



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2017

ACCOUNTING - ORDINARY LEVEL (400 marks)

MONDAY 19 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 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 Kelly Ltd as at 31/12/2016:

	€	€
Share capital		
Authorised - 800,000 ordinary shares at €1 each		
Issued - 600,000 ordinary shares at €1 each		600,000
Delivery vans (cost €72,000)	50,000	
Factory buildings	705,000	
Factory equipment (cost €350,000)	250,000	
Patent	60,000	
Stock 01/01/2016		
Raw materials	45,000	
Work in progress	15,400	
Finished goods	63,500	
Purchase of raw materials	360,500	
Sales		857,000
Returns inwards (sales returns)	11,000	
Creditors		85,000
Debtors	82,000	
Sale of scrap materials		7,400
Factory wages	140,000	
Direct expenses	15,000	
Stationery	9,000	
10% Debentures (issued 01/04/2016)		160,000
VAT		14,500
Provision for bad debts		3,500
Advertising	8,000	
Factory insurance	19,000	
Bank		55,200
Factory light and heat	14,200	
Profit and loss balance 01/01/2016	_____	<u>65,000</u>
	<u>1,847,600</u>	<u>1,847,600</u>

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You are given the following additional information:

- (i) Stock at 31/12/2016:
- | | |
|------------------|---------|
| raw materials | €35,000 |
| work in progress | €22,000 |
| finished goods | €60,000 |
- (ii) Stock of stationery at 31/12/2016 was €700.
- (iii) Factory wages are to be divided 80% for direct wages and 20% for supervisor's wages.
- (iv) Provision should be made for debenture interest due.
- (v) Advertising is for the year ended 31/03/2017.
- (vi) Depreciation is to be provided as follows:
- | | |
|-------------------|--------------------------|
| Factory buildings | 4% of cost |
| Delivery vans | 10% of <u>book</u> value |
| Factory equipment | 15% of cost |
- (vii) Provide for corporation tax €16,000.

Required:

- (a) Prepare a **manufacturing account** for the year ended 31/12/2016. (40)
- (b) Prepare a **trading, profit and loss account** for the year ended 31/12/2016. (40)
- (c) Prepare a **balance sheet** as at 31/12/2016. (40)

(120 marks)

2. Depreciation and Revaluation of Fixed Assets

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

01/01/2015	Buildings at cost amounted to €650,000.
01/01/2015	The balance in the provision for depreciation account was €56,000.
01/06/2015	Purchased a building for €120,000.
01/07/2015	Sold for €85,000 a building which cost €100,000. The book value of this building on 01/07/2015 was €60,000.
31/12/2015	The total depreciation for the year ended 31/12/2015 was €32,000.
01/01/2016	The buildings were revalued at €750,000.
31/12/2016	Provide for depreciation at the rate of 3% of the value of the buildings on 01/01/2016.

You are required to show:

- (a) The **buildings account** for the two years **2015** and **2016**. (15)
- (b) The **provision for depreciation account** for the two years **2015** and **2016**. (20)
- (c) The **buildings disposal account** for the year ended **31/12/2015**. (15)
- (d) The **revaluation reserve account**. (10)

(60 marks)

3. Incomplete Records – Net Worth

S. Dowling, a sole trader, has not been keeping a full set of accounts. The following figures relating to the business were supplied on 01/01/2016:

	€
Premises	460,000
Motor vehicles at book value	58,200
Furniture and equipment at cost	64,000
Accumulated depreciation on furniture and equipment	17,800
Insurance prepaid	900
Stock	65,400
Creditors	16,100
Expenses due	3,600
Debtors	29,000
Bank overdraft	7,300

Required:

- (a) Prepare a statement showing Dowling's **net worth/capital** on 01/01/2016. (30)

Dowling also supplied the following additional information on 31/12/2016:

- (i) During the year €18,000 was transferred from a personal bank account to the business bank account.
- (ii) During the year, Dowling had paid €8,600 out of business funds for private house repairs and had also taken goods to the value of €500 per month for private use.

