

SECTION B

QUESTION 1 HOUSEHOLD BUDGET

(A) Budget Comparison Statement for the Casey household for the year 2008

INCOME	Feb	Mar	Apr	May	Total for period Feb – May
	€	€	€	€	€
TOTAL INCOME	2,850	2,850	2,625	2,725	11,050
TOTAL EXPENDITURE	2,425	3,025	2,968	2,167	10,585
Savings	300	300	300	300	1,200
(Total Expenditure & Savings)	2,725	3,325	3,268	2,467	11,785
TOTAL OUTGOINGS					
Net Cash	125	(475)	(643)	258	(735)
Opening Cash	548	673	198	(445)	548
Closing Cash	673	198	(445)	(187)	(187)

(20 @ ½ + 1) = 11

(B)

(i) A budget is:

(2 + 1)

- A financial plan of expected income and expenditure.
- An estimate of future income and expenditure,

• (ii) Two reasons for preparing a budget:

(3 + 3) (1 + 2)

- To estimate the income for each month and for the period in total.
- To estimate the expenditure for each month and for the period in total.
- To estimate the whether or not there is a surplus and what might be done with that surplus
- To estimate if there will be a deficit and how it might be eliminated or financed.
- To live within a person's income
- To calculate the closing cash situation for each month.

(iii)	Month: March	Amount: €475	(2)
	<u>Or</u>		
	April	€643	

(iv) **One way of overcoming the deficit:** (3)

- Cut down on expenditure (can use example)
- Reduce the amount saved.
- Increase and stabilise income per month, example e.g. overtime
- Rearrange expenditure.

(v) **No.** They had an overall deficit of 735 (3)

Or


Yes considering they saved 1200 which could be used to pay off the deficit

(vi) **One place and reasons:** (1 + 2)

- **Answer:** Post Office
- **Reason:** Convenient, state guaranteed, competitive return, no D.I.R.T. on certificates, bonds, and instalment savings, and there's long opening hours. Earn interest
- **Answer:** Credit Union
- **Reason:** Convenient, deposit covered by insurance, can borrow a multiple of one's savings. No D.I.R.T. on the dividends of share accounts. Earn interest. Earn interest.
- **Answer:** Banks or Deposit Account
- **Reason:** Deposit accounts are safe. Access to one's money. Earn interest
- **Answer:** Endowment Assurance policy
- **Reason:** Guaranteed sum if one dies before maturity. The investment earned may grow in value over a long period.
- **Answer:** Shares
- **Reason:** The shares may appreciate in value or earn a dividend.

(C)

(9 marks)

Date	14/02/2010	AIB 93-63-32	
To	Park Insurance Ltd	KILLARNEY, CO. KERRY	Date 14th February 2010
Balance b/f	€ 849.00		
Lodgement		Pay Park Insurance Ltd [or order] euro euro euro	
Total	849.00	Six hundred and nineteen euro only	€619.00
This Cheque	619.00	ANDY DEVINE	
Balance c/f	230.00		Andy Devine
2614		2614	936332 5678210

QUESTION 2 CLUB ACCOUNT

(A)

STATEMENT OF ACCUMULATED FUND ON 1/1/2009

(6 @ 1m)

ASSETS			
Yachts	110,000		
Clubhouse	320,000		
Cash	<u>14,000</u>		
		<u>[444,000]</u>	
Less: Liabilities			
Long term Loan		128,500	
Accumulated Fund		<u>315,500</u>	

(B) (i) RECEIPTS & PAYMENTS ACCOUNT 31/12/2009 (1)

Figures 11 @ 1 mark

		<u>Dr</u> €			<u>Cr</u> €
01/01/09	Balance b/d	14,000		Light & Heat	1,680
	Subscriptions	8,700		Equipment	15,600
	Entry Fees	19,360		General Expenses	3,460
	Sponsorship	850		Regatta Expenses	8,220
	Lotto	2,750		Insurance	1,870
			31/12/09	Balance c/d	14,830
		[45,660]			[45,660]
	Balance b/d	<u>[14,830]</u>			

Total 12 marks

Transposition earns ½ earned marks by figures

Vertical can earn only 1 mark for headings

No adjustments accepted in Receipts & Payments, if so marks lost.

