



Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION 2018

BUSINESS STUDIES – HIGHER LEVEL – PAPER II

(160 Marks)

TUESDAY 12 JUNE 2018 – AFTERNOON 2.00 - 4.00

- **ALL** questions carry 40 marks.
- Answer any **FOUR** questions.
- Marks will be awarded for workings, layout and presentation including, where appropriate, folios and dates.
- Dates should show the day, month and year.
- Calculators may be used.

1. This is a books of first entry, ledger and trial balance question.

Answer all parts of this question:

FACT Ltd, a stationery business, had both credit and cash transactions during the month of May 2018.

- (A)** Record the following credit transactions in the purchases and sales books of FACT Ltd for the month of May 2018.

Post relevant figures from the books to the ledger accounts.

01/05/2018	Purchased goods on credit from BIRO Ltd	Invoice No. 9	€45,000 + VAT 23%
11/05/2018	Sold goods on credit to SPEC Ltd	Invoice No. 39	€52,000 + VAT 23%
22/05/2018	Purchased goods from RULER Ltd	Invoice No. 27	€18,000 + VAT 23%

(14)

- (B)** Record the following transactions for the month of May 2018 in the analysed cash book of FACT Ltd.

Post relevant figures to the ledger accounts.

Note: Analyse the bank transactions using the following money column headings:

Debit (Receipts) Side: Bank Sales VAT Debtors Share Capital

Credit (Payments) Side: Bank Purchases VAT Wages

05/05/2018	Shareholder invested €145,000 and this was lodged	Receipt No. 15
11/05/2018	Sales lodged	€76,260 (€62,000 + VAT €14,260)
18/05/2018	SPEC Ltd paid €40,000 and this was lodged	Receipt No. 16
24/05/2018	Paid wages	Cheque No. 41 €24,000
31/05/2018	Purchases for resale	Cheque No. 42 €27,000 + VAT 23%

(16)

- (C)** Balance the accounts on 31 May 2018 and extract a trial balance as at that date.

(10)

(40 marks)

2.	This is a sales, business documents and bookkeeping question.
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Answer all parts of this question:

- (A)** (i) State **two** reasons why a business sells goods on credit.

Answer on the sheet supplied with this paper.

- (ii) Explain **two** methods that a business could use to check the credit rating of new customers.

Answer on the sheet supplied with this paper.

(12)

- (B)** FURNITURE Ltd, 23 Castlebar Road, Claremorris, Co Mayo, ordered the following goods from CHAIRS SUPREME Ltd, order no. 300.

45	Armchairs	@	€140 each
25	Bedside Lockers	@	€68 each

All goods were in stock and CHAIRS SUPREME Ltd issued an invoice no. 56 for the goods delivered on 16 May 2018. The terms were trade discount 30% and VAT 23%.

- (i) State **three** procedures that need to be followed when processing outgoing invoices.

Answer on the sheet supplied with this paper.

- (ii) Complete the invoice no. 56 on 16 May 2018 *on the sheet supplied with this paper.*

(16)

- (C)** FURNITURE Ltd was happy with the goods received and paid the amount due, by VISA Debit, on 20 May 2018.

- (i) Complete receipt no. 55, issued by Ronan Long, Accounts Manager, on 20 May 2018 *on the sheet supplied with this paper.*

- (ii) Record the issue of receipt no. 55 in the analysed cash book of CHAIRS SUPREME Ltd *on the sheet supplied with this paper.*

(12)

(40 marks)

3. This is a cash flow forecast and delivery systems question.

Answer all parts of this question:

(A) On a separate sheet supplied with this paper is a partially completed cash flow forecast of SOAP Ltd, a cosmetics business.

You are required to complete this cash flow forecast for the months of June, July, August and September 2019 together with the total column.

The following information should be taken into account:

- Monthly cash sales are expected to increase by 40% beginning in September.
- Shareholders are expected to invest €100,000 in June.
- Monthly wages are expected to increase by 10% from 1 August.
- New equipment is expected to be purchased in August costing €60,000.
- Monthly cash purchases are expected to increase by 35% in September.
- Advertising is expected to increase by 15% from 1 August.
- The monthly loan repayments will remain the same.
- Insurance will be purchased in August costing €4,000.

(28)

(B) The directors of SOAP Ltd are undecided on whether they should have their own fleet of delivery vans or continue using couriers to transport their products.

