Accounting Exam Guide

We are going to take a look at the Leaving Cert Accounting exam paper and guide you through it before assigning some revision questions for you to practice over the next few weeks.

We will take a detailed look into both the Ordinary and the Higher Level exam papers and how to tackle them.

Ordinary Level

Section 1: Financial Accounting

Here you are asked to answer either Question 1 **or** else attempt any two of the remaining three questions.

Question 1 is worth 120 marks. This is your long final accounts of a sole trader or a manufacturing company, private or public limited company or a departmental account.

When dealing with this question:

- Use the correct headings, e.g. Trading and Profit and Loss Account for the year ended 31/12/2016 etc.
- Have separate headings for expenses e.g. admin or selling and distribution etc.
- Remember that Authorised Capital is to be entered in company and manufacturing accounts.

Questions 2, 3, and 4 are each worth 60 marks. You need to attempt **2** of these if you choose not to attempt question 1. The questions that come up here are control accounts, depreciation and revaluation accounts, incomplete records, farm accounts, club accounts, service firm accounts, company profit and loss appropriation accounts and tabular statements.

Section 2: Financial Accounting

Here you are asked to answer **2** of the 3 questions in this section. Each question here is worth **100 marks**.

Questions that show up:

- Question 5 is normally an interpretation of accounts question
- Question 6 is normally a cash flow statement question
- Question 7 is based on another topic, e.g. club account, service firm account, farm accounts, incomplete records and tabular statements.

Section 3: Management Accounting

In this section you are asked to answer **1** of the 2 questions available. Each question is worth **80 marks**.

In the Management Accounting Section:

- The questions usually change from year to year e.g. if absorption costing comes up one year then the following year its likely to a marginal costing question.
- Don't try to guess what question will come up prepare for every eventuality.
- When you are doing your exam, attempt questions you are familiar with first to give you some confidence.

Time Allocation

You have 3 hours here to finish your exam; the following is a template that you could apply.

- Take ten minutes to read over the paper and decide what you are going to answer
- Take 60 minutes for Question 1 or 30m for each of your chosen questions
- Forty minutes for each question in section 2
- Thirty minutes for Question 8 or 9

Higher Level

Section 1: Financial Accounting

You are required here to answer either Question **1 or** else attempt any **two** of the remaining three questions.

Question 1 is worth 120 marks. This is your long questions and is based on the final accounts of one of the following:

- Sole trader
- Manufacturing company.
- Private or public limited company
- Departmental business

Question 2, 3, and 4 are each worth 60 marks and you should attempt two of these questions.

Some tips

Timing: You should spend no more Timing than 55 to 60 minutes on this section. In Question 1, take time to ensure that you have carried out the adjustments correctly as this is what the majority of marks are going for. You should be spending around 30-35 minutes doing the adjustments and the remainder should be spent slotting in the figures to the accounts.

Structure: Spend time learning the Structure: layout of the accounts for Question 1. When doing this question, you should write out the layout of the accounts first and then put in all the figures as you meet them.

Headings: Remember to put a heading Headings: on top of each account, e.g. Trading P&L Account for year ended dd/mm/yyyy. You will be penalised if you leave this out, which again leads to easy marks being lost.

Marks: Marks are not just awarded for figures; they are also awarded for words and dates. If you do not know the figures still put in the words. In Depreciation Accounts dates are as important as words, if you can't work out the figures still enter the dates and words.

Section 2: Financial Accounting

Here you are asked to answer **two** of three questions in this section. Each question then carries **100 marks**.

- Question 5 (Interpretation of Accounts) has been extremely common. It is difficult to get 100 marks from this question but it is a reliable one to prepare for.

Tips:

Timing: You should be spending about 45 minutes on each question in this section. If you are doing Question 5, you leave it until you have finished all other questions in the exam as it's possible to adjust how much you can write in accordance to how much time you have left in the exam.

Ratios: If you are doing Question 5, make sure you know the formulae of the ratios inside out. Practice writing them out on a regular basis. They will be needed in part A and B of the 8 question, which is usually worth a total of 85 marks. In Question 5, you must follow to format of 1) calculate, 2) compare and 3) comment when analysing the company's performance. 1) Calculate: This involves working out the appropriate ratio. Do not forget the appropriate label e.g. % or times. 2) Compare: This involves comparing the ratio with last year's or the ideal ratio figures. 3) Comment: Say whether it is a good or bad trend for the business. You must demonstrate that you understand the trend and not just whether there has been an increase or a decrease. Examiners will be looking for this layout and if you don't have it, you are liable to lose a lot of marks!

