



# Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2021

**ACCOUNTING – ORDINARY LEVEL**

(300 marks)

WEDNESDAY 23 JUNE- AFTERNOON 2.00 – 5.00

**This paper is divided into 3 Sections: New Format for 2021 Exam**

**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 (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.

**1. (A) Final Accounts of a Sole Trader**

The following balances were extracted from the books of James Phelan, a sole trader as at 31/12/2020:

	€	€
Delivery vans at cost	62,000	
Accumulated depreciation – delivery vans		14,000
Buildings	500,000	
Office equipment (cost €30,000)	12,000	
Patents	28,000	
Drawings	14,200	
Capital 01/01/2020		262,000
Creditors		24,400
Debtors	32,400	
Sales		595,000
Purchases	196,000	
Returns outwards (purchases returns)		8,100
Returns inwards (sales returns)	18,000	
Stock 01/01/2020	32,000	
Stationery	3,600	
Discount received		1,600
General expenses	12,500	
Wages and salaries	112,000	
Advertising	6,000	
Insurance	8,200	
Term loan (received 01/04/2020)		90,000
Loan interest paid	1,200	
Provision for bad debts		2,700
VAT		13,600
PRSI / USC		19,700
Bank	44,500	
Profit and loss balance 01/01/2020	_____	51,500
	<u>1,082,600</u>	<u>1,082,600</u>

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

- (i) Stock for resale on 31/12/2020 was €23,000.
- (ii) Stock of stationery on 31/12/2020 was €1,500.
- (iii) Advertising is for the year ended 30/04/2021.
- (iv) Provision should be made for interest due on the loan.  
The rate of interest is 7% per annum.
- (v) Included in the insurance is a cheque for €700, which is for James Phelan's private car insurance.
- (vi) Insurance was for the year ended 31/03/2021.
- (vii) Provision for bad debts to be adjusted to 5% of debtors.
- (viii) Depreciation is to be provided as follows:

Buildings	2% of cost
Office Equipment	20% of cost
Delivery Vans	10% of <u>net book value</u>

**Required:**

- (a) Prepare a **trading and profit and loss account** for the year ended 31/12/2020. (80)
  - (b) Prepare a **balance sheet** as at 31/12/2020. (40)
- (120 marks)**

**1. (B) Final Accounts of a Company**

The following balances were extracted from the books of Moloney Ltd as at 31/12/2020:

	€	€
Share capital Authorised - 950,000 ordinary shares at €1 each Issued - 520,000 ordinary shares at €1 each		520,000
Delivery vans at cost	85,000	
Buildings	700,000	
Office equipment	60,000	
Patents	74,000	
Accumulated depreciation – buildings		35,000
Accumulated depreciation – office equipment		9,000
Stock of goods for resale (01/01/2020)	94,500	
Stock of stationery (01/01/2020)	1,700	
Advertising	11,400	
Stationery	3,500	
Purchases	440,000	
Sales		790,000
Returns inwards (sales returns)	21,200	
Creditors		93,000
Debtors	86,000	
VAT		17,400
Light and heat	10,600	
Provision for bad debts		3,300
Directors' fees	28,800	
10% Debentures (issued 01/04/2020)		100,000
Debenture interest	3,200	
Bank		14,500
Profit and loss balance 01/01/2020		61,800
Rent and rates	24,900	
Insurance	16,600	
Commission	_____	<u>17,400</u>
	<u>1,661,400</u>	<u>1,661,400</u>

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

- (i) Stock of goods for resale on 31/12/2020 was €75,400.
- (ii) Stock of stationery on 31/12/2020 was €1,500.
- (iii) Depreciation is to be provided as follows:
  - Buildings - 2% of cost
  - Office equipment - 10% of net book value
  - Delivery vans - 10% of cost
- (iv) Advertising due on 31/12/2020 was €900.
- (v) Provide for debenture interest due on 31/12/2020.
- (vi) Insurance was for the year ended 31/03/2021.
- (vii) Provision for bad debts to be adjusted to 5% of debtors.
- (viii) Provide for corporation tax €18,000.