(i) State **three** costs for SOAP Ltd if it chooses to have its own fleet of delivery vans.

Answer on the sheet supplied with this paper.

(ii) State **three** benefits for SOAP Ltd if it chooses to have its own fleet of delivery vans.

Answer on the sheet supplied with this paper.

(12)

(40 marks)

4. This is a final accounts and balance sheet question.

Answer all parts of this question:

The following trial balance was extracted from the books of COD Ltd, a sports store, on 31 December 2017. The authorised share capital is 400,000 €1 ordinary shares.

TRIAL BALANCE of COD Ltd as at 31 December 2017	Dr €	Cr €
Purchases and sales	210,000	414,000
Opening stock 01/01/2017	10,000	
Import duty	7,000	
Rent receivable		6,000
Wages	80,000	
Bad debts	12,000	
Advertising	40,000	
Dividends paid	10,800	
Reserves (profit and loss balance)		13,000
Premises	290,000	
Motor vans	180,000	
Cash	5,000	
Bank overdraft		7,800
Debtors and creditors	36,000	20,000
30 year loan		60,000
Issued share capital		360,000
	880,800	880,800

(A) You are required to prepare the **Trading, Profit and Loss Appropriation Account** of COD Ltd for the year ending 31 December 2017 and a **Balance Sheet** as at that date.

You are given the following information as at 31 December 2017:

- (i) Closing stock €11,000
- (ii) Rent receivable due €2,000
- (iii) Advertising prepaid €4,000
- (iv) Wages due €8,000
- (v) Depreciation: motor vans 12%
premises 2%

(35)

(B) Calculate the average stock of COD Ltd.

(5)

(40 marks)

5. This is a question on marketing and sources of finance.

Answer all parts of this question:

IOF Ltd is an Irish organic food company which was set up in 2008. IOF Ltd has been profitable for the last ten years selling mainly in the Irish and United Kingdom (UK) markets.

The UK market is no longer as profitable as it was, so the directors of IOF Ltd have decided to increase sales in the eurozone countries and reduce sales in the UK.

- (A) (i) Explain **two** advantages for IOF Ltd of increasing sales to the eurozone countries.
- (ii) Explain **two** disadvantages for IOF Ltd of changing from the UK market to the eurozone markets.

(16)

- (B) To expand into the eurozone market IOF Ltd will need an extension to the existing factory costing €400,000. New delivery vans at a cost of €60,000 will also be required.

One of the directors saw the following advertisement, online, for medium term loans:

WE CAN FINANCE U Ltd

Capital repayments are spread evenly over the period of the loan
(e.g. a four-year loan of €60,000 requires a yearly repayment of capital of €15,000)

Interest 9% APR

Collateral required

- (i) **Other than loans**, explain **two** suitable types of finance that IOF Ltd could use to finance the building of the extension costing €400,000.
- (ii) Explain the term 'collateral'.
- (iii) IOF Ltd decided to apply for a **four-year loan** of €60,000 from WE CAN FINANCE U Ltd to purchase the delivery vans.

Calculate the total amount of interest that IOF Ltd will pay over the four years.
(Show your workings.)

(24)

(40 marks)

6. This is a question on being an employer and people at work.

Answer all parts of this question:

(A) SIT & DINE Ltd, a furniture company in Co. Galway, is currently recruiting for the position of Sales Manager.

- (i) State and explain **four** procedures the company must carry out to fill this position.
- (ii) State **three** suitable ways of advertising the position of Sales Manager in SIT & DINE Ltd.
- (iii) State the importance to SIT & DINE Ltd of keeping employee records.

