

SUPPORT NOTES

**Q 1 Book of First Entry, Ledger and Trial Balance of SMITH Ltd
(A~C)**

Date 2010	Details	F	Total €	Date 2010	Details	F	Total €	Mark
GENERAL LEDGER of SMITH Ltd								
			Machinery A/C					
1/6	Balance B/D	GJ	250,000					<i>1</i>
			Ordinary Share Capital A/C					
				1/6	Balance B/D	GJ	248,000	<i>1</i>
			Wages A/C					
18/6	Bank	ACB	5,000					<i>1</i>
			Purchases A/C					
30/6	Total Net Creditors	PB	30,000					<i>1</i>
30/6	Bank	ACB	26,000					<i>1</i>
			56,000					
			Sales A/C					
				30/6	Total Net Debtors	SB	35,000	<i>1</i>
				30/6	Bank	ACB	60,000	<i>1</i>
							95,000	
			VAT A/C					
30/6	Credit Purchases	PB	6,300	30/6	Credit Sales	SB	7,350	<i>1+1</i>
30/6	Cash Purchases	ACB	5,460	30/6	Cash Sales	ACB	12,600	<i>1+1</i>
30/6	Balance C/D		8,190					<i>1</i>
			19,950				19,950	
				1/7	Balance B/D		8,190	
CREDITORS LEDGER of SMITH Ltd								
			LARKIN Ltd A/C					
20/6	Bank	ACB	25,000	15/6	Purchases	PB	36,300	<i>1+1</i>
30/6	Balance C/D		11,300					<i>1</i>
			36,300				36,300	
				1/7	Balance B/D		11,300	
DEBTORS LEDGER of SMITH Ltd								
			KENNY Ltd A/C					
1/6	Balance B/D	GJ	18,000					<i>1</i>
23/6	Sales	SB	18,150					<i>1</i>
			36,150					

Q 1 continued DEBTORS LEDGER of SMITH Ltd								
Date 2010	Details	F	Total €	Date 2010	Details	F	Total €	Mark
			CLARKE Ltd A/C					
12/6	Sales	SB	24,200	28/6	Bank	ACB	20,000	1+1
				30/6	Balance C/D		4,200	1
			24,200				24,200	
1/7	Balance B/D		4,200					

ANALYSED CASH BOOK (DEBIT SIDE) of SMITH Ltd

Date 2010	Details	Receipt No.	F	Bank €	Sales €	VAT €	Debtors €	Mark
5/6	Sales		GL	72,600	60,000	12,600		3@ 1/2
28/6	CLARKE Ltd	22	DL	20,000			20,000	2@ 1/2
		(1)		92,600	60,000	12,600	20,000	
1/7	Balance B/D			11,140				

ANALYSED CASH BOOK (CREDIT SIDE) of SMITH Ltd

Date 2010	Details	CH. No.	F	Bank €	Purchases €	VAT €	Creditors €	Wages €	Mark €
1/6	Balance B/D		GJ	20,000					1
8/6	Purchases	1	GL	31,460	26,000	5,460			3@ 1/2
18/6	Wages	2	GL	5,000				5,000	2@ 1/2
20/6	LARKIN	3	CL	25,000			25,000		2@ 1/2
				81,460	26,000	5,460	25,000	5,000	
30/6	Balance C/D			11,140					1
		(1)		92,600					

Trial Balance of SMITH Ltd as on 30/6/2010

	DR €	CR €	Mark
Machinery	250,000		1/2
Wages	5,000		1/2
Purchases	56,000		1/2
Bank	11,140		1/2
KENNY Ltd	36,150		1/2
CLARKE Ltd	4,200		1/2
Ordinary Share Capital		248,000	1/2
Sales		95,000	1/2
VAT		8,190	1/2
LARKIN Ltd		11,300	1/2
	362,490	362,490	

Marks Summary

Item	Mark
Ledger	20
Analysed Cash Book	10
Trial Balance	5
Dates	3
Folios	2
Total	40

Q 2. This is a Credit Sales, Business Document and Bookkeeping Question.

(Ai)

	Suitable Method of Checking Credit Rating Any two methods & @ 3 marks each	Mark
1	Ask for a Trade Reference, from some other business who sold this new customer goods on credit, which will state that payment was made in full.	3
2	Ask for a Bank Reference, from the new customer's bank manager, which will state that this customer has always being in good standing with the bank	3
Other Method	Use a Status Enquiry Service who could carry out checks on this customer	

(Aii)

Impact on Net Profit of the Non Payment for Sales One Impact @ 3 marks	Mark
There will be a reduction in the Net Profit of the business because the non payment will be treated as a bad debt i.e. an expensive mistake giving credit to an unsuitable customer.	3

(Bi)

	Process for Statements Issued Any three of the following @ 2 marks each	Mark
1	Check that the name and address of the debtor/ customer is correct	2
2	Check that the details are the same as in the Debtors Ledger	2
3	Check that all the calculations are correct	2
4	File a copy of the Statement Issued	

(Bii) See over

(Biii) See over

(Biv) see over

Q 2 contd.

