



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2020

ACCOUNTING – ORDINARY LEVEL

(400 marks)

3 hours

This paper is divided into 3 Sections:

Section 1: Financial Accounting (120 marks).

This section has four questions (numbers 1 – 4). The first question carries 120 marks and the remaining three questions carry 60 marks each.

Candidates should answer either **QUESTION 1 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 any **TWO** 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.

SECTION 1 (120 marks)
Answer **Question 1** OR any **TWO** other questions

1. Final Accounts of a Manufacturing Company

The following balances were extracted from the books of Stewart Ltd as at 31/12/2019:

	€	€
Share capital Authorised – 900,000 ordinary shares at €1 each Issued – 620,000 ordinary shares at €1 each		620,000
Delivery vans (cost €82,000)	30,000	
Factory equipment (cost €450,000)	300,000	
Factory buildings	708,000	
Patent	80,000	
Stock 01/01/2019		
Raw materials	50,000	
Work in progress	16,400	
Finished goods	60,500	
Purchase of raw materials	380,500	
Sales		876,900
Returns inwards (sales returns)	13,000	
Factory light and heat	12,400	
Sale of scrap materials		6,500
Stationery	8,000	
Factory wages	130,000	
Direct expenses	17,000	
Advertising	6,000	
10% Debentures (issued 01/04/2019)		150,000
Creditors		93,000
Debtors	72,000	
Provision for bad debts		3,800
VAT		15,400
Factory insurance	15,000	
Bank		48,200
Profit and loss balance 01/01/2019	_____	<u>85,000</u>
	<u>1,898,800</u>	<u>1,898,800</u>

You are given the following additional information:

- (i) Stock at 31/12/2019:
- | | |
|------------------|---------|
| raw materials | €45,000 |
| work in progress | €20,000 |
| finished goods | €50,000 |
- (ii) Stock of stationery at 31/12/2019 was €600.
- (iii) Provision should be made for debenture interest due.
- (iv) Depreciation is to be provided as follows:
- | | |
|-------------------|--------------------------|
| Factory buildings | 5% of cost |
| Delivery vans | 10% of book value |
| Factory equipment | 15% of cost |
- (v) Advertising is for the year ended 31/03/2020.
- (vi) Factory wages are to be divided 80% for direct wages and 20% for supervisor's wages.
- (vii) Provide for corporation tax €24,000.

Required:

- (a) Prepare a **manufacturing account** for the year ended 31/12/2019. (40)
- (b) Prepare a **trading, profit and loss account** for the year ended 31/12/2019. (40)
- (c) Prepare a **balance sheet** as at 31/12/2019. (40)

(120 marks)

2. Company Profit and Loss

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

- Hannigan Ltd has an authorised capital of 900,000 ordinary shares at €1 each and 600,000 5% preference shares at €1 each.
- The company has already issued 580,000 ordinary shares and 400,000 5% preference shares.
- On 01/01/2019 the company's general reserve account showed a balance of €76,000.
- Hannigan Ltd had carried forward a profit of €286,000 from 2018 and the accounts showed profits of €192,000 before interest and taxation for the year ended 31/12/2019.
- During the year a total dividend of 7c 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 31/12/2019 the directors recommended that:

- (i) Interest of €20,000 to be provided for.
- (ii) Taxation of €44,000 to be provided for.
- (iii) The general reserve to be increased by €24,000.

Required:

- (a) Show the **profit and loss account** for the year ended 31/12/2019. (35)
- (b) Prepare a **balance sheet** showing the relevant accounts after making the above provisions and appropriations. (25)

(60 marks)

3. Tabular Statement

The following balance sheet shows the financial position of a sole trader, Hugh Brennan, as at 01/01/2020:

Balance Sheet as at 01/01/2020			
Fixed Assets	€	€	€
Buildings		480,000	
Machinery		<u>120,000</u>	
			600,000
Current Assets			
Stock		43,000	
Debtors		39,000	
Bank		<u>47,500</u>	
		129,500	
Less Creditors: amounts falling due within 1 year			
Trade creditors	(26,500)		
Expenses due	<u>(4,000)</u>	<u>(30,500)</u>	
Working capital			<u>99,000</u>
Total net assets			<u>699,000</u>
Financed by:			
Capital			685,000
Profit and loss balance			<u>14,000</u>
Capital employed			<u>699,000</u>

The following transactions took place during January 2020:

- Jan 2 Paid by cheque expenses that were due at the beginning of the month.
- Jan 5 Purchased goods on credit for €15,600.
- Jan 13 Received from a debtor a cheque for €4,300 in full settlement of a debt of €4,500.
- Jan 15 Paid, by cheque, a creditor's account balance of €5,900 and received a discount of €500.
- Jan 18 Sold goods on credit for €12,000, which originally cost €11,700.
- Jan 21 Purchased new machinery for €140,000. A deposit of €25,000 was paid by cheque and the remainder borrowed from Fast Finance Ltd.
- Jan 25 Paid by cheque from business bank account €3,700 for repairs to private residence.
- Jan 28 A debtor who owed €800 was declared bankrupt and paid 30c in the €.