**Required:**

- (a) Prepare a **trading and profit and loss account** for the year ended 31/12/2020. (80)
- (b) Prepare a **balance sheet** as at 31/12/2020. (40)

**(120 marks)**

## 2. Farm Accounts

The following were the assets and liabilities of the Tierney Family who carry on a mixed farming business on 01/01/2020:

Land €900,000; farm buildings €340,000; machinery at cost €118,000; cash in bank €9,500; value of cattle/cows €126,000; value of sheep €21,000; electricity due €550; wages due €1,200.

### Required:

(a) Calculate the Tierney Family **Capital** on 01/01/2020. (20)

The following is a summary of the farm's receipts and payments for the year ended 31/12/2020.

Receipts	€	Payments	€
Sale of Wool	1,400	Purchase of Sheep	6,700
Sale of Sheep/Lambs	43,600	Purchase of Cattle	74,400
Milk	92,000	Fertiliser	22,400
Single Farm Payment	27,200	Electricity	14,500
Sale of Cattle	68,900	Repairs	17,300
		Wages	35,900

The following additional information is available:

- (i) Closing Stock 31/12/2020:
  - Value of Cattle/Cows €112,000
  - Value of Sheep €25,000
- (ii) The Single Farm Payment is to be divided (allocated) between the two enterprises in the ratio:
  - Cattle/Milk 80%
  - Sheep 20%
- (iii) Fertiliser, Electricity, Repairs and Wages to be divided (allocated) **equally** between the two enterprises
- (iv) Lamb used by the family during the year €240  
Milk used by the family during the year €1,100
- (v) Electricity due on 31/12/2020 €670

### Required:

- (b) (i) Prepare an **Enterprise Analysis Account** for 'Cattle/Milk' for the year ended 31/12/2020. (20)
- (ii) Prepare an **Enterprise Analysis Account** for 'Sheep' for the year ended 31/12/2020. (20)

**(60 marks)**

### 3. Correction of Errors and Suspense Account

The Trial Balance of Donal Power failed to agree on 31/12/2020 and the difference was entered in a suspense account. On examination of the books, the following errors were revealed:

- (i) The total of the purchases book €12,100 had been posted to the purchases account as €11,200.
- (ii) Goods purchased on credit from Sean Keane €990 had been entered in Shane Keane's account.
- (iii) The sales returns book had been under totted by €850.
- (iv) Interest received €400 by cheque, had not been entered in the books.
- (v) Goods for resale, taken by Donal Power for private use, €650 had not been entered in the books.

**Required:**

- (a) **Journalise** the necessary corrections. (35)
  - (b) Prepare a **Statement of Corrected Net Profit** if the net profit as per accounts is €21,250. (25)
- (60 marks)**

#### 4. Depreciation and Revaluation of Fixed Assets

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

01/01/2019	Buildings at cost amounted to €840,000.
01/01/2019	The balance in the provision for depreciation account was €157,000.
01/06/2019	Purchased a building for €210,000.
01/07/2019	Sold for €96,000 a building which cost €160,000. The book value of this building on 01/07/2019 was €86,000.
31/12/2019	The total depreciation for the year ended 31/12/2019 was €44,000.
01/01/2020	The buildings were revalued at €970,000.
31/12/2020	Provide for depreciation at the rate of 5% of the value of the buildings on 01/01/2020.

**You are required to show:**

- (a) The **buildings account** for the two years **2019** and **2020**. (15)
- (b) The **provision for depreciation account** for the two years **2019** and **2020**. (20)
- (c) The **buildings disposal account** for the year ended **31/12/2019**. (15)
- (d) The **revaluation reserve account**. (10)

**(60 marks)**



**Section 2 begins on page 10**

**SECTION 2 (100 Marks)**

Answer **ONE** question

**5. Interpretation of Accounts**

The following information has been taken from the accounts of O'Connell Ltd for the year ended 31/12/2020:

**Trading and Profit and Loss Account for the year ended 31/12/2020**

	€	€	€
Credit sales			850,000
<b>Less: Cost of sales</b>			
Stock 01/01/2020		128,000	
Add: credit purchases		?????	
		?????	
Less: stock 31/12/2020		<u>80,000</u>	
Cost of sales			<u>433,000</u>
Gross profit			417,000
<b>Less: Total expenses (including interest)</b>			<u>260,000</u>
Net profit for year			<u>157,000</u>

**Balance Sheet as at 31/12/2020**

	€	€	€
	Cost	Depreciation	NBV
<b>Fixed Assets</b>	<u>880,000</u>	<u>40,000</u>	840,000
<b>Current Assets</b> (including trade debtors €75,000)		250,000	
<b>Less Creditors:</b> amounts falling due within 1 year			
Trade creditors		<u>93,000</u>	
			<u>157,000</u>
			<u>997,000</u>
<b>Financed by:</b>			
<b>Creditors:</b> amounts falling due after more than 1 year			
6% Debentures (2026/2027)			300,000
<b>Capital and Reserves</b>	<b>Authorised</b>	<b>Issued</b>	
Ordinary shares at €1 each	<u>900,000</u>	<u>540,000</u>	540,000
Profit and loss account			<u>157,000</u>
			<u>997,000</u>

- (a) You are required to calculate:** (to 2 decimal places where appropriate).
- (i) The figure for purchases.
  - (ii) Return on capital employed.
  - (iii) The period of credit given to debtors.
  - (iv) Percentage mark-up on cost. (40)
- (b) Explain** the following terms and **state how they apply to the above accounts** where appropriate:
- (i) Trade creditors.
  - (ii) Depreciation.
  - (iii) Tangible assets.
  - (iv) Capital employed. (40)
- (c)** (i) Calculate the acid test ratio for 2020 (to 2 decimal places).  
(ii) What does the ratio tell us about O'Connell Ltd? (10)
- (d)** The return on capital employed for O'Connell Ltd in **2019** was 12%.  
Comment on the profitability of O'Connell Ltd in 2020. (10)
- (100 marks)**

## 6. Cash Flow Statement

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

<b>Profit and Loss (extract) for year ended 31/12/2020</b>	<b>€</b>
Operating profit	152,000
Interest paid	<u>(24,000)</u>
	128,000
Taxation	<u>(38,000)</u>
	90,000
Dividends paid	<u>(42,000)</u>
Retained profit	48,000
Profit and loss balance 01/01/2020	<u>33,000</u>
Profit and loss balance 31/12/2020	<u>81,000</u>

<b>Balance Sheets as at</b>	<b>31/12/2020</b>		<b>31/12/2019</b>	
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Fixed Assets</b>				
Land and buildings	890,000		710,000	
Less depreciation provision	<u>(140,000)</u>	750,000	<u>(98,000)</u>	612,000
<b>Current Assets</b>				
Stock	89,000		75,000	
Debtors	49,000		57,000	
Bank	<u>26,000</u>		<u>17,000</u>	
	<u>164,000</u>		<u>149,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Creditors	55,000		52,000	
Taxation	<u>38,000</u>		<u>46,000</u>	
	<u>(93,000)</u>		<u>(98,000)</u>	
<b>Net Current Assets</b>		<u>71,000</u>		<u>51,000</u>
<b>Total Net Assets</b>		<u>821,000</u>		<u>663,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after 1 year</b>				
7% Debentures		190,000		160,000
<b>Capital and Reserves</b>				
Ordinary share capital issued		540,000		470,000
Share premium		10,000		
Profit and loss account		<u>81,000</u>		<u>33,000</u>
		<u>821,000</u>		<u>663,000</u>

**Required:**

- (a) **Reconcile** the operating profit to net cash inflow/outflow from operating activities. (30)
- (b) Prepare the **cash flow statement** of Betts Ltd for the year ended 31/12/2020 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 (60)
- (c) **Reconcile** the net cash flow to movement in net debt. (10)
- (100 marks)**

## 7. Accounts of a Service Firm

The Bergin family are involved in the tourist industry. They run a rental bicycle, Bed & Breakfast, and an Airbnb to tourists during the holiday season. Included among their assets and liabilities on 01/01/2020 were:

B & B premises €540,000; Airbnb apartment €60,000, bicycles €8,100; equipment and linen €9,600; stock of fuel and heating oil €3,200; advance deposits from tourists for Airbnb apartment €1,700; cash on hand €6,800.

