

JUNIOR CERTIFICATE 2012 BUSINESS STUDIES PAPER 11

SUPPORT NOTES

Q.1 Books of First Entry, Ledger and Trial Balance of PARK Ltd

A~D

Date 2012	Details	F	Total €	Date 2012	Details	F	Total €	Mark
GENERAL LEDGER OF PARK Ltd								
Share Capital A/C								
				1/1	Bank	ACB	200,000	1
				7/1	Bank	ACB	40,000	1
							240,000	
Purchases A/C								
31/1	Total Net Creditors	PB	97,000					1
31/1	Bank	ACB	28,000					1
			125,000					
Purchases Returns A/C								
				31/1	Total Net Creditors	PRB	13,000	1
Sales A/C								
				31/1	Bank	ACB	60,000	1
VAT A/C								
31/1	Credit Purchases	PB	22,310	31/1	Purchases Returns	PRB	2,990	1 + 1
31/1	Cash Purchases	ACB	6,440	31/1	Cash Sales	ACB	13,800	1 + 1
				31/1	Balance B/D		11,960	1
			28,750				28,750	
1/2	Balance C/D		11,960					
Wages A/C								
4/1	Bank	ACB	9,000					1
CREDITORS LEDGER OF PARK Ltd								
CROKE Ltd A/C								
9/1	Purchases Returns	PRB	15,990	3/1	Purchases	PB	39,360	1 + 1
31/1	Balance C/D		23,370					1
			39,360				38,360	
				1/2	Balance B/D		23,370	
GAA A/C								
				6/1	Purchases	PB	79,950	1
Total Ledger Marks 16								

PURCHASES BOOK of PARK Ltd (4)

Date 2012	Details	Invoice No.	F	NET €	VAT €	Total €
3/1	CROKE Ltd	33	CL	32,000	7,360	39,360
6/1	GAA Ltd	78	CL	65,000	14,950	79,950
				97,000	22,310	119,310
				GL	GL	CL
Mark		<i>1</i>		(1) ½ + ½	(1) ½ + ½	(1) ½ + ½

Q.1 contd.

PURCHASES RETURNS BOOK of PARK Ltd (2½)

Date 2012	Details	Credit Note No.	F	NET €	VAT €	Total €
9/1	CROKE Ltd	4	CL	13,000	2,990	15,990
				GL	GL	CL
		<i>1</i>		<i>½</i>	<i>½</i>	<i>½</i>

ANALYSED CASH BOOK (debit side) of PARK Ltd (4½)

Date 2012	Details	Rec. No. (1m)	F	Bank €	Sales €	VAT €	Share Capital €	Mark
1/1	Share Capital		GL	200,000			200,000	(1) ½ + ½
2/1	Sales		GL	73,800	60,000	13,800		(1½) ½ + ½ + ½
7/1	Share Capital	5	GL	40,000			40,000	(1) ½ + ½
				313,800	60,000	13,800	240,000	
1/2	Balance B/D			270,360				

ANALYSED CASH BOOK (credit side) of PARK Ltd (4½)

Date 2012	Details	Cheq. No. (1m)	F	Bank €	Purchases €	VAT €	Wages €	Mark
4/1	Wages	7	GL	9,000			9,000	(1) ½ + ½
16/1	Purchases	8	GL	34,440	28,000	6,440		(1½) ½ + ½ + ½
				43,440	28,000	6,440	9,000	
16/1	Balance C/D			270,360				<i>1</i>
				313,800				

Trial Balance of PARK Ltd as on 31/1/2012

	Dr €	Cr €	Mark
Bank	270,360		½
Purchases	125,000		½
Wages	9,000		½
VAT	11,960		½
Share Capital		240,000	½
Sales		60,000	½
Purchases Returns		13,000	½
CROKE Ltd		23,370	½
GAA Ltd		79,950	½
	416,320	416,320	(4½)

Marks Summary

Ledger	Purchases Book	Purchases returns Book	Analysed Cash Book	Trial Balance	Dates	Folios	Total
<i>16</i>	<i>4</i>	<i>2½</i>	<i>9</i>	<i>4½</i>	<i>2</i>	<i>2</i>	<i>40</i>

Q.2 Sales, Business Document and Bookkeeping Question

(A) (i)

Three documents named	Mark
Quotation, Order, Invoice	6 (3 @ 2)

(A) (ii)

Answer	Workings	Mark
€39,150	<p>Cost of goods sold €30,000 – damaged goods €3,000 (10%) = €27,000</p> <p>Selling price of goods sold €27,000 + mark up €12,150 (45%) = €39,150</p>	6 (4+ 2 for workings)

