

Support Notes for 2015

Q.1 Question on Books of First Entry, Ledger and Trial Balance

(A~B)

Sales Book of BRIGHT Ltd (4)

Date 2015	Details	Invoice No.	F	NET €	VAT €	TOTAL €
1/5	WATT Ltd	20	DL	44,000	10,120	54,120
19/5	WATT Ltd	21	DL	37,000	8,510	45,510
				81,000	18,630	99,630
				GL	GL	
		1 ($\frac{1}{2} + \frac{1}{2}$)		1 ($\frac{1}{2} + \frac{1}{2}$)	1 ($\frac{1}{2} + \frac{1}{2}$)	1 ($\frac{1}{2} + \frac{1}{2}$)

Purchases Book of BRIGHT Ltd (2½)

Date 2015	Details	Invoice No.	F	NET €	VAT €	TOTAL €
10/5	DIM Ltd	91	CL	26,000	5,980	31,980
				GL	GL	
		1		$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$

Analysed Cash Book of BRIGHT Ltd Debit Side (4½)

Date 2015	Details	Receipt No <i>1</i> ($\frac{1}{2} + \frac{1}{2}$)	F	Bank €	Sales €	VAT €	Debtors €	Share Capital €	Mark
7/5	Shareholder	6	GL	105,000				105,000	1 ($\frac{1}{2} + \frac{1}{2}$)
28/5	WATT Ltd	7	DL	75,000			75,000		1 ($\frac{1}{2} + \frac{1}{2}$)
31/5	Sales		GL	25,830	21,000	4,830			1½ ($\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$)
				205,830	21,000	4,830	75,000	105,000	3½
1/6	Balance B/D			148,080					

Analysed Cash Book of BRIGHT Ltd Credit Side (4½)

Date 2015	Details	Cheque No. <i>1</i> ($\frac{1}{2} + \frac{1}{2}$)	F	Bank €	Purchases €	VAT €	Wages €	Mark
12/5	Purchases	30	GL	30,750	25,000	5,750		1½ ($\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$)
17/5	Wages	31	GL	27,000			27,000	1 ($\frac{1}{2} + \frac{1}{2}$)
				57,750	25,000	5,750	27,000	
31/5	Balance C/D			148,080				1
				205,830				3½

Q.1 contd.

Date 2015	Details	F	Total €	Date 2015	Details	F	Total €	Mark
GENERAL LEDGER OF BRIGHT Ltd								
					Ordinary Share Capital A/C (1)			
				7/5	Bank	GL	105,000	1
					Sales A/C (2)			
				31/5	Total Net Debtors	SB	81,000	1
				31/5	Bank	ACB	21,000	1
							102,000	
					Purchases A/C (2)			
31/5	Total Net Creditors	PB	26,000					1
31/5	Bank	ACB	25,000					1
			51,000					
					VAT A/C (5)			
31/5	Credit Purchases	PB	5,980	31/5	Credit Sales	SB	18,630	1 + 1
31/5	Cash Purchases	ACB	5,750	31/5	Cash Sales	ACB	4,830	1 + 1
31/5	Balance C/D		11,730					1
			23,460				23,460	
				1/6	Balance B/D		11,730	
					Wages A/C (1)			
17/5	Bank	ACB	27,000					1
DEBTORS LEDGER OF BRIGHT Ltd								
					WATT Ltd A/C (4)			
1/5	Sales	SB	54,120	28/5	Bank	ACB	75,000	1 + 1
19/5	Sales	SB	45,510	31/5	Balance C/D		24,630	1 + 1
			99,630				99,630	
1/6	Balance B/D		24,630					
CREDITORS LEDGER OF BRIGHT LTD								
					DIM Ltd A/C (1)			
				10/5	Purchases	PB	31,980	1
Total Marks								16

Q.1 contd.**Trial Balance of Bright Ltd as on 31/5/2015**

	DR €	CR €	Mark
Bank	148,080		½
Purchases	51,000		½
Wages	27,000		½
WATT Ltd	24,630		½
Share Capital		105,000	½
Sales		102,000	½
VAT		11,730	½
DIM Ltd		31,980	½
	250,710	250,710	4

Marks Summary

Sales Book	Purchases Book	Analysed Cash Book	Ledger	Trial Balance	Dates	Folio	Total
4	2½	9	16	4	2½	2	40

Q.2 Credit Purchases, Business Documents and Bookkeeping Question

(A) (i)

Two Documents	Mark
Invoice, Statement	2 + 2

(ii)

Reason	Mark
To encourage payment before the due or agreed date	2
To attract new customers/increase sales	4

For Use with Q.2 (B) (i)

GB Ltd, Western Way, Tralee, Co. Kerry			Order No. 11	Mark
Telephone: 066 7612317			VAT Reg. No. IE 5542134	
CP Ltd		Date: <u>22/5/2015</u> Quotation No: <u>31</u>		1 + 1
Green Field Road				
Cavan				
Co. Cavan				
QUANTITY	DESCRIPTION	PRICE EACH €		
100	Pairs of Boots	55		3
200	Sun Hats	12		
200	Plastic Mats	20		
Goods to be delivered to the above address within 10 days				1 + 1
Signature <u>Gertrude Brooks</u>		Position <u>Purchasing Manager</u>		

(7 marks + Bonus 1)

Q.2 (B) (ii)

Procedures	Mark
File a copy of the order/file electronically	2
Check that the <u>name</u> and <u>address</u> of the seller is correct	2

Q.2 contd.