Theory questions: The theory questions in this section are often worth 10- 15 marks. Generally, go on the basis that every 3 marks requires you to make one point. Only give relevant information based on the accounts prepared as this is what is rewarded.

Section 3: Management Accounting

You are asked to answer **one** of two questions in this section. Each question then is worth **80 marks**.

In this section:

- It is important to learn the theory behind each of the questions
- When answering Cash Budgeting, enter a total column after the monthly columns
- Don't try to guess what questions will come up, cover all topics

Tips:

Timing: You should spend about 35 minutes doing this section. This section is possibly a little easier than the other two. During the exam, if you are struggling during Section 2, leave it, do this question and then return to complete Section 2.

Page Layout: If you aren't using ruled accounting paper in the exam, make sure you rule out the budgeting question in such a way that you leave enough space to put a figure in for each month.

Final Tips

Workings: Make sure to label all your workings for each question and hand them with your script. It is important however that workings are kept neat and tidy so the examiner can clearly establish where you went wrong.

The Order of the Exam: As mentioned previously, it's not necessary that you do the exam the way it's set out. By all means, jump ahead to Section 3 and do that first if that's what you are comfortable with.

Timing: It is hugely important that you keep an eye on the clock during the exam. There is no point in just starting your last question when the exam is about to finish. You must get the most amount of marks out of the time allocated to you!

Homework

Ordinary Level Homework

8. Absorption Costing

Europa Ltd, a manufacturing company has two Production Departments, Department A and Department B and one Service Department, Department X. Europa Ltd supplies the following information for the coming year.

	Production		**Service**
	Department A	**Department B**	**Department X**
Overhead Costs allocated per department	€80,000	€60,000	€24,000
Service Department X costs to be apportioned	75%	25%	------------
Budgeted Machine Hours	2,500	------------	------------
Budgeted Labour Hours	----------	1,200	------------

Required:

(a) Apportion (divide) **overhead costs** of Service Department X to Department A and Department B as per instruction above.

(b) Calculate the **total overhead costs** to be absorbed by Department A and Department B.

(c) Calculate the overhead absorption rate for **Department A** using **Machine Hours**.

(d) Calculate the overhead absorption rate for **Department B** using **Labour Hours**.

(e) The details of a customer's Job **No. 1869** are as follows:

Direct Materials	€1,850

(a) Dept. A 24,000 x 75% = 18,000 [17]

Dept. B 24,000 x 25% = 6,000

(b) Overhead to be absorbed by Dept. A 80,000 + 18,000 = 98,000 [15]

Overhead to be absorbed by Dept. B 60,000 + 6,000 = 66,000

(c) Overhead absorption Dept A - Machine hours [16]

$$\frac{\text{Budgeted Overheads}}{\text{Budgeted Machine hours}} = \frac{98,000}{2,500} = €39.20 \text{ per machine hour}$$

(d) Overhead absorption rate for Dept B - Labour hours [16]

$$\frac{\text{Budgeted Overheads}}{\text{Budgeted Labour hrs}} = \frac{€66,000}{1,200} = €55.00 \text{ per Labour hour}$$

(e) Overheads to be absorbed by Job No. 1869. [10]

Cost of Job No. 1869	
	€
Direct Materials	1,850.00
Direct Labour	930.00
Dept. A 9 hrs x 39.20	352.80
Dept. B 4 hrs x 55	220.00
Cost of Job No. 1869	3,352.80

(f)

Cost Price	3,352.80
Add mark – up 25%	838.20
Selling Price	4,191.00

[6]

1. Final Accounts of a Manufacturing Company

The following balances were extracted from the books of Maher Ltd as on 31/12/2012