**Required:**

(a) Prepare a statement of **Capital** of the Bergin family tourism business on 01/01/2020.

(30)

### Receipts and Payments Account for the year ended 31/12/2020

Receipts	€	Payments	€
Cash on hand 01/01/2020	6,800	Provisions for Airbnb	3,300
Receipts from guests	44,400	Light and heat	2,100
Rent from Airbnb	23,500	Drawings	4,200
Receipts from bicycle hire	3,400	Wages	21,400
		Laundry	3,800
		Advertising	2,100
		Repairs and maintenance	5,400
		Balance 31/12/2020	35,800
	<u>      </u>		<u>      </u>
	<u>78,100</u>		<u>78,100</u>

The following information and instructions should be taken into account at 31/12/2020:

- (i) Equipment and linen to be depreciated by 15% per annum and bicycles to be depreciated by 20% per annum.
- (ii) Receipts from guests include booking deposits for 2021 of €3,150.
- (iii) One quarter of the provisions purchased were used by the family.
- (iv) Stock of oil €860.
- (v) Owing to local hardware store for provisions €200.

**Required:**

(b) Prepare an **income and expenditure account** for the year ended 31/12/2020. (40)

(c) Prepare a **balance sheet** on 31/12/2020. (30)

**(100 marks)**

**SECTION 3 (80 Marks)**Answer **ONE** question**8. Absorption Costing**

Doyle Ltd, a small jobbing company, has the following budgeting figures for the coming year:

Direct materials	€330,000
Direct labour	€187,500
Factory overheads	€120,000
Budgeted direct labour hours	15,000 hours
Budgeted machine hours	12,000 hours

**(a) You are required to calculate:**

- (i) The overhead absorption rate per **direct labour hour**.
- (ii) The overhead absorption rate per **machine hour**.

The details of a customer's **Job No. 130** are as follows:

Direct materials	€28,000
Direct labour hours	310 hours
Machine hours	190 hours

- (b)** Calculate the cost of Job No. 130 using the overhead absorption rate per **machine hour**.
- (c)** Calculate the cost of Job No. 130 using the overhead absorption rate per **direct labour hour**.
- (d)** Calculate the **selling price** of Job No. 130 to the customer using **labour** overhead absorption rate (as calculated in (a) above and assuming a mark-up of 20% on cost).
- (e)** State **two** reasons why a business needs to calculate the cost price of a product.

**(80 marks)**

## 9. Product Budgeting

Holly Ltd manufactures two types of sliders '**comfort**' and '**standard**'. The sales of each type of slider and other relevant information for the coming year are budgeted below:

	Comfort	Standard
Budgeted sales in units	5,600	4,400
Expected selling price	€25	€18

Expected Stock – Finished Goods	Comfort	Standard
Opening stock	740	530
Closing stock	610	380

Material Content and Costs	Material A	Material B
Comfort	9 grams	7 grams
Standard	6 grams	4 grams
Expected purchase price per gram	€3	€2

Expected Stock - Raw Materials	Material A	Material B
Opening stock	190 grams	360 grams
Closing stock	220 grams	420 grams

Direct Labour time in hours	
Comfort	5 hours
Standard	4 hours

Direct labour rate per hour	€10
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### Required:

- Prepare a sales budget in **units** and in **€**.
- Prepare a **production** budget in units.
- Prepare a **material usage** budget in units.
- Prepare a **material purchases budget** in **units** and **€**.
- Prepare a **labour** (wages) budget.
- Why** would Holly Ltd prepare a material usage budget?

**(80 marks)**