,000	
Farm buildings (cost €190,000)	152,000	
Machinery (cost €225,000)	118,000	
Stocks 01/01/2015		
Cows	169,000	
Grain seeds	400	
Fertiliser	7,200	
Feedstuffs	8,500	
Purchases		
Cows	154,000	
Grain seeds	11,000	
Fertiliser	17,000	
Feedstuffs	32,600	
Electricity	9,700	
Repairs to machinery	6,500	
Veterinary fees and medicines	4,900	
10% Loan from Bank (01/01/2015)		220,000
Loan interest	14,000	
Bank		12,900
Farm wages	65,700	
Sale of grain		56,300
Sale of cows		23,000
Sale of milk		237,900
Single farm payment (basic payment scheme)		37,400
Capital		1,160,000
Drawings of cash	27,000	
	1,747,500	1,747,500

The following additional information is available:

- (i) Closing stock 31/12/2015
 

Value of cows	€289,000
Value of fertiliser	€8,000
Value of feedstuffs	€10,400
- (ii) The single farm payment (basic payment scheme) is to be divided (allocated) equally between the two enterprises.
- (iii) Farm wages, repairs and fertilisers are to be allocated between the two enterprises in the ratio:
 

Cows	70%
Grain	30%
- (iv) Depreciation is to be provided as follows: farm buildings 5% of cost and machinery 20% of cost.
- (v) Milk used by the family during the year €1,900.

**Required:**

- (a) (i) Prepare an **enterprise analysis account** for 'cows/milk' for the year ended 31/12/2015.
- (ii) Prepare an **enterprise analysis account** for 'grain' for the year ended 31/12/2015. (40)
- (b) Prepare a **general profit and loss** account for the year ended 31/12/2015 (25)
- (c) Prepare a **balance sheet** as at 31/12/2015 (35)

**(100 marks)**



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

**8. Marginal Costing**

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

	€	€
Sales (55,000 units)		770,000
Variable Costs	467,500	
Fixed Costs	137,500	605,000
Net Profit		165,000

**Required:**

- (a) Calculate the selling price **per unit**.
- (b) Calculate the variable cost **per unit**.
- (c) Calculate the **contribution** from each unit sold.
- (d) Calculate the **break-even** point in volume (units) **and** sales value (€).
- (e) Calculate the **margin of safety** in units **and** sales value, if the budgeted sales for the period are **35,000** units.
- (f) Calculate the level of production and sales revenue that will yield a profit of €400,000.
- (g) Explain the term 'variable cost' in relation to Mooney Ltd.  
Give **one** example of a 'variable cost'.

**(80 marks)**

## 9. Cash Budgeting

Sean Burren provided the following information at the end of February 2016:

	€
Debtors 01/03/2016 (January sales €62,000 and February sales €74,000)	€136,000
Creditors 01/03/2016	€55,000
Bank Balance 01/03/2016	€35,000

Sean expects his sales, purchases and expenses for the next five months to be:

	March	April	May	June	July
<b>Sales</b>	€54,300	€91,100	€78,200	€67,800	€83,100
<b>Purchases</b>	€38,100	€58,300	€37,200	€24,300	€38,500
<b>Expenses</b>	€5,000	€12,000	€10,000	€13,000	€16,000

You are given the following additional information:

- All sales are on credit and are paid for two months after the month of sale.
- All purchases are on credit, **except** €14,000 for cash in May, and are paid for one month after the month of purchase.
- Rent per month is to be €1,700 and increases to €1,900 on 1 June. (Rent is not included in the expenses above.)
- Equipment will be bought in June for €18,000 cash.
- Expenses are paid as they are incurred.

**Required:**

- (a) Prepare a **cash budget** on a monthly basis for the period March to July inclusive and also the total column for the period.
- (b) Outline **two** reasons why Sean Burren would complete a cash budget.

**(80 marks)**

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