	€	€
Share Capital:		
Authorised – 900,000 Ordinary Shares at €1 each		
Issued – 700,000 Ordinary Shares at €1 each		700,000
Factory Buildings	600,000	
Plant & Machinery (Cost 390,000)	260,000	
Delivery Vans (Cost €80,000)	60,000	
Patents	51,000	
Stocks 01/01/2012		
Raw Materials	48,000	
Work in progress	16,300	
Finished goods	62,500	
Sales		734,000
Purchase of Raw Materials	378,500	
Returns In (Sales Returns)	10,100	
Debtors	93,000	
Creditors		81,000
Sale of Scrap Materials		7,500
Factory Wages	130,000	
Direct Expenses	26,000	
Directors Fees	12,800	
Factory Insurance	20,000	
Factory Light and Heat	16,300	
Stationery	11,000	
Advertising	9,000	
Bank		51,200
Provision for Bad Debts		4,100
10% Debentures (issued 01/04/2012)		140,000
VAT		13,500
Profit and Loss Balance 01/01/2012		73,200
	1,804,500	1,804,500

You are given the following additional information:

(i) Stocks at 31/12/2012:

Raw Materials	€37,000
Work in progress	€24,000
Finished Goods	€65,000

(ii) Depreciation to be provided as follows:

Plant & Machinery	20% of cost
Delivery Vans	10% of book value
Factory Buildings	2% of cost

(iii) Factory Wages are to be divided: 75% for Direct Wages and 25% for Supervisor's Wages.

(iv) Provision should be made for Debenture Interest due.

(v) Factory Insurance was for the year ended 31/03/2013.

(vi) Finished Goods are to be transferred from factory at Current Market Value of €690,000.

(vii) Provide for Corporation Tax €14,000.

Required:

(a) **Manufacturing Account** for the year ended 31/12/2012 (40)

(b) Prepare a **Trading, Profit and Loss Account** for the year ended 31/12/2012. (40)

(c) Prepare a **Balance Sheet** as at 31/12/2012. (40)

(120 marks)

Manufacturing Account of Maher Ltd for year ended 31/12/2012

Stock Raw Materials 01/01/2012			48,000	[2]
Purchase of Raw Materials			378,500	[2]
			426,500	
Less Stock of Raw Materials 31/12/2012			37,000	[2]
Cost of Raw Materials consumed			389,500	
Add Factory Wages			97,500	[4]
Add Direct Expenses			26,000	[2]
PRIME COST [1]			513,000	
Add Factory Overhead Expenses				
Factory Supervisor's Wages	32,500	[2]		
Factory Insurance (20,000 – 5,000)	15,000	[4]		
Factory Light and Heat	16,300	[2]		
Dep. Plant and Machinery – 20% of cost	78,000	[3]		
Dep. Factory Building – 2% of cost	12,000	[3]		
Total Expenses			153,800	
Factory Cost			666,800	
Add work-in-progress 01/01/2012			16,300	[3]
			683,100	
Less work-in-progress 31/12/2012			24,000	[3]
			659,100	
Less Sale of Scrap Materials			7,500	[3]
Cost of Manufacture			651,600	
Profit on Manufacture			38,400	[3]
Transfer to Current Market Value			690,000	[1]

Trading Profit and Loss Account of Maher Ltd for the year ended 31/12/2012

Sales					734,000	[2]
Less Sales Returns					10,100	[2]
					723,900	
Less Cost of Sales						
Opening Stock			62,500	[2]		
Current Market Value			690,000	[1]		
			752,500			
Closing Stock			65,000	[2]		
Cost of Sales					687,500	
Gross Profit					36,400	[3]
Add Manufacturing Profit					38,400	[1]
					74,800	
Less Expenses						
Administration [1]						
Stationery	11,000	[3]				
Directors' Fees	12,800	[3]	23,800			
Selling and Distribution [1]						
Dep. Delivery Vans	6,000	[3]				
Advertising	9,000	[3]	15,000		38,800	
Operating Profit					36,000	
Less Debenture Interest					10,500	[3]
Net Profit for the year					25,500	
Less Taxation					14,000	[2]
					11,500	
Add Profit and Loss Balance 01/01/2012					73,200	[2]
Profit and Loss Balance at 31/12/2012					84,700	[6]

