



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2018

ACCOUNTING - ORDINARY LEVEL
(400 marks)

MONDAY 18 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 Sole Trader**

The following balances were extracted from the books of Michael O'Reilly, a sole trader as at 31/12/2017:

	€	€
Buildings	400,000	
Delivery vans at cost	64,000	
Accumulated depreciation – delivery vans		12,000
Office equipment (cost €20,000)	10,000	
Patents	24,000	
Capital 01/01/2017		202,000
Drawings	12,200	
Stock 01/01/2017	27,000	
Sales		583,000
Purchases	192,000	
Returns outwards (purchases returns)		5,100
Returns inwards (sales returns)	13,000	
Creditors		22,400
Debtors	36,200	
Discount received		1,300
Wages and salaries	108,000	
General expenses	12,500	
VAT		15,300
Stationery	4,200	
Term loan (received 01/04/2017)		60,000
Loan interest paid	1,500	
PRSI/USC		9,600
Insurance	8,200	
Provision for bad debts		2,600
Bank	46,500	
Advertising	5,400	
Profit/loss balance 01/01/2017		<u>51,400</u>
	<u>964,700</u>	<u>964,700</u>

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You are given the following additional information:

- (i) Stock for resale at 31/12/2017 was €21,000.
- (ii) Stock of stationery at 31/12/2017 was €1,300.
- (iii) Included in Insurance is a cheque for €900, which is for M. O'Reilly's private house insurance.
- (iv) Provision should be made for interest due on the loan. The rate of interest is 8% per annum.
- (v) Advertising is for the year ended 30/04/2018.
- (vi) Depreciation is to be provided as follows:

Buildings	2% of cost
Delivery vans	10% of net <u>book</u> value
Office equipment	20% of cost
- (vii) Provision for bad debts is to be adjusted to 5% of debtors.

Required:

- (a) Prepare a **trading, profit and loss account** for the year ended 31/12/2017. (80)
- (b) Prepare a **balance sheet** as at 31/12/2017. (40)

(120 marks)

2. Debtors and Creditors Control Account

The following figures were taken from the books of Alan Campion during January 2018:

	€
Debtors ledger balance 01/01/2018 dr	86,500
Debtors ledger balance 01/01/2018 cr	3,300
Creditors ledger balance 01/01/2018 cr	45,000
Creditors ledger balance 01/01/2018 dr	440
Returns outwards (purchases returns)	1,800
Discount allowed	1,650
Discount received	2,400
Sales (including cash sales €12,200)	204,200
Cheques paid to suppliers	80,200
Cheques received from customers	120,300
Bad debts written off	3,200
Transfer from debtors ledger to creditors ledger	2,100
Returns inwards (sales returns)	3,600
Purchases (including cash purchases €15,200)	180,200
Bills payable accepted	7,100
Bills receivable issued	18,200
Discount disallowed to Alan Campion	700
Cheques received dishonoured	1,900
Interest charged by Alan Campion on overdue accounts	1,200
Debtors ledger balance 31/01/2018	1,250 cr
Creditors ledger balance 31/01/2018	820 dr

You are required to prepare for January 2018:

(a) The debtors ledger control account. (30)

(b) The creditors ledger control account. (30)

(60 marks)

3. Bank Reconciliation Statement

Set out below are the bank account and bank statement of Sinead Power for the month of January 2018.

Dr		Bank Account				Cr	
		€				€	
Jan. 1	Balance b/d	5,450	Jan. 6	S. Ralph	400101	1,300	
Jan. 8	Sales lodged	9,600	Jan. 9	Rent	400102	3,200	
Jan. 18	Lodgement	3,400	Jan. 10	R. Stove	400103	940	
Jan. 24	Sales lodged	5,600	Jan. 15	C. Quigley	400104	2,720	
			Jan. 20	R. Henry	400105	3,900	
			Jan. 23	Insurance	400106	7,400	
			Jan. 26	T. Walsh	400107	450	
			Jan. 31	Balance c/d		4,140	
		<u>24,050</u>				<u>24,050</u>	
Feb. 1	Balance b/d	4,140					

Bank Statement on 31/01/2018				
		Debit	Credit	Balance
		€	€	€
Jan. 1	Balance b/d			5,450
Jan. 2	Interest received		210	5,660
Jan. 7	S. Ralph 400101	1,300		4,360
Jan. 10	Lodgement		9,600	13,960
Jan. 10	Rent 400102	3,200		10,760
Jan. 11	R. Stove 400103	940		9,820
Jan. 17	C. Cooke (cheque dishonored)	820		9,000
Jan. 20	Lodgement		3,400	12,400
Jan. 21	R. Henry 400105	3,900		8,500
Jan. 24	Insurance 400106	7,400		1,100
Jan. 24	Bank charges	85		1,015
Jan. 25	Standing order	60		955
Jan. 29	S. Power	240		715

Note: The €240 entered in the Bank Statement on January 29 was entered in error to Sinead Power's account instead of Siobhan Power's Account.