For Use with Q.2 (C) (i)

CP Ltd, Green Field Road, Cavan, Co. Cavan			CREDIT NOTE No. 22		Mark	
Telephone: 049 9132131			VAT Reg. No. IE 2356731			
GB Ltd,		Date: <u>09 /6/2015</u> Your Order No: <u>11</u>			1 + 1	
Western Way,						
Tralee,						
Co. Kerry						
QUANTITY	DESCRIPTION	PRICE EACH €	TOTAL €			
50	Plastic Mats	20	1,000	}	4	
	Reason: torn (1)					
E & O E			Total (excluding VAT)	1,000	}	
			Trade Discount	300		1
			Subtotal	700		1
			VAT	161		1
			Total (Including VAT)	861		1

For use with Q.2 (C) (ii)

Sales Returns Book of CP Ltd

Date	Details	Credit Note No	F	NET €	VAT €	TOTAL €	Mark
9/6/2015	GB Ltd	22	DL	700	161	861	7

Marks Summary

A	B	C	Total
10	12	18	40

Q.3 This is a Cash Flow Forecast and Business Start-up Question

CASH FLOW FORECAST of LALA Ltd for the period April to September 2016

	April €	May €	June €	July €	Aug. €	Sept. €	Total April - Sept €	Marks 28
RECEIPTS								
Cash Sales	75,000	75,000	75,000	75,000	75,000	97,500	472,500	2
Share Capital				190,000			190,000	1
Grant		100,000					100,000	1
A. Total Receipts	75,000	175,000	75,000	265,000	75,000	97,500	762,500	0
PAYMENTS								
Light and Heat	3,800		3,800		4,636		12,236	2
Wages	24,000	24,000	24,000	24,000	27,000	24,000	147,000	2
Machinery	120,000				100,000		220,000	1
Loan Repayments	5,000	5,000	5,000	5,000			20,000	1
Cash Purchases	18,000	18,000	18,000	18,000	18,000	22,500	112,500	2
Transport Costs	11,000	11,000	11,000	11,000	11,000	12,650	67,650	2
B. Total Payments	181,800	58,000	61,800	58,000	160,636	59,150	579,386	0
C. Net Cash (A-B)	(106,800)	117,000	13,200	207,000	(85,636)	38,350	183,114	5
D. Opening Cash	54,000	(52,800)	64,200	77,400	284,400	198,764	54,000	4
E. Closing Cash (C+D)	(52,800)	64,200	77,400	284,400	198,764	237,114	237,114	5

(B) (i)

Explanation	Mark
To find out if LALA Ltd can live within its means	3
To find out if LALA Ltd will have any liquidity problems in the future	3

(B) (ii)

Headings in a Business Plan Explained with Examples	Mark
Product: This gives a description of the good or service sold by the business e.g. LALA Ltd makes household furniture.	3
Market Research: This sets out information about consumers or competitors e.g. LALA Ltd has three competitors and 1,000 customers.	
Sales Promotion: This explains the methods used to encourage and increase sales e.g. LALA Ltd uses television advertisements to promote its furniture.	
Finance: This shows how much money is needed by LALA Ltd e.g. LALA Ltd needs €100,000 to buy new machinery and can use some of its reserves.	3

Marks Summary

A	B	Total
28	12	40

Q.4 Final Accounts and Balance Sheet

(A)

1½		1		1½	Mark
Trading, Profit and Loss Appropriation Account of LVG Ltd for the year ended 31/12/2014					
		€	€	€	
	Sales			353,000	½
	Less Cost of Sales				
	Opening Stock 01/01/2014		30,000		½
	Purchases		190,000		½
	Carriage Inwards		5,000		½
			225,000		0
	Closing Stock 31/12/2014		23,000	202,000	½+0
	GROSS PROFIT			151,000	2 (1 + 1)
	Add Gains				
	Commission Receivable		6,000		½
	Add Commission Receivable due		2,000	8,000	½+½
				159,000 (OF)	0
	Less Expenses				
	Advertising	14,000			½
	Less Advertising prepaid	3,000	11,000		½ + ½
	Bad Debts		7,000		½
	Wages	64,000			½
	Add Wages due	4,000	68,000		½ + ½
	Depreciation: Machinery	27,150			½
	Motor Vans	10,680	37,830	123,830	½ + ½ +0
	NET PROFIT			35,170 (OF)	3 (1 + 2)
	Less Dividends paid			25,000	½
				10,170	0
	Add Opening Reserves			12,000	1
	RESERVES			22,170 (OF)	0
					19½

Q.4 contd.