Balance Sheet of Maher Ltd as at 31/12/2012

Intangible Assets							
Patents						51,000	[2]
Fixed Assets		**Cost**		**Dep.**		**N. B.V.**	
Factory Buildings		600,000	[1]	12,000	[2]	588,000	[1]
Plant and Machinery		390,000	[1]	208,000	[2]	182,000	[1]
Delivery Vans		80,000	[1]	26,000	[2]	54,000	[1]
		1,070,000		246,000		824,000	
						875,000	
Current Assets							
Closing Stocks:	Raw Materials	37,000	[2]				
	Work-in-Progress	24,000	[2]				
	Finished Goods	65,000	[2]	126,000			
Debtors		93,000	[2]				
Less Bad Debt Provision		4,100	[2]	88,900			
Insurance Prepaid				5,000	[2]		
				219,900			
Creditors: amounts falling due within 1 year							
Creditors		81,000	[2]				
Taxation		14,000	[2]				
VAT		13,500	[2]				
Bank		51,200	[2]				
Debenture Interest due		10,500	[2]	170,200			
						49,700	
						924,700	
Financed By							
Creditors: amounts falling due after 1 year							
10% Debentures						140,000	[2]
Capital and Reserves		**Auth.**		**Issued**			
Ordinary Share Capital		900,000	[1]	700,000	[1]		
Profit and Loss 31/12/2012				84,700		784,700	
Capital Employed						**924,700**	

6. Incomplete Records – Control Accounts

Brian O'Dowd did not keep a full set of books during the year ended 31/12/2011. The following is a summary of the cash account for that period.

Cash Receipts	**€**	**€**
Balance 01/01/2011	38,400	
Debtors	84,300	
Commission	5,700	
Sales	174,100	302,500

Cash Payments		
Purchases	125,700	
Drawings	20,800	
Wages and General Expenses	48,600	
Creditors	55,300	
Furniture	16,500	266,900

The following additional information is also available:

	01/01/2011	**31/12/2011**
Premises	295,000	295,000
Delivery Vans	72,000	72,000
Debtors	15,400	19,200
Creditors	8,300	10,800
Stock	14,200	12,600
Expenses due	2,130	890

Note: Depreciate Delivery Vans by **20%** of cost per annum.

You are required to:

(a) Calculate Brian O'Dowd's **Capital** on 01/01/2011. (10)

(b) Calculate Brian O'Dowd's **Total Sales** and **Total Purchases** using **Control Accounts**. (20)

(c) Prepare a **Trading, Profit and Loss Account** for the year ended 31/12/2011. (30)

(d) Prepare a **Balance Sheet** as at 31/12/2011. (40)

(100 marks)

Q.6 Incomplete Records

10

Capital 01/01/2011

	€		€	
Assets				
Premises	295,000	[1]		
Delivery Vans	72,000	[1]		
Stock	14,200	[1]		
Debtors	15,400	[1]		
Cash	38,400	[2]	435,000	
Less Liabilities				
Creditors	8,300	[1]		
Expenses due	2,130	[1]	10,430	
Capital 01/01/2011			424,570	[2]

(b)

20

Debtors Control Account

Dr					Cr
01/01/11	Balance	15,400 [2]	31/12/11	Cash	84,300 [2]
	Credit Sales	88,100 [1]	31/12/11	Balance c/d	19,200 [2]
		103,500		103,500	

Credit Sales + Cash Sales = Total Sales
88,100 + 174,100 = 262,200
[3]

Creditors Control Account

Dr					Cr
31/12/11	Bank	55,300 [2]	1/1/2011	Balance c/d	8,300 [2]
31/12/11	Balance	10,800 [2]		Credit Purchases	57,800[1]
		66,100			66,100

Credit Purchases + Cash Purchases = Total Purchases
57,800 + 125,700 = 183,500
[3]

(c) **30**

Trading and Profit and Loss Account of Brian O'Dowd for the year ended 31/12/2011

	€	€		€	
Sales				262,200	[3]
Less: Cost of Sales					
Stock 01/01/2011		14,200	[3]		
Purchases		183,500	[3]		
		197,700			
Stock 31/12/2011		12,600	[3]		
Cost of Sales				185,100	
Gross Profit				77,100	
Less Expenses					
General Expenses		47,360	[6]		
Dep. Delivery vans		14,400	[4]	61,760	
				15,340	
Add					
Commission received				5,700	[4]
Net Profit				21,040	[4]