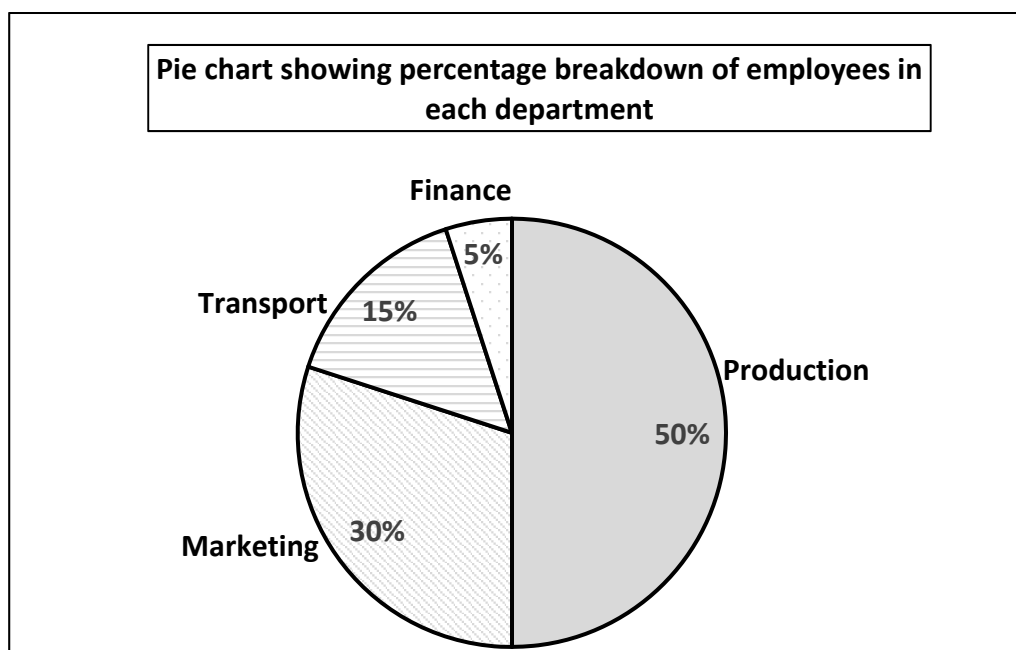
(28)

(B) SIT & DINE Ltd has four departments:

Production, Marketing, Finance and Transport.

The company has a Managing Director and four department managers.

- (i) Draw the organisation chart for SIT & DINE Ltd.
- (ii) The company has 160 employees. The pie chart below shows the percentage breakdown of employees in each department.



Calculate the number of employees that work in each department.

(12)

(40 marks)

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BUSINESS STUDIES – PAPER II 2018

Write your Examination Number here 

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For use with Q.2 (A) (i)

State two reasons why a business sells goods on credit.	
1	
2	

For use with Q.2 (A) (ii)

Explain two methods that a business could use to check the credit rating of new customers.	
1	
2	

For use with Q.2 (B) (i)

State three procedures that need to be followed when processing outgoing invoices.	
1	
2	
3	

For use with Q.2 (B) (ii)

CHAIRS SUPREME Ltd, Dock Road, Sligo		INVOICE No. 56	
Telephone: 071-9531560 e-mail: chairsupreme@sligo.ie		VAT Reg. No. IE8567321	
		Date: _____	
		Your Order No: 300	
QUANTITY	DESCRIPTION	PRICE EACH €	TOTAL €
		Total (Excluding VAT)	
		Trade Discount	
		Subtotal	
		VAT	
E & OE		Total (Including VAT)	

For use with Q.2 (C) (i)

CHAIRS SUPREME Ltd, Dock Road, Sligo		Receipt No. 55	
Date: _____			
Received from: _____			
The sum of:			€
Method of payment: _____			
Received with thanks:		Accounts Manager	

For use with Q.2 (C) (ii)

Analysed Cash Book (Debit Side) of CHAIRS SUPREME Ltd

Date	Details	Receipt No.	F	Total Bank €	Debtor €

PLEASE RETURN THIS PAGE WITH YOUR ANSWER BOOK

BUSINESS STUDIES – PAPER II 2018

Write your Examination Number here: 

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For use with Q.3 (A)

	April	May	June	July	August	Sept.	Total April to Sept.
	€	€	€	€	€	€	€
Receipts							
Cash Sales	120,000	120,000					
Share capital							
Loan	36,000						
A. Total Receipts	156,000	120,000					
PAYMENTS							
Wages	52,000	52,000					
Insurance	9,500						
Cash Purchases	40,000	40,000					
Advertising	10,000	10,000					
Loan Repayments	4,500	4,500					
Equipment	50,000						
B. Total Payments	166,000	106,500					
C. Net cash (A - B)	(10,000)	13,500					
D. Opening Cash	3,000	(7,000)	6,500				
E. Closing Cash (C+D)	(7,000)	6,500					

For use with Q.3 (B) (i)

State **three** costs for SOAP Ltd if it chooses to have its own fleet of delivery vans.

1	
2	
3	

For use with Q.3 (B) (ii)

State **three** benefits for SOAP Ltd if it chooses to have its own fleet of delivery vans.

1	
2	
3	