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 31/01/2020.

(60 marks)

4. Accounts of a Service Firm

The following were the assets and liabilities of Lily Moloney, a dentist, on 01/01/2019:

Buildings €400,000, furniture €23,400, motor vehicles €32,000, dental equipment at cost €55,000, depreciation of dental equipment €11,000, cash at bank €15,700, amount due from private patients €2,600, light and heat due €400, amount due from medical card scheme €5,900.

Required:

- (a) Calculate Lily Moloney's **capital** on 01/01/2019. (20)

The following details were taken from her records on 31/12/2019:

Receipts	€	Payments	€
Private patients' fees	198,600	Light and heat	13,800
Medical card scheme	134,700	Dental equipment	15,000
		Telephone & broadband	2,500
		Motor expenses	12,900
		Magazines	1,100
		Dental materials	33,100
		Insurance	22,000
		Wages of office staff	54,300

The following additional information is to be taken into account at 31/12/2019:

- (i) Amounts due from medical card scheme were €4,700.
- (ii) Electricity due €240.
- (iii) Wages of office staff due were €500.
- (iv) Lily Moloney wishes to depreciate the dental equipment by 10% of cost and motor vehicles by 20% of cost.

Required:

- (b) Prepare Lily Moloney's **income and expenditure account** for the year ended 31/12/2019. (40)

(60 marks)

Section 2 begins on page 8

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

5. Interpretation of Accounts

The following information has been taken from the accounts of Logan Ltd for the year ended 31/12/2019:

Trading and Profit and Loss Account for the year ended 31/12/2019

	€	€	€
Credit sales			690,000
Less: cost of sales			
Stock 01/01/2019		40,000	
Add: credit purchases		<u>542,000</u>	
		582,000	
Less: stock 31/12/2019		<u>30,500</u>	
Cost of sales			<u>551,500</u>
Gross profit			?????
Less: total expenses (including interest)			<u>85,000</u>
Net profit for year			<u>53,500</u>

Balance Sheet as at 31/12/2019

	€	€	€
	Cost	Depreciation	NBV
Fixed Assets	<u>860,000</u>	<u>70,000</u>	790,000
Current Assets (including trade debtors €50,000)		105,000	
Less creditors: amounts falling due within 1 year			
Trade creditors		<u>(45,500)</u>	
			<u>59,500</u>
			<u>849,500</u>
Financed by:			
Creditors: amounts falling due after more than 1 year			
6% Debentures (2024/2025)			200,000
Capital and Reserves	Authorised	Issued	
Ordinary shares at €1 each	<u>900,000</u>	<u>596,000</u>	596,000
Profit and loss account			<u>53,500</u>
			<u>849,500</u>

- (a) You are required to calculate** (to **two** decimal places where appropriate):
- (i) The gross profit margin.
 - (ii) The acid test ratio.
 - (iii) The period of credit given to trade debtors in months/days.
 - (iv) How many more shares can Logan Ltd sell/issue? (40)
- (b) Explain** the following terms and **state how they apply to the accounts of Logan Ltd** where appropriate:
- (i) 6% debentures 2024/2025.
 - (ii) Tangible fixed assets.
 - (iii) Shareholders' funds.
 - (iv) Trade creditors. (40)
- (c) Would Logan Ltd have difficulty paying its bills as they fall due?**
Explain your answer. (10)
- (d) The return on capital employed for Logan Ltd in 2018 was 10%.**
- (i) Calculate the return on capital employed for **2019**.
 - (ii) Comment on the profitability of Logan Ltd for **2019**. (10)
- (100 marks)**

6. Cash Flow Statement

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

Profit and loss (extract) for year ended 31/12/2019	€
Operating profit	124,000
Interest paid	<u>(11,000)</u>
	113,000
Taxation	<u>(14,000)</u>
	99,000
Dividends paid	<u>(12,000)</u>
Retained profit	87,000
Profit and loss balance 01/01/2019	<u>48,000</u>
Profit and loss balance 31/12/2019	<u><u>135,000</u></u>