(d) **Balance Sheet of Brian O'Dowd as on 31/12/2011** **40**

	€		€		€	
Fixed Assets	**Cost**		**Depr**		**N.B.V.**	
Buildings	295,000				295,000	[3]
Delivery Vans	72,000	[2]	14,400	[2]	57,600	[3]
Furniture	16,500				16,500	[4]
	383,500		14,400		369,100	
Current Assets						
Closing Stock	12,600	[4]				
Debtors	19,200	[4]				
Bank	35,600	[6]	67,400			
Creditors: amounts falling due within 1 year						
Creditors	10,800	[4]				
Expenses due	890	[4]	11,690			
					55,710	
					€424,810	
Financed By:						
Creditors: amounts falling after 1 year						
Capital 01/01/2011			424,570	[1]		
Profit/Loss Balance 31/12/2011			21,040	[1]		
			445,610			
Drawings			20,800	[2]		
					€424,810	

Homework

Higher Level

8. **Stock Valuation, Product Costing, Under and Over Absorption**

(a) **Stock Valuation**

Blue Ltd is a retail store that buys and sells one product. The following information relates to the purchases and sales of the firm for the year 2012.

Period	Purchases on credit	Credit Sales	Cash Sales
01/01/2012-30/04/2012	4,000 @ €5 each	1,000 @ €9 each	1,500 @ €12 each
01/05/2012-31/08/2012	2,500 @ €6 each	1,200 @ €11 each	1,300 @ €13 each
01/09/2012-31/12/2012	1,700 @ €8 each	1,400 @ €11 each	1,200 @ €14 each

On 1/1/2012 there was opening stock of 4,500 units @ €5 each.

Required:
(i) Calculate the value of closing stock using 'First in/First out' (FIFO) method.
(ii) Prepare a trading account for the year ending 31/12/2012.

(b) **Product Costing**

The following is the budgeted yearly overhead details of Grace Ltd, manufacturers of computer equipment which has three production departments.

Production departments	Budgeted Overheads	Budgeted Labour Hours	Wage Rate per hour
Manufacturing	€180,000	36,000 hours	€4
Assembly	€99,000	18,000 hours	€2.50
Finishing	€36,000	4,500 hours	€3.75

Budgeted general administration costs for the year €1,170,000

Details of Job Number 666
Direct Material 30 kgs at €10.20 per kg

Direct Labour Hours	Manufacturing	20 hours
	Assembly	6 hours
	Finishing	4 hours

All orders are priced using a profit margin of 25%.

Required:
(i) Calculate the overhead absorption rates for each department.
(ii) Calculate the selling price of Job Number 666.

(c) **Under and Over Absorption**

The information set out below refers to the budgeted and actual costs of Hake Manufacturing Ltd.

Budgeted	**Direct Labour Hours**	**Machine Hours**	**Total Overhead**
Department A	7,000	32,000	€160,000
Department B	48,000	7,000	€33,600
Department C	22,000	---	€46,200
Actual	**Direct Labour Hours**	**Machine Hours**	**Total Overhead**
Department A	9,000	37,000	€175,000
Department B	40,000	12,000	€29,000
Department C	27,000	---	€50,000

Required:
(i) Calculate departmental overhead absorption rates for Departments A, B and C.

(a) Stock Valuation

Purchases in units	Unit Cost	Purchases at cost €
4,000	€5	20,000
2,500	€6	15,000
1,700	€8	13,600
8,200		**48,600**

Credit Sales Units			€	Cash Sales Units			€	Total Sales Units	€
1,000	@	€9	9,000	1,500	@	12	18,000	2,500	27,000
1,200	@	€11	13,200	1,300	@	13	16,900	2,500	30,100
1,400	@	€11	15,400	1,200	@	14	16,800	2,600	32,200
3,600			**37,600**	4,000			**51,700**	7,600	**89,300**

Closing Stock in Units = Opening Stock 4,500 + Purchases 8,200 – Sales 7,600 = 5,100 units [6]

Closing Stock Valuation:

Units				€	
1,700	@	€8	=	13,600	[2]
2,500	@	€6	=	15,000	[2]
900	@	€5	=	4,500	[2]
5,100				**33,100**	[4]

Trading account for the year ending 31/12/2012

			€	
Sales			89,300	[3]
Less Cost of sales				
Opening Stock	22,500	[2]		
Add Purchases	48,600	[3]		
	71,100			
Less Closing Stock	33,100	[2]	(38,000)	
Gross Profit			51,300	[4]

(b) (i)

	Manufacturing	Assembly	Finishing
Budgeted Overheads	€180,000	**€99,000**	€36,000
Direct Labour Hours	36,000	18,000	4,500
	€5 per DLH [2]	**€5.50 per DLH** [2]	**€8.00 per DLH** [2]