(B) (ii) INCOME & EXPENDITURE ACCOUNT FOR YEAR ENDING 31/12/2009 (1)

INCOME:	€	€	€
Subscriptions	8,700		
<u>Less:</u> Subs. Prepaid	600	8,100	
Regatta Entry Fees	19,360		
<u>Less:</u> Regatta Expenses	8,220	11,140	
Annual Sponsorship		850	
Club Lotto		2,750	[22,840]
LESS EXPENSES:			
Light & Heat	1,680		
<u>Add:</u> Light & Heat Due	210	1,890	
General Expenses		3,460	
Insurance	1,870		
<u>Less:</u> Insurance prepaid	160	1,710	
Depreciation Equipment		2,340	
Depreciation Yachts		11,000	[20,400]
Excess of Income/Surplus			2,440

17

Title with date = 1m, Figures 13 @ 1m, Surplus figure = 2m, Correct detail for own surplus/deficit = 1m

Total 17 marks

Note: (i) If no headings are presented the first detail with figure signifies the heading/list.
(ii) In vertical format income first listed otherwise ½ earned marks for figures
(iii) Debit /Credit format the expenses must be on the debit side, if reversed allow half earned marks for figures.

OR ALTERNATIVELY**INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDING 31-12-2009**

EXPENSES	€	€	INCOME	€	€
Light & Heat	1,680		Subscriptions	8,700	
<u>Add:</u> Light & Heat Due	210	1,890	<u>Less:</u> Prepaid	600	8,100
General Expenses		3,460	Regatta Entry	19,360	
Insurance	1,870		<u>Less:</u> Regatta Expenses	8,220	11,140
<u>Less:</u> Insurance Prepaid	160	1,710	Sponsorship		850
Depreciation Equipment		2,340	Club Lotto		2,750
Depreciation Yachts		11,000			
Excess of Income		2440			
		22840			22840

(C) **ASSETS:** Yachts, Clubhouse, Cash, Insurance prepaid, Equipment. (2 @ 2m)
LIABILITIES: Long term loan, Subscription prepaid, Light and Heat due. (1 @ 1m)

QUESTION 3 ECONOMIC GROWTH, INFLATION AND TRADE QUESTION
(A)

(i) Economic Growth:

(2)

It's an increase in the output/quantity of goods & services produced in an economy from one period to the next.

(ii) Measure of Economic Growth:

(2)

- G.N.P. – Gross National Product
- G.D.P. – Gross Domestic Product

(iii) Two Economic Consequences:

(3 + 3)

- There is less goods & services available for consumption.
- There is less economic activity/spending/cutbacks/factory closures
- There is an increase in unemployment/social welfare payments.
- There is an increase in emigration.
- There is a decrease in Government income/less taxes collected.
- There is an increase in national debt.
- There is an increase in debt default by borrowers.
- Fall in living standards/lower wages.

(B)

(i) Inflation:

(2 + 1)

An increase in the general level of prices of goods and services from one period to the next.

(ii) Measure: C.P.I. – Consumer Price Index

(2)

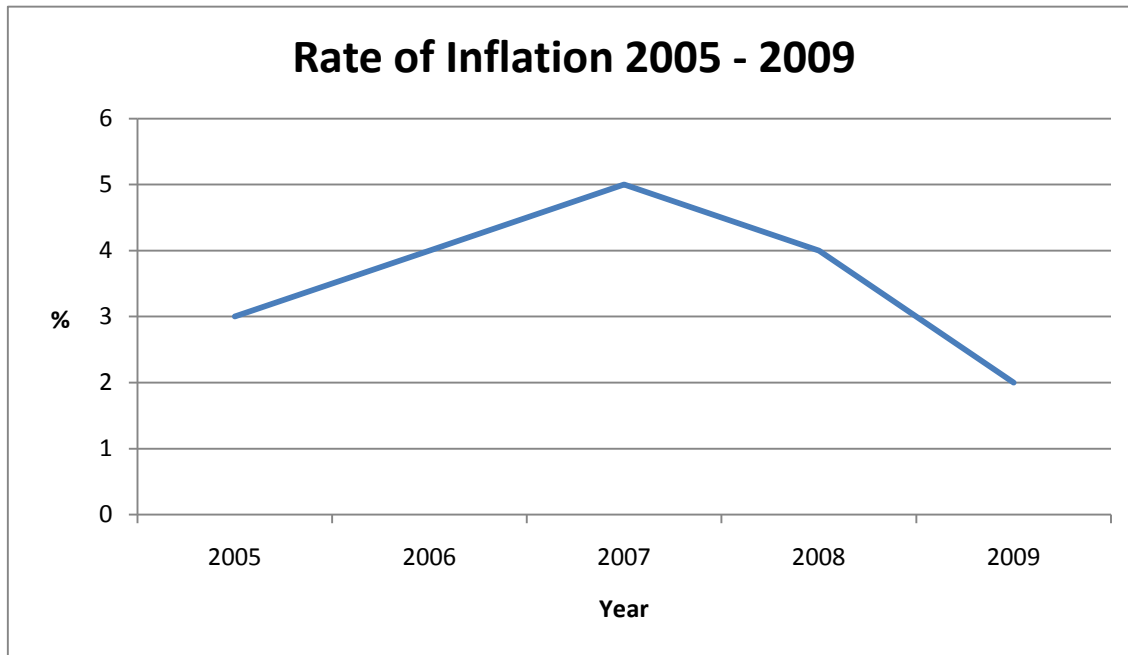
(iii) Two causes:

(3 + 3)

- An increase in the cost of production i.e. materials, wages, rents, energy & interest.
- If demand is greater than supply it will drive up prices.
- An increase in taxation i.e. VAT, excise duty.
- Cost of imported goods may increase i.e. oil.

(iv) Graph

(9)



(v) Two Benefits:

(2 + 2)

- Income will buy more goods & services/increase in standard of living/fall in cost of living.
- Consumers are encouraged to save more.
- An increase in consumer confidence means more goods are purchased.

(C)

(i) Cost of the 'online' iPod: (4)

Answer: €217

Workings:

$$314.65 \div 1.45$$

(2m)

(ii) One consequence:

(2)

- Increase in imports/balance of trade/payments affected/money leaving the country
- Loss of V.A.T. receipts by the Government.
- Increase in customs duty receipts.
- Loss of work for shop assistants/ unemployment/business closures

QUESTION 4 CONSUMER

(A) Letter

(6 + 10 + 2)

Quay Lane,
Wexford.

N.C.T.V. Ltd
Main St.
Enniscorthy,
Co. Wexford.

27th May 2010

Re: Television Purchase Complaint

Dear Sir/Madam,

On the **24th May**, I **purchased** a television in your shop for €280. I enclose a **copy of receipt** as proof of purchase.

While using the television the following day, the television **screen froze** and the television hasn't worked since then. I am unable to solve the problem.

It is obvious that the television is not of merchantable quality. I would appreciate if you would supply me with a perfectly working **new television or a full refund of the price or a repair**.

Should you've any queries, please don't hesitate to contact me.

Yours faithfully, truly, sincerely

Shane Irwin

(B)

(i) Name the Relevant Law:

(2)

The Sale of Goods and Supply of Services Act 1980

(ii) Two Principles that have been broken:

(2 + 2)

- Goods must be of merchantable quality.
- Goods must be fit for the intended purpose.
- Conform to sample

(iii) Proof of Purchase:

(2 + 2)

- Receipt Itemised
- Credit Card Statement/Voucher
- Invoice
- Cleared Cheque
- Delivery note signed.
- Laser card receipt

(iv)

• **False Economy:**

(3)

It is the purchase of an item which appeared to be a bargain but turned out to be a waste of money. It is spending money on something intended to save money but in the long term cost money or a good example.

• **Impulse Buying:**

(3)

It is buying something which is not part of one's budget. It's buying something on the spur of the moment. It is buying something without considering the financial consequences.

(C) Two Reasons for Consumer Protection:

2 @ (2 + 1)

- Consumers need protection from **goods/services** which are faulty, damaged, poor quality or unsafe.
- Consumers need protection against traders making false claims regarding **prices** e.g. price now €10 was €20, when it was never offered for sale at €20.
- Consumers need protection against traders who provide **misleading information or false advertising** regarding goods or services for sale e.g. describing shoes being made from pure genuine leather when it was made from synthetic leather.
- To protect people against **aggressive selling** e.g. pressuring consumers to buy now as the price will increase tomorrow.
- To protect consumers from exploitation by retailers.

QUESTION 5 PEOPLE AT WORK

(A)

(i) **Explanation:**

Work: Any human productive activity that requires effort. (2)

Whereas:

Employment: Is work for which one receives payment. (2)

(ii) **Two Skills:** 2 x (2 + 1)

- Communication
- Planning and organisational skills.
- Decision-making and management skills.
- Analytical skills and problem solving skills.
- Working as part of a team.
- Working independently of others.
- Punctuality and good timekeeping.
- Awareness of legislation in relation to employment, and health and safety.
- Presentation skills and public relations
- Budgeting & money management skills.
- Computer skills (word, excel, power point, database) and other systems
- Administration skills and telephone skills.

(iii) **Two Reasons for Self-Employment:** (3 + 3)

- Has a good idea or hobby she wishes to turn into a successful business.
- Likes the ideas of risk taking.
- Considers it more financially rewarding/ earn income/keep profits.
- Considers it more motivating and satisfying.
- She likes being her own boss, making her own decisions, deciding her own hours.
- She can't find employment.
- She has the resources i.e. training, skills, experience, capital or Government grant.