Balance Sheets as at	31/12/2019		31/12/2018	
	€	€	€	€
Fixed Assets				
Land and buildings	690,000		450,000	
Less depreciation provision	<u>(125,000)</u>	565,000	<u>(84,000)</u>	366,000
Current Assets				
Stock	63,000		75,000	
Debtors	24,000		27,000	
Bank	<u>15,000</u>		<u>26,000</u>	
	<u>102,000</u>		<u>128,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	(16,000)		(24,000)	
Taxation	<u>(14,000)</u>		<u>(10,000)</u>	
	<u>(30,000)</u>		<u>(34,000)</u>	
Net Current Assets		<u>72,000</u>		<u>94,000</u>
Total Net Assets		<u>637,000</u>		<u>460,000</u>
Financed by				
Creditors: amounts falling due after 1 year				
7% Debentures		160,000		120,000
Capital and Reserves				
Ordinary share capital issued		310,000		270,000
Share premium		32,000		22,000
Profit and loss account		<u>135,000</u>		<u>48,000</u>
		<u>637,000</u>		<u>460,000</u>

Required:

- (a) Reconcile** the operating profit to net cash inflow/outflow from operating activities. (30)
- (b)** Prepare the **cash flow statement** of Britton Ltd for the year ended 31/12/2019 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. Incomplete Records – Control Accounts

Paul Brett did not keep a full set of books during the year ended 31/12/2019.

The following is a summary of the cash account for that period:

Cash Receipts	€	€
Balance 01/01/2019	21,900	
Debtors	176,600	
Sales	216,000	
Commission	<u>15,100</u>	429,600

Cash Payments	€	€
Purchases	142,000	
Creditors	127,900	
Drawings	5,800	
Wages and general expenses	92,200	
Motor van	<u>25,000</u>	392,900

The following additional information is also available:

	01/01/2019	31/12/2019
	€	€
Premises	540,000	540,000
Equipment	32,000	32,000
Debtors	16,400	18,100
Stock	26,600	24,200
Creditors	13,400	16,800
Expenses prepaid	2,700	2,200

Note: Depreciate equipment by 20% of cost per annum.

Required:

- (a) Calculate Paul Brett's **capital** on 01/01/2019. (10)
- (b) Calculate Paul Brett's **total sales** and **total purchases** using **control accounts**. (20)
- (c) Prepare a **trading and profit and loss account** for the year ended 31/12/2019. (30)
- (d) Prepare a **balance sheet** as at 31/12/2019. (40)

(100 marks)

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

8. Marginal Costing

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

	€	€
Sales (50,000 units)		750,000
Variable costs	475,000	
Fixed costs	<u>81,000</u>	<u>(556,000)</u>
Net profit		<u><u>194,000</u></u>

Required:

- (a) Calculate the selling price **per unit**.
- (b) Calculate the variable cost **per unit**.
- (c) Calculate the **contribution** per unit sold.
- (d) Calculate the **break-even** point in volume (units) **and** sales value (€).
- (e) Calculate the **margin of safety** in volume (units) **and** sales value (€), if the budgeted sales for the period are **50,000** units.
- (f) Prepare a **marginal costing statement** which includes the following:

- Reduction in the selling price of €1.50
- Increase in sales volume of 10%
- All other costs to remain the same

- (g) Explain the term 'fixed cost' in relation to McBreen Ltd.

Give **two** examples of 'fixed costs' that McBreen Ltd might incur.

(80 marks)

9. Cash Budgeting

Sheila Shannon provided the following information at the end of February 2019:

Debtors 01/03/2019 (January sales €92,000 and February sales €62,000)	€154,000
Creditors 01/03/2019	€35,000
Bank balance 01/03/2019	€15,500

Sheila expects her sales, purchases and expenses for the next five months to be:

	March	April	May	June	July
Sales	€101,000	€91,100	€86,000	€74,800	€71,100
Purchases	€30,100	€59,000	€66,300	€62,000	€61,500
Expenses	€7,000	€12,000	€11,000	€13,000	€15,500

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** €12,000 for cash in April, and are paid for one month after the month of purchase.
- Expenses are paid as they are incurred.
- Equipment will be bought in July for €16,000 cash.
- Rent per month is to be €1,400 and increases to €2,000 on 1 June.
(Rent is not included in the expenses above.)

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) Explain **two** items of information Sheila can get from the prepared cash budget.

(80 marks)

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