(B) (i) Delivery Docket Completion

MCFOOTWEAR Ltd West Park, Co. Galway		DELIVERY DOCKET No. 47	Mark (6)
Telephone: 091 485152		VAT Reg. No. IE 2356731	
To: <i>HEELS Ltd</i>	Date: 16/5/2012		1 + 1
<i>Mullingar</i>	Your Order No: 31		1
<i>Co. Westmeath</i>			
QUANTITY	DESCRIPTION		
25	<i>Ladies Wellingtons</i>		1/2 + 1/2
30	<i>High Heels</i>		1/2 + 1/2
Received the above goods in good condition Signed: <u>Sally High</u> Purchasing Manager			1

(B) (ii) Two procedures

	Procedures for processing Outgoing Delivery Dockets	Mark
1	Check that the name and address of the buyer is correct	2 @ 2
2	Check that the details re quantities and description are as per order	

Q.2 (C) (i)

MCFOOTWEAR Ltd, West Park, Co. Galway				CREDIT NOTE No. 11	Mark (11)		
Telephone: 091 485152		VAT Reg. No. IE 2356731					
To: HEELS Ltd		Date: 23/5/2012 Your Order No: 31			1 + 1		
Mullingar							
Co. Westmeath							
(1)	(1 + 1)		(1)	(1)			
QUANTITY	DESCRIPTION		PRICE EACH €	TOTAL €			
5	Ladies Wellingtons		50	250			
	Reason: men's wellingtons instead of ladies						
E & O E			Total (Excluding VAT)		250		
			Trade Discount		50		1
			Subtotal		200		1
			VAT		46		1
			Total (Including VAT)		246		1

For use with Question 2 (C) (ii)

Sales Returns Book of MCFOOTWEAR Ltd

Date	Details	Credit Note No.	F	Net	VAT	Total	Mark
23/5/2012	<i>HEELS Ltd</i>	<i>11</i>	<i>DL</i>	<i>200</i>	<i>46</i>	<i>246</i>	
<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>7</i>

Marks Summary

A	B	C	Total
12	10	18	40

Q.3 Cash Flow Forecast Question

(A)

CASH FLOW FORECAST OF LEE Ltd FOR THE PERIOD FEBRUARY TO JULY 2013

	Feb. €	March €	April €	May €	June €	July €	Total Feb. – July €	Mark (28)
RECEIPTS								
Cash Sales	80,000	80,000	80,000	80,000	80,000	100,000	500,000	2
Loan					180,000		180,000	1
A. TOTAL RECEIPTS	80,000	80,000	80,000	80,000	260,000	100,000	680,000	0
PAYMENTS								
Cash Purchases	26,000	26,000	26,000	26,000	26,000	31,200	161,200	2
Light And Heat	2,200		2,200		1,500		5,900	2
Wages	16,000	16,000	16,000	16,000	24,000	16,000	104,000	2
Motor Vehicles		50,000					50,000	1
Transport Costs	5,000	5,000	5,000	5,000	5,000	5,000	30,000	1
Buildings					280,000		280,000	1
Rent	3,500	3,500	3,500	3,500			14,000	1
B. TOTAL PAYMENTS	52,700	100,500	52,700	50,500	336,500	52,200	645,100	0
Net Cash (A-B)	27,300	(20,500)	27,300	29,500	(76,500)	47,800	34,900	5
Opening Cash	4,000	31,300	10,800	38,100	67,600	(8,900)	4,000	5
Closing Cash	31,300	10,800	38,100	67,600	(8,900)	38,900	38,900	5

(B)

	Answers	Mark (12)
(i)	To identify if there will be any cash shortage and make plans to deal with it	3
(ii)	Longer day light / warmer weather	3
(iii)	Share Capital, Grant	3+3

Marks Summary

A	28
B	12
Total	40

Q.4 Final Accounts and Balance Sheets

(A)

<i>1½</i>		<i>1</i>	<i>1½</i>	Mark (19)
Trading, Profit and Loss Appropriation Account of FOLEY Ltd for the year ended 31/12/2011				
	Sales		240,000	½
	Less Cost Of Sales			
1/1/2011	Opening Stock	30,000		½
	Purchases	90,000		½
	Carriage Inwards	10,000		½
		130,000		0
31/12/2011	Less Closing Stock	20,000	110,000	½ + 0
	Gross Profit		130,000	1 + 1
	Add Gains			
	Commission Receivable	12,000		½
	add Commission Receivable due	3,500	15,500	½ + ½
			145,500	0
	Less Expenses			
	Wages	56,000		½
	add Wages due	14,000	70,000	½ + ½
	Insurance	9,000		½
	less Insurance prepaid	1,200	7,800	½ + ½
	Depreciation: Motor Vehicles	10,000		½
	Equipment	7,500	17,500	½ + ½ + 0
	Net Profit		50,200	1 + 2
	Less dividends paid		30,000	½
			20,200	0
	Add Opening Reserves		40,000	1
	Reserves		60,200	0

Q.4 (A) contd.