Required:

- (a) Show Sinead Power's **adjusted bank account** and bring down the adjusted balance. (35)
- (b) Prepare a statement on 31/01/2018 **reconciling** the adjusted bank account balance with the bank statement balance. (25)

(60 marks)

4. Tabular Statement

The following balance sheet shows the financial position of a sole trader, Trevor Kelly, as at 01/02/2018:

Balance Sheet as at 01/02/2018			
	€	€	€
Fixed Assets			
Buildings		500,000	
Delivery vans		<u>82,000</u>	
			582,000
Current Assets			
Stock	52,000		
Debtors	14,000		
Bank	<u>41,500</u>	107,500	
Less Creditors: amounts falling due within 1 year			
Creditors	21,000		
Expenses due	<u>800</u>	<u>21,800</u>	
			<u>85,700</u>
			<u>667,700</u>
Financed by:			
Capital		590,000	
Profit/loss account		<u>77,700</u>	
			<u>667,700</u>

The following transactions took place during February 2018:

- Feb 4 Paid by cheque expenses that were due at the beginning of the month.
- Feb 8 Purchased goods on credit for €14,800.
- Feb 13 Purchased a new delivery van for €21,000. A deposit of €4,000 was paid by cheque and the remainder borrowed from Surety Finance Ltd.
- Feb 16 Received from a debtor a cheque for €3,200 in full settlement of a debt of €4,500.
- Feb 20 Paid by cheque from business bank account €1,600 for roof repairs to private residence.
- Feb 22 Paid by cheque, a creditor's account balance of €500 and received a discount of €120.
- Feb 25 A debtor who owed €400 was declared bankrupt and paid 30c in the €.
- Feb 27 Sold goods on credit for €7,300, which originally cost €8,300.

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 28/02/2018.

(60 marks)

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

5. Interpretation of Accounts

The following information has been taken from the accounts of Larchfield Ltd for the year ended 31/12/2017:

Trading and Profit and Loss Account for the year ended 31/12/2017

	€	€	€
Credit sales			660,000
Less: Cost of sales			
Stock 01/01/2017		26,000	
Add: credit purchases		?????	
		?????	
Less: Stock 31/12/2017		<u>14,000</u>	
Cost of sales			<u>?????</u>
Gross profit			352,000
Less: Total expenses (including interest paid €5,400)			<u>98,000</u>
Net profit for year			<u>254,000</u>

Balance Sheet as at 31/12/2017

	€	€	€
	Cost	Depreciation	NBV
Fixed Assets	<u>980,000</u>	<u>63,000</u>	917,000
Current Assets (including trade debtors €65,000)		93,000	
Less Creditors: amounts falling due within 1 year			
Trade creditors		<u>52,000</u>	
			<u>41,000</u>
			<u>958,000</u>
Financed by:			
Creditors: amounts falling due after more than 1 year			
6% Debentures (2022/2023)			90,000
Capital and Reserves	Authorised	Issued	
Ordinary shares at €1 each	<u>900,000</u>	<u>614,000</u>	614,000
Profit and loss account			<u>254,000</u>
			<u>958,000</u>

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- (a) You are required to calculate:** (to 2 decimal places where appropriate)
- (i) The figure for purchases.
 - (ii) The net profit margin.
 - (iii) The period of credit given to debtors.
 - (iv) The acid test ratio. (40)
- (b) Explain** the following terms and **state how they apply to the above accounts** (where appropriate):
- (i) 6% Debentures 2022/2023
 - (ii) Interest paid
 - (iii) Tangible fixed assets
 - (iv) Ordinary dividend. (40)
- (c)** Would Larchfield Ltd have difficulty paying its bills as they fall due? Give reasons for your answer. (10)
- (d)** The return on capital employed for Larchfield Ltd in **2016** was 19%.
- (i) Calculate the return on capital employed for **2017**.
 - (ii) Comment on the profitability of Larchfield Ltd in **2017**. (10)
- (100 marks)**

6. Cash Flow Statement

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

Profit and loss (extract) for year ended 31/12/2017	€
Operating profit	85,000
Interest paid	<u>(5,000)</u>
	80,000
Taxation	<u>(7,000)</u>
	73,000
Dividends paid	<u>(6,000)</u>
Retained profit	67,000
Profit and loss balance 01/01/2017	<u>61,000</u>
Profit and loss balance 31/12/2017	<u><u>128,000</u></u>