(ii)

Selling Price of Job Number 666

		€		€	
Direct materials	(30 x 10.20)			306.00	[5]
Direct Labour					
Manufacturing	(20 x 4.00)	80.00	[2]		
Assembly	(6 x 2.50)	15.00	[2]		
Finishing	(4 x 3.75)	15.00	[2]	110.00	
Budgeted Overheads					
Manufacturing	(20 x 5.00)	100.00	[3]		
Assembly	(6 x 5.50)	33.00	[3]		
Finishing	(4 x 8.00)	32.00	[3]	165.00	
General Administration overhead (30 x 20)				600.00	[3]
Total Cost [75%]				1,181.00	[3]
Profit [25% of selling price]				393.67	
Net Selling Price 100%				1,574.67	[4]

(c)

(i) **Under and over absorption of costs**

Dept A	Dept B	Dept C
€160,000 / 32,000	€33,600 / 48,000	46,200 / 22,000
= **€ 5 per M.H** [2]	= **€0.70 per L.H** [2]	= **€2.10 per LH** [2]

(ii)

	Dept A		Dept B		Dept C		Total
	€		€		€		€
Actual overhead incurred	175,000	[1]	29,000	[1]	50,000	[1]	254,000
Absorbed overhead	185,000	[1]	28,000	[1]	56,700	[1]	269,700
Over/Under absorption	10,000		(1,000)		6,700		15,700

Actual Absorbed Overheads

Dept A Actual machine hours x Machine Hour rate	= 37,000 x €5.00	=	€185,000
Dept B Actual labour hours x Labour Hour rate	= 40,000 x €0.70	=	€28,000
Dept C Actual labour hours x Labour Hour rate	= 27,000 x €2.10	=	€56,700

[2]

In department A, the costs incurred were €10,000 less than expected/budgeted and therefore profits are €10,000 greater than expected.

In department B, the costs incurred were €1,000 more than expected/budgeted and therefore profits are €1,000 less than expected.

In department C, the costs incurred were €6,700 less than expected/budgeted and therefore profits are €6,700 greater than expected.

Overall, the costs incurred were €15,700 less than expected/budgeted and therefore profits are €15,700 greater than expected.

1. Sole Trader – Final Accounts

The following Trial Balance was extracted from the books of Mike Mc Mahon on 31/12/2013:

	€	€
Buildings (Cost €640,000)	545,000	
Delivery Vans (Cost €90,000)	78,000	
3% Investments (01/04/2013)	100,000	
6% Fixed Mortgage (including increase of €60,000 received on 01/04/2013)		200,000
Patents	40,400	
Debtors and Creditors	50,000	110,000
Purchases and Sales	530,400	695,000
Stock 01/01/2013	64,200	
Advertising	2,500	
Salaries and general expenses (incorporating suspense)	90,000	
Provision for bad debts		1,400
Discount (net)	1,800	
Rent	10,000	
Mortgage interest paid for the first three months	1,500	
Insurance	5,750	
VAT		4,200
Bank		16,400
PAYE, PRSI & USC		3,800
Drawings	41,250	
Capital		530,000
	1,560,800	1,560,800

The following information and instructions are to be taken into account:

(i) Stock at 31/12/2013 at cost was €80,000. No record has been made for 'goods in transit' on 31/12/2013. The invoice for these goods had been received showing the recommended retail selling price of €4,800 which is cost plus 20%.

(ii) Provide for depreciation on vans at the annual rate of 10% of cost from date of purchase to the date of sale.
NOTE: On 31/3/2013 a delivery van which cost €40,000 on 30/9/2010 was traded in against a new van which cost €46,000. An allowance of €16,000 was given on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction.

(iii) The suspense arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and €2,000 paid towards PAYE, PRSI and USC entered only in the bank account.

(iv) Goods with a retail selling price of €15,000 were returned to a supplier. The selling price was cost plus 20%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry has been made in respect of the restocking charge.

(v) Provision to be made for mortgage interest due. 25% of the mortgage interest refers to the private dwelling.

(vi) Patents, which incorporate 3 months investment income, are to be written off over a five year period, commencing in 2013.

(vii) Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the buildings at €720,000 on 31/12/2013.

(viii) Goods withdrawn by the owner for private use during the year, with a retail value of €3,000, which is cost plus 25%, were omitted from the books.