$\frac{1}{2}$	1	$\frac{1}{2}$	Mark
Balance Sheet of	FOLEY Ltd	as at 31 /12/2011	15½
	€	€	€
Fixed Assets	Cost	Depreciation	NBV
Buildings	310,000	-----	310,000
Motor Vehicles	80,000	10,000	70,000
Equipment	50,000	7,500	42,500
Total Fixed Assets	440,000	17,500	422,500
Current Assets			
Closing Stock	20,000		
Cash	2,000		
Debtors	25,000		
Insurance prepaid	1,200		
Commission receivable due	3,500	51,700	
Less Current Liabilities			
Creditors	23,000		
Bank overdraft	7,000		
Wages due	14,000	44,000	
Working Capital			7,700
Total Net Assets			430,200
Financed By	Authorised	Issued	
400,000 €1 ordinary shares	400,000	300,000	
Add reserves		60,200	
Add Long Term Liabilities			
30 Year Loan		70,000	
Capital Employed			430,200

(B) Depreciation is **reduction in the value** of a **Fixed Asset**, due to **age, obsolesce or use. 5** (2 + 2 + 1)

Marks Summary

A	Trading Profit and Loss Appropriation Account Headings 4 marks 18 @ ½, 1 @ 1, 1 @ 2, 1 @ 3 = 15marks 19 marks Balance Sheet Headings 2 marks 23 @ ½, 2 @ 1 13½ marks 15½ marks Presentation ½ marks	35
B		5
Total		40

Q.5 Selling on Credit and Writing off Bad Debts

(A)	Answer	Mark
(i)	To obtain more business To compete with bigger businesses who do not give credit	4 marks (2 @ 2)
(ii)	<u>Ask customer</u> to obtain a bank reference from their bank manager <u>Ask customer</u> to obtain a trade (business) reference from another business	6 marks (2 @ 3)
(iii)	Stop selling on credit Offer discounts/ incentives for prompt payment	6 marks (2 @ 3)
(iv)	It reduces the profit of the business	3 marks

(B)	Answer	Mark
(i)	A business is unable to pay what it owes and this is publically declared by a judge.	3 marks
(ii)	FMI Ltd will receive € 9,000 (€30,000 × €0.30)	2 marks
(iii)	FMI Ltd will write off bad debts of €21,000	2 marks

(iii)

General Journal of FMI Ltd

Date	Details	F	Dr €	Cr €	Mark (9)
10/5/2012	Cash	ACB	9,000		1 + 1 (correct detail and side)
	Bad Debts	GL	21,000		1 + 1
	AMAN Ltd			30,000	1 +
					1 (date ½ + folio ½)
	Narration: AMAN Ltd goes bankrupt and pays 30 cent per euro				2

(iv)

Analysed Cash Book of FMI Ltd

Date	Details	Receipt No.	F	Bank	Debtors	Mark
10/6/2012	AMAN Ltd	2	DL	9,000	9,000	
½	1	1	½	1	1	5

Marks Summary

A	19
B	21
Total	40

Q.6 Sources of Finance and Report Writing Question

REPORT FORMAT		Mark
From:	Pat Coyne, 10 Fiver Lane, Tullamore, Co. Offaly	1
To:	Directors of O'Reilly Ltd, 32 Cedarwood Avenue, Wexford	1
Report Title:	Advice on Sources of Finance, and Business Plans	1
Date:	12 June 2012	1
Introduction:	I have examined the different questions you requested me to consider and I have set out my answers below.	1
Main Body Answers to Questions	(i) The total amount of interest you will have to pay on the loan is €2,160 . I have set out my workings in a separate sheet attached to the report.	12
	(ii) The term collateral /security is an <u>item of value given by a borrower to a lender which may be sold / taken over if the borrower fails to pay back the amount borrowed.</u> The company might provide: buildings, land.	10
	(iii) A delivery van is a medium term need and should therefore be financed by: Hire Purchase , where O'REILLY Ltd will make a number of monthly payments and when the last payment is made it becomes the owner of the vans. Leasing where O'REILLY Ltd could pay for the van as it uses them. It will never own the van but it can obtain a replacement van when there are a lot of kilometres up on the clock.	10
Follow Up	I am available to discuss any questions that the directors may have re the above answers.	1
Signature	Pat Coyne	1
Position/ Title of Report Writer	Financial Consultant	1

Workings for (i) Total Interest to be paid:

Year	Capital €	Interest at 9% APR €	Explanation of workings
1	12,000	1,080	9% of €12,000
2	8,000	720	9% of € 8,000
3	4,000	360	9% of € 4,000
Total Interest To Be Paid		2,160	

Summary of Marks

Report Layout	8
(i)	12 (3 + 3 + 3 + 3)
(ii)	10 (6 + 2 + 2)
(iii)	10 (5 [2 + 3] + 5 [2 + 3])
Total Marks	40 marks