Balance Sheets as at	31/12/2017		31/12/2016	
	€	€	€	€
Fixed Assets				
Land and buildings	350,000		250,000	
Less depreciation provision	<u>(40,000)</u>	310,000	<u>(28,000)</u>	222,000
Current Assets				
Stock	52,000		47,000	
Debtors	30,000		26,000	
Bank	<u>22,000</u>		<u>17,000</u>	
	<u>104,000</u>		<u>90,000</u>	
Less Creditors: amounts falling due within 1 year				
Creditors	11,000		22,000	
Taxation	<u>7,000</u>		<u>9,000</u>	
	<u>(18,000)</u>		<u>(31,000)</u>	
Net Current Assets		<u>86,000</u>		<u>59,000</u>
Total Net Assets		<u><u>396,000</u></u>		<u><u>281,000</u></u>
Financed by				
Creditors: amounts falling due after 1 year				
7% Debentures		105,000		95,000
Capital and Reserves				
Ordinary share capital issued		148,000		119,000
Share premium		15,000		6,000
Profit and loss account		<u>128,000</u>		<u>61,000</u>
		<u><u>396,000</u></u>		<u><u>281,000</u></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 Harding Ltd for the year ended 31/12/2017 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. Accounts of a Service Firm

The Fahy family are involved in the tourist industry. They run a bed and breakfast, rent bicycles and a holiday home to tourists during the holiday season. Included among their assets and liabilities on 01/01/2017 were:

Bed and breakfast premises €520,000; holiday home €94,000; equipment and linen €5,500; bicycles €6,400; stock of fuel and heating oil €2,000; advance deposits from tourists for holiday home €1,500; cash on hand €4,500.

Required:

(a) Prepare a statement of **Capital** of the Fahy family tourism business on 01/01/2017.

(30)

Receipts and Payments Account for the year ended 31/12/2017

Receipts	€	Payments	€
Cash on hand 01/01/2017	4,500	Provisions for bed and breakfast	9,100
Receipts from guests	34,600	Light and heat	2,700
Rent from holiday home	16,000	Drawings	3,600
Receipts from bicycle hire	2,600	Wages	17,200
		Laundry	2,900
		Advertising	1,400
		Repairs and maintenance	6,300
		Balance 31/12/2017	<u>14,500</u>
	<u>57,700</u>		<u>57,700</u>

The following information and instructions should be taken into account at 31/12/2017:

- (i) Bicycles to be depreciated by 15% per annum and equipment and linen by 20%.
- (ii) Owing to local provisions store €180.
- (iii) One fifth of the provisions purchased were used by the family.
- (iv) Receipts from guests include booking deposits for 2018 of €2,250.
- (v) Stock of oil €930.

Required:

(b) Prepare an **income and expenditure account** for the year ended 31/12/2017.

(40)

(c) Prepare a **balance sheet** on 31/12/2017.

(30)

(100 marks)

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

8. Marginal Costing

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

	€	€
Sales (44,000 units)		880,000
Variable Costs	440,000	
Fixed Costs	<u>141,500</u>	<u>(581,500)</u>
Net Profit		<u>298,500</u>

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 **30,000** units.
- (f) Prepare a **Marginal Costing Statement** which includes the following:

- Reduce the selling price by €1
- Increase sales volume by 5%
- All other costs remain the same

- (g) Explain the term 'Fixed Cost' in relation to Shefflin Ltd.
Give **one** example of a 'fixed cost' that Shefflin Ltd might incur.

(80 marks)

9. Cash Budgeting

Jack Manning had the following assets, liabilities and capital on 01/01/2018:

Assets	€
Fixed assets	305,000
Stock	32,000
Cash	31,200
Debtors	<u>82,100</u>
	<u>450,300</u>

Liabilities	
Creditors	50,300
Capital	<u>400,000</u>
	<u>450,300</u>

The expected sales and purchases for the next 5 months are as follows:

	Jan	Feb	Mar	Apr	May	Total
Sales	€44,200	€89,400	€88,100	€57,900	€81,600	€361,200
Purchases	€48,100	€48,200	€42,300	€34,700	€34,500	€207,800

- All sales are on credit and are paid for one month after sale.
- All purchases are on credit, and are paid for one month after the month of purchase, **except** €28,000 for cash in April.
- Jack rents the premises for €42,000 **per annum** payable monthly.
- Equipment will be bought in March for €6,000 cash.
- Wages per month will be €16,400.
- Closing stock on 31/05/2018 is expected to be €29,100.
- Net profit for the five months is expected to be €51,000.

Required:

- (a) Prepare a **cash budget** showing Jack Manning's expected monthly receipts and payments for the five months January to May 2018 and also the total column for the period.
- (b) Prepare a **budgeted** balance sheet as at 31/05/2018.
- (c) Outline **two** benefits for Manning in preparing a cash budget.

(80 marks)

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