(ix) A cheque for €800 had been received on 31/12/2013 in respect of a debt of €800 previously written off as bad. No entry was made in the books to record this transaction.

You are required to prepare a:

(a) Trading and Profit and Loss Account for the year ended 31/12/2013 (75)

(b) Balance Sheet as at 31/12/2013. (45)

(120 marks)

Trading and Profit and Loss Account for the year ending 31/12/2013 [1]

		€	€	€
Sales				695,000 [2]
Less Cost of Sales				
Stock 1/1/2013			64,200 [2]	
Add Purchases	**W1**		503,250 [12]	
			567,450	
Less Stock 31/12/2013	**W2**		(84,000) [5]	(483,450)
Gross Profit				211,550
Less Expenses				
Administration				
Patent written off	**W3**	8,230 [5]		
Salaries and General expenses	**W4**	87,400 [9]		
Rent		10,000 [2]		
Insurance		5,750 [2]		
Depreciation – Buildings	**W5**	12,800 [3]	124,180	
Selling and Distribution				
Advertising		2,500 [2]		
Loss on sale of van	**W6**	14,000 [6]		
Depreciation –Delivery van	**W7**	9,450 [5]		
Discount		1,800 [2]	27,750	(151,930)
				59,620
Add Operating Income				
Bad debt recovered				800 [2]
				60,420
Add Investment Income				2,250 [4]
				62,670
Less Mortgage Interest	**W8**			(8,325) [5]
Net Profit				54,345 [6]

(b)

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Balance Sheet as at 31/12/2013

		Cost	Acc. Dep.	Net	Total
Intangible Fixed Assets		€	€	€	€
Patents					32,920 [4]
Tangible Fixed Assets					
Buildings	**W9**	720,000 [1]		720,000	
Delivery Vans	**W10 & 11**	96,000 [2]	11,450 [3]	84,550	
		816,000	11,450	804,550	804,550
Financial Assets					
8% Investments					100,000 [2]
					937,470
Current Assets					
Stock			84,000 [2]		
Debtors	**W12**		48,600 [2]		
Investment income due	**W13**		1,500 [3]	134,100	
Creditors: amounts falling due within one year					
Creditors	**W14**		115,250 [6]		
Bank	**W15**		15,600 [3]		
VAT			4,200 [2]		
PRSI/USC	**W16**		1,800 [2]		
Mortgage interest due			9,000 [2]	(145,850)	(11,750)
					925,720
Financed by					
Creditors: amounts falling due after more than one year			[1]		
Mortgage					200,000 [2]
Capital and Reserves					
Capital				530,000 [1]	
Revaluation Reserve	**W18**			187,800 [3]	
Net Profit				54,345	
				772,145	
Drawings	**W17**			(46,425) [4]	725,720
Capital Employed					925,720

Question 1 - workings

1.	Purchases	530,400 + 4,000 – 30,000 +1,250 – 2,400	503,250
2.	Closing stock	80,000 + 4,000	84,000
3.	Patent (Profit + Loss a/c)	(40,400 + 750) * 5	8,230
	Patents (Balance Sheet)	(40,400 + 750) – 8,230	32,920
4.	Salaries and general expenses	90,000 – [2,000 + 600]	87,400
5.	Depreciation on Buildings	2% x €640,000	12,800
6.	Loss on sale of van	40,000 – 16,000 – 10,000	14,000
7.	Depreciation Delivery vans 9,000 + 450 2,250 + 7,200 5,000 + 1,000 + 3,450	5,000 + 1,000 + 3,450	9,450
8.	Mortgage Interest 1,500 + 600 + 9,000 – 2,775	8,400 + 2,700 – 2,775 8,325	
9.	Buildings	640,000 + 80,000	720,000
10.	Delivery vans at cost	90,000 + 46,000 – 40,000	96,000
11.	Provision for Dep. – vans	12,000 + 9,450 – 10,000	11,450
12.	Debtors	50,000 - 1,400	48,600
13.	Investment Income due	2,250 – 750	1,500
14.	Creditors	110,000 + 4,000 + 1,250	115,250
15.	Bank	16,400 – 800	15,600
16.	PAYE/PRSI	3,800 – 2,000	1,800
17.	Drawings	41,250 + 2,775 + 2,400	46,425
18.	Revaluation Reserve	80,000 + 95,000 + 12,800	187,800

Penalties: Deduction of 2 x 1 mark for the omission of two expense headings in Profit & Loss Account.