(iv) **Two Risks of Self-Employment:** (3 + 3)

- The entrepreneur may lose all the capital invested or may have unlimited liability and have to pay debt incurred from his/her own personal resources.
- The person may have to work long hours to oversee all aspects of the business.
- It may prove stressful and may have health and social consequences.
- Income may be unstable as profit may fluctuate or be non-existent/suffer losses.
- She may not have all the necessary skills/qualifications.

(B)

(i) Tax Credit:

(3)

A tax credit reduces the amount of tax payable by the tax payer.

(ii) Two Statutory Deductions:

(3 + 3)

P.A.Y.E. – Pay As You Earn

P.R.S.I. - Pay Related Social Insurance

Income Levy

Health Levy

Purpose of any two:

(3 + 3)

P.A.Y.E.: To fund the Government (current) expenditure on the running of all government departments e.g. paying wages of public servants.

P.R.S.I.: To pay for social welfare benefits i.e.

Jobseekers benefit/jobseekers allowance,

Old age pension, Disability/injury benefit.

Invalidity/sickness benefit. Maternity and adoptive benefit.

Dental treatment. Optical treatment.

Health Levy: Financial contribution to the health services.

Income Levy: It helps increase the Government finance and to balance the budget. To fund the Government (current) expenditure on the running of all government departments e.g. paying wages of public servants.

(iv) Gross Wage:

(3)

Workings:

Basic	220
Commission	24
Total	244

480 x 5/100 (1m)

QUESTION 6 BORROWINGS & SAVINGS**(A) (i)****(24 @ ½)**

Ballylea Credit Union MEMBER EDUCATION LOAN APPLICATION FORM				
MEMBER PERSONAL DETAILS				
Surname	Aherne	Mr, Mrs, Ms.	Mr	
First Name	Michael	Male/Female	Male	
Occupation	Student			
Employer's/ College Name & Address	Cork IT, Cork			
Home Address	44 Abbey Street Middleton Co. Cork			
Number of years at present address	18 years	EXISTING LOAN:		
Account Type	Share Deposit Account	<i>Please tick appropriate box. ➡</i>	Yes	
Account Number	2117/19		No	✓
LOAN DETAILS				
Purpose of loan	New Computer for College Work	Amount required	€1,800	
Length loan required for	66 Weeks	Weekly repayment	€30	
Financial Institution Name & Address	AIB, Middleton, Co. Cork	Method of repayment	Standing Order	
Guarantor Name & Address	John Aherne, 44 Abbey Street, Middleton, Co. Cork			
Guarantor Contact Number	087 1794816			
Other credit commitments?		YES		<i>(Please tick appropriate box.)</i>
		NO	✓	
CONTACT DETAILS				
Applicant Contact Number	085 4959610			
E-mail address	Michaelaherne@honbeg.ie			
I certify the accuracy of the information given above.				
SIGNATURE	Michael Aherne	DATE	8th December 2009	

(ii) Standing Order:

(1 + 1 + 1)

A current account holder **instructs their bank** in writing to pay a **fixed amount** to the account of a stated creditor at **specific times**. The bank will transfer the funds electronically to the account of the creditor.

(iii) Other Suitable Sources of Finance:

(1 + 2)

- **Hire Purchase:**

Get a Hire Purchase company to pay the retailer and Michael would pay the Hire Purchase company a deposit and the balance of the money in fixed monthly instalments of over 3 years usually. He would not become the legal owner until the last instalment was paid.

- **Deferred Payment:**

He could pay the shop a deposit and the balance by monthly instalment over a number of years. He would become the legal owner after paying the deposit.

(iv) Two rights of a Borrower:

(3 + 3)

- Written details of the agreement
- Right to change their mind within 14 days
- To be informed of the APR
- Cash price and total credit price
- The number of instalments
- The amount of each instalment
- To pay off the loan earlier than agreed.

(v)

- **A.P.R.:**

(1 + 2)

Annual Percentage Rate

It is the true rate of interest charged/full cost of borrowing. It is the interest based on a reducing balance.

- **Guarantor:**

(3)

It is a person of good financial standing known to the bank who undertakes to repay a loan for a debtor should the debtor be unable/unwilling to do so.

(B)

(i) D.I.R.T. = Deposit Interest Retention Tax

(3)

(ii) Explain the DIRT system:

(2 + 2)

It is a tax on interest earned by deposit accounts. It is **deducted by the bank** at source and **transferred to the Revenue**. The account holder is credited with the net interest.

(iii) Answer: €7.50

(3)

Workings:

(1)

$$10 \times \frac{25}{100} = 2.5$$

$$10 - 2.5$$