Dowling estimated that on 31/12/2016 the business assets and liabilities were €990,000 and €92,000 respectively, before allowing for the following:

- Depreciation on furniture and equipment at the rate of 20% of cost.
- Depreciation on motor vehicles at the rate of 10% of book value.
- Expenses due of €870.

- (b) Prepare a **statement** showing Dowling's **profit or loss** for the year ended 31/12/2016. (30)

(60 marks)

4. Correction of Errors and Suspense Account

The trial balance of Claire Fennelly failed to agree on 31/12/2016 and the difference was entered in a suspense account. On examination of the books the following errors were revealed:

1. The total of the sales book €16,500 had been posted to the sales account as €15,600.
2. The sales returns book had been under totted by €600.
3. Goods purchased on credit from Mary Smyth €650 had been entered in Martin Smyth's account.
4. Interest received, €300 by cheque, had not been entered in the books.
5. Goods for resale, taken by Claire Fennelly for private use, €800 had not been entered in the books.

Required:

- (a) **Journalise** the necessary corrections. (35)
- (b) Prepare a **statement of corrected net profit** if net profit as per accounts is €16,800. (25)
- (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 Goggin Ltd for the year ended 31/12/2016:

Trading and Profit and Loss Account for the year ended 31/12/2016

	€	€	€
Credit sales			675,000
Less: Cost of sales			
Stock 01/01/2016		?????	
Add: credit purchases		<u>360,000</u>	
		?????	
Less: Stock 31/12/2016		<u>16,000</u>	
Cost of sales			<u>368,000</u>
Gross Profit			307,000
Less: Total expenses (including interest paid €8,000)			<u>136,000</u>
Net profit for year			<u>171,000</u>

Balance Sheet as at 31/12/2016

	€	€	€
	Cost	Depreciation	NBV
Fixed Assets	<u>990,000</u>	<u>40,000</u>	950,000
Current Assets (including trade debtors €30,000)		94,000	
Less Creditors: amounts falling due within 1 year			
Trade creditors		<u>53,000</u>	
			<u>41,000</u>
			<u>991,000</u>
Financed by:			
Creditors: amounts falling due after more than 1 year			
8% Debentures (2023/2024)			100,000
Capital and Reserves	Authorised	Issued	
Ordinary shares at €1 each	<u>900,000</u>	<u>720,000</u>	720,000
Profit and loss account			<u>171,000</u>
			<u>991,000</u>

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- (a) You are required to calculate:** (to 2 decimal places where appropriate).
- (i) The figure for opening stock.
 - (ii) The rate of stock turnover.
 - (iii) The return on capital employed.
 - (iv) The period of credit received from trade creditors. (40)
- (b) Explain** the following terms and **state how they apply to the accounts:**
- (i) Authorised share capital
 - (ii) Trade creditors
 - (iii) Liquid assets
 - (iv) Interest paid. (40)
- (c)**
- (i) Calculate the acid test ratio for **2016** (to 2 decimal places).
 - (ii) What does this ratio tell us about Goggin Ltd? (10)
- (d)** The return on capital employed for Goggin Ltd in **2015** was 16%.
Comment on the profitability of Goggin Ltd in **2016**. (10)
- (100 marks)**

6. Cash Flow Statement

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

Profit and loss (extract) for year ended 31/12/2016	€
Operating profit	70,000
Interest paid	<u>(13,000)</u>
	57,000
Taxation	<u>(24,000)</u>
	33,000
Dividends paid	<u>(8,000)</u>
Retained profit	25,000
Profit and loss balance 01/01/2016	<u>136,000</u>
Profit and loss balance 31/12/2016	<u>161,000</u>

Balance Sheets as at	31/12/2016		31/12/2015	
	€	€	€	€
Fixed Assets				
Land and buildings	880,000		740,000	
Less depreciation provision	<u>(110,000)</u>	770,000	<u>(85,000)</u>	655,000
Current Assets				
Stock	43,000		37,000	
Debtors	29,000		26,000	
Bank	<u>8,000</u>		<u>15,000</u>	
	<u>80,000</u>		<u>78,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	45,000		36,000	
Taxation	<u>24,000</u>		<u>20,000</u>	
	<u>(69,000)</u>		<u>(56,000)</u>	
Net Current Assets		<u>11,000</u>		<u>22,000</u>
Total Net Assets		<u>781,000</u>		<u>677,000</u>
Financed by				
Creditors: amounts falling due after 1 year				
7% Debentures		145,000		115,000
Capital and Reserves				
Ordinary share capital issued		450,000		420,000
Share premium		25,000		6,000
Profit and loss account		<u>161,000</u>		<u>136,000</u>
		<u>781,000</u>		<u>677,000</u>