2. Tabular Statement

The financial position of Yeats Ltd on 1/1/2008 is shown in the following balance sheet:

Balance sheet as at 1/1/2008

	Cost	Dep. to date	Net
Fixed Assets	**€**	**€**	**€**
Goodwill (cost €45,000)			35,000
Land & buildings	660,000	52,800	607,200
Delivery vans	80,000	32,000	48,000
	740,000	84,800	690,200
Current Assets			
Stock	88,700		
Insurance prepaid	1,400		
Debtors	57,100	147,200	
Less Creditors: amount falling due within 1 year			
Creditors	79,600		
Bank	14,300		
Wages due	3,500	97,400	49,800
			740,000
Financed by			
Capital and Reserves			
Authorised – 800,000 ordinary shares @ €1 each			
Issued – 500,000 ordinary shares @ €1 each		500,000	
Share premium		100,000	
Profit and loss balance		140,000	740,000
			740,000

The following transactions took place during 2008:

Jan Yeats Ltd bought an adjoining business on 1/1/2008 which included buildings €260,000, delivery vans €52,000 and creditors €38,000. The purchase price was discharged by granting the seller 250,000 shares in Yeats Ltd at a premium 20c per share.

Feb A creditor who was owed €8,800 by Yeats Ltd accepted a delivery van, the book value of which was €9,000, in full settlement of the debt. This delivery van had cost €14,000.

March Received a bank statement on 1st March showing a direct debit of €9,600 to cover fire insurance for year ended 28/2/2009 and a credit transfer received of €7,700 to cover 11 months rent receivable in advance from March 1.

April Yeats Ltd decided to re-value the land and buildings on 1/4/2008 at €970,000. The land element of the new value is €140,000.

July A delivery van, which cost €15,000, was traded in against a new van costing €24,000. An allowance of €4,500 was made for the old van. Depreciation to date on the old van was €12,000.

Aug A payment of €1,750 was received from J. O'Brien, a debtor, whose debt had been previously written off and who now wishes to trade with Yeats Ltd again. This represents 70% of the original debt and O'Brien had undertaken to pay the remainder of the debt in January 2009. On the same day goods valued at €500 were sold on credit to O'Brien. This is a mark-up of 25%.

Dec Depreciation on buildings is charged at the rate of 2% per annum of value at 1/4/2008.
The depreciation charge for the year on delivery vans was €25,400.

You are required to:

Record on a tabular statement the effect each of the above transactions had on the relevant asset and

Question 2

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	1/1/2008	January	February	March	April	July	August	Dec	Dec	Total
Assets	€	€	€	€	€	€		€	€	€
Goodwill	35,000	26,000 [2]								61,000
Land and Buildings	660,000	260,000 [1]			50,000 [2]					970,000
Accumulated Depreciation	(52,800)				52,800 [2]			(12,450) [2]		(12,450)
Delivery Vans	80,000	52,000 [1]	(14,000) [2]			9,000 [2]				127,000
Accumulated Depreciation	(32,000)		5,000 [2]			12,000 [2]		(25,400) [1]		(40,400)
Stock	88,700						(400) [2]			88,300
Debtors	57,100						1,250 [2]			58,350
Insurance A/c (Prepaid)	1,400			9,600 [2]					(9,400) [2]	1,600 [1]
	837,400	**338,000**	**(9,000)**	**9,600**	**102,800**	**21,000**	**850**	**(37,850)**	**(9,400)**	**1,253,400**
Liabilities										
Creditors	79,600	38,000 [1]	(8,800) [2]							108,800
Bank	14,300			1,900 [2]		19,500 [2]	(1,750) [2]			33,950
Wages due	3,500									3,500
Rent Receivable				7,700 [2]					(7,000) [2]	700 [1]
Share Capital	500,000	250,000 [2]								750,000
Share Premium	100,000	50,000 [2]								150,000
Revaluation Reserve					102,800 [2]					102,800
Profit and Loss	140,000		(200) [1]			1,500 [1]	2,600 [2]	(37,850 [2]	(2,400) [2]	103,650 [4]
TOTAL	**837,400**	**338,000**	**(9,000)**	**9,600**	**102,800**	**21,000**	**850**	**(37,850)**	**(9,400)**	**1,253,400**