$\frac{1}{2}$	1	$\frac{1}{2}$	Mark
Balance Sheet of LVG Ltd as on 31/12/2014			
FIXED ASSETS	Cost €	Depreciation €	NBV €
Machinery	181,000	27,150 (OF)	153,850 (OF)
Motor Vans	89,000	10,680 (OF)	78,320 (OF)
Total Fixed Assets	270,000	37,830 (OF)	232,170 (OF)
CURRENT ASSETS			
Closing Stock	23,000		
Cash	3,000		
Bank	27,000		
Debtors	22,000		
Advertising prepaid	3,000		
Commission Receivable due	2,000	80,000	
Less CURRENT LIABILITIES			
Creditors	16,000		
Wage due	4,000	20,000	
WORKING CAPITAL			60,000
TOTAL NET ASSETS			292,170
FINANCED BY	AUTHORISED	ISSUED	
380,000 €1 Ordinary Shares	380,000	240,000	
Add Reserves		22,170	
Long Term Liabilities			
30 Year Loan		30,000	
CAPITAL EMPLOYED			292,170
			14½

(B)

Explanation	Mark
Carriage Inwards is an expense paid by a buyer for transporting goods purchased.	5

Marks Summary

A	Trading, Profit and Loss Appropriation Account Balance Sheet Presentation	19½ 14½ 1	35	Total
B	Correct Answer		5	40 marks

Q.5 This is a Chain of Production, Finance and Banking Question.

(A) (i)

		Mark
Sector	Services	3
Reason	R&M IRELAND Ltd provide courses and training.	3

(A) (ii)

Name of Business/Institutions		Mark
Banking		2
Insurance		2

(B) (i)

	Loan Information	Mark
1	Purpose of Loan	2
2	Amount	2
3	Proof of ability to repay the loan	2

(B) (ii)

Explanation	Mark
This is the security given by a borrower to a lender which may be sold in the event that the loan was not repaid.	3
Example Buildings/Land	1

(B) (iii)

Year	Capital €	Interest at 8% APR €	Explanation	Mark
1	45,000	3,600	<i>8% of €45,000</i>	3
2	30,000	2,400	<i>8% of €30,000</i>	3
3	15,000	1,200	<i>8% of €15,000</i>	3
Total Interest To Be Paid		7,200		3

(B) (iv)

Source	Explanation	Mark
Share Capital	Money/assets invested by the shareholders	(2 + 4)
Grant	Money given by government/EU under certain conditions that does not have to be repaid	2

Marks Summary

A	B	Total
10	30	40

Q.6 This is a Business Insurance and Report Writing Question.

REPORT FORMAT		Mark
From:	<i>Bridget O'Connor, 13 Low Risk Drive, Galway</i>	<i>1</i>
To:	<i>The Directors of HOME COMFORTS Ltd, Claremorris, Co. Mayo</i>	<i>1</i>
Report Title:	<i><u>Advice on Insurance Cover</u> and Other Questions</i>	<i>1</i>
Date:	<i>9 June 2015</i>	<i>1</i>
Introduction:	<i>I have reviewed the questions you asked me and set out my answers below</i>	<i>1</i>
Answers to Questions A (i), (ii), (iii)	<i>A (i) A risk is uninsurable if there is not enough similar risks to be insured e.g. Travel insurance to the moon</i>	<i>4</i>
	<i>A (ii) Motor insurance is required by law.</i>	<i>2</i>
	<i>A (iii) <u>Theft insurance</u> in the case of goods being stolen.</i>	<i>4</i>
	<i><u>Cash in Transit insurance</u> in case the cash being transferred to the bank twice weekly is stolen.</i>	<i>4</i>
	<i><u>Employers' Liability insurance</u> in case any of the company's workers were injured while at work.</i>	<i>4</i>
Follow Up:	<i>I am available to discuss any questions that the directors may have.</i>	<i>1</i>
Signature:	<i>Bridget O'Connor</i>	<i>1</i>
Title of Report Writer:	<i>Insurance Consultant</i>	<i>1</i>

B (i)

Explanation	Mark
<i>Adequate Insurance means having all possible risks insured for the correct amount.</i>	<i>3</i>

B (ii)

Answer	Reason	Mark
€150,000	Buildings were underinsured by €200,000 i.e. only insured for 75% of value. 75% of €Damage €200,000 is €150,000.	5 + 2

Marks Summary

A	B	Total
30	10	40