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Required:

- (a) **Reconcile** the operating profit to net cash inflow/outflow from operating activities. (30)
- (b) Prepare the **cash flow statement** of Barry Ltd for the year ended 31/12/2016 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. Club Accounts

Included in the assets and liabilities of the Kiltiernan Golf Club on 01/01/2016 were the following:

Clubhouse €650,000; land €290,000; equipment €25,000; investments €50,000; bar stock €8,100; bar creditors €3,800; members' subscriptions prepaid €1,500; cash in hand €3,600.

Required:

- (a) Prepare a statement showing the club's **accumulated fund** on 01/01/2016. (20)

The following is a summary of the club's receipts and payments for the year 2016.

Receipts and Payments Account for the year ended 31/12/2016

Receipts	€	Payments	€
Cash in hand 01/01/2016	3,600	Club Lotto Prizes	28,000
Bar Sales	32,300	General Expenses	24,800
Subscriptions	62,400	Bar Purchases	28,600
Investment Interest	1,700	Purchase of Equipment	3,600
Club Lotto Receipts	58,000	Insurance	5,600
Annual Sponsorship	<u>15,000</u>	Cash Balance 31/12/2016	<u>82,400</u>
	<u>173,000</u>		<u>173,000</u>

The treasurer also supplied the following information as at 31/12/2016:

- (i) Bar stock was €9,200.
- (ii) Bar creditors were €2,400.
- (iii) Subscriptions due were €2,600.
- (iv) General expenses due were €1,100.
- (v) Equipment held on 31/12/2016 is to be depreciated by 20%.
- (vi) Depreciate the clubhouse by 2% of cost.

Required:

- (b) Prepare a **bar trading account** for the year ended 31/12/2016. (8)
- (c) Prepare the club's **income and expenditure account** for the year ended 31/12/2016. (34)
- (d) Prepare the club's **balance sheet** as at 31/12/2016. (30)
- (e) Explain the difference between the closing balance in the income and expenditure account as calculated in part (c) above and the closing balance of €82,400 in the receipts and payments account shown above. (8)

(100 marks)

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

8. Absorption Costing

Fencing Ltd, a small jobbing company, has the following budgeted figures for the coming year:

Direct materials	€420,000
Direct labour	€134,400
Factory overheads	€120,000
Budgeted direct labour hours	16,000 hours
Budgeted machine hours	8,000 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. 562** are as follows:

Direct materials	€20,000
Direct labour hours	260 hours
Machine hours	170 hours

Required:

- (b)** Calculate the cost of Job No. 562 using the overhead absorption rate per **machine hour**.
- (c)** Calculate the cost of Job No. 562 using the overhead absorption rate per **direct labour hour**.
- (d)** Calculate the **selling price** of Job No. 562 to the customer using the **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

Games Ltd manufactures two types of game boys called 'Game Boy Pocket' and Game Boy Light'. The sales of each type of game boy and other relevant information for the coming year are budgeted below:

	Game Boy Pocket	Game Boy Light
Budgeted sales	4,500 units	2,400 units
Expected selling price	€30	€40

Expected Stock – Finished Goods	Game Boy Pocket	Game Boy Light
Opening stock	650	410
Closing stock	520	340

Material Content and Costs	Material A	Material B
Game Boy Pocket	5 grams	6 grams
Game Boy Light	2 grams	3 grams
Expected purchase price per gram	€5	€3

Expected Stock - Raw Materials	Material A	Material B
Opening stock	160 grams	290 grams
Closing stock	200 grams	330 grams

Direct Labour time in hours	
Game Boy Pocket	3 hours
Game Boy Light	4 hours

Direct labour rate per hour	€9
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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 Games Ltd prepare a production budget?

(80 marks)

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