Q 2 contd

QUESTION 2 (B ii) (14 Marks)

STATEMENT					No. 33	Mark
KEOGH LTD, 10 Bridge Street, Navan						
To : <i>HOGAN Ltd*</i>			Tel. 046 9028311			1
10 Bridge Street			VAT Reg. No. 1E 55365			
Navan			Account No. 6767			1
			Date: 31/5/2010			
DATE	DETAILS	DEBIT €	CREDIT €	BALANCE €		
1/5/2010	Balance			1,350		2
2/5/2010	Invoice No. 4	24,200		25,550		1+1
16/5/2010	Credit Note No. 56		7,260	18,290		1+1
28/5/2010	Payment Receipt No. 17		15,000	3,290		1+3
				↑ Amount Due		
1	1					Mark

*Allow full marks for Hogan Ltd

QUESTION (Biii) (5 MARKS)

KEOGH Ltd, 10 Bridge Street, Navan				No. 17	Mark
RECEIPT					
Date: 28/5/2010					1
Received from: HOGAN Ltd, 10 Bridge Street, Navan, Co. Meath				€15,000	1
The Sum of: Fifteen thousand euro					1+1
With Thanks	Signed: Andy Keogh			(Accounts Department)	1

QUESTION 2(Biv) (6 MARKS)

Analysed Cash Book of KEOGH Ltd

Date	Details	Receipt No.	F	Bank €	Debtor €	
28/5/2010	<i>HOGAN Ltd</i>	17	DL	15,000	15,000	
1	1	1	1	1	1	Mark

Q 3. This is a Business Insurance and Report Question
(Ai,ii,iii) (31 marks)

REPORT FORMAT		Mark
FROM :	Martin Kelly, New bridge Road, Waterford	<i>1</i>
TO :	<i>Mary Greene, 13 Onion Road, Carlow</i>	<i>1</i>
REPORT TITLE	<i>Answers to Insurance Questions</i>	<i>1</i>
DATE :	<i>15 June 2010</i>	<i>1</i>
INTRODUCTION	<i>Further to your enquiry re insurance for your business please find my answers set out below</i>	<i>1</i>
MAIN BODY- ANSWERS TO QUESTIONS	(i) <i>Adequate insurance is important so that all possible risks are insured for the correct amounts.</i>	<i>4</i>
	(ii) <i>Motor insurance is required by law*</i>	<i>3</i>
	(iii) <i>Public Liability in case a customer might make a claim against the business.</i>	<i>3+2</i>
	<i>Theft insurance in case goods are stolen.**</i>	<i>3+2</i>
	(iv) Two non insurable risks include: <i>Deliberate Damage by the owners of the business</i> <i>Loss due to bad management and mistakes</i>	<i>3</i> <i>3</i>
FOLLOW UP	<i>I am available to discuss any questions that you may have re the above</i>	<i>1</i>
SIGNED BY	<i>Martin Kelly</i>	<i>1</i>
POSITION/ TITLE OF REPORT WRITER	<i>Insurance Consultant</i>	<i>1</i>

* Candidates can also give PRSI as a type of insurance required by law.

** Candidates can also give the following types of insurance with reasons:

Bad Debts insurance, Goods in Transit, Fire insurance,
Fidelity insurance, Cash in Transit, Employer's Liability.

Q 3 (B)

Answer	Mark
€120,000	<i>5</i>

If the answer is incorrect then award marks for Workings as follows

Formula	Workings	Mark
<u>Sum Buildings Insured For X Damage</u> Value of Buildings	€ 600,000 × € 160,000 € 800,000	<i>2+2</i>

Explanation of answer	Mark
The buildings were only insured for 75% of their value so they were underinsured. The insurance company would only pay compensation for 75% of the damage i.e. €120,000.	<i>4</i>

Q 4. This is a Final Accounts and Balance Sheet Question
(A)

<i>I½</i>	<i>+I</i>	<i>+I½</i>		Mark	
Trading, Profit and Loss Appropriation Account of REILLY Ltd for the year ended 31/12/ 2009				(19)	
		€	€	€	
	Sales			270,000	<i>½</i>
	Less Cost of Actual Sales				
1/1/2009	Opening Stock		18,000		<i>½</i>
	Purchases		133,200		<i>½</i>
	Carriage Inwards	5,000			<i>½</i>
	Add Carriage Inwards due	500	5,500		<i>½+½</i>
	Cost of Sales Available for Sale		156,700		<i>0</i>
31/12/2009	Less Closing Stock		25,000	131,700	<i>½ +0</i>
	Gross Profit			138,300	<i>1</i>
	Add Gains				
	Rent Receivable		2,800		<i>½</i>
	Add Rent Receivable due		1,000	3,800	<i>½+ ½</i>
				142,100	<i>0</i>
	Less Expenses				
	Insurance	6,400			<i>½</i>
	Less Insurance Prepaid	400	6,000		<i>½+½</i>
	Advertising	54,000			<i>½</i>
	Add Advertising Due	300	54,300		<i>½+½</i>
	Depreciation : Buildings	40,000			<i>½</i>
	Motor Vehicles	7,200	47,200	107,500	<i>½+½+0</i>
	Net Profit			34,600	<i>3</i>
	Less Dividends Declared			14,000	<i>½</i>
				20,600	<i>0</i>
	Add Opening Reserves			98,000	<i>½</i>
	Reserves			118,600	<i>½</i>

Alternative Presentation of figures where Expenses are Deducted before Adding Gains

			Mark
Gross Profit		138,300	<i>1</i>
Less Expenses		107,500	<i>4½</i>
		30,800	<i>0</i>
Add Gains	2,800 plus 1,000	3,800	<i>1½</i>
Net Profit		34,600	<i>1</i>

Q 4 (A) contd.

	$\frac{1}{2}$	+ 1	$+\frac{1}{2}$	Mark
Balance Sheet of REILLY Ltd as on 31 /12/ 2009				(16)
	€	€	€	
Fixed Assets	Cost	Depreciation	NBV	
Land	140,000	-----	140,000	$\frac{1}{2}+\frac{1}{2}$
Buildings	400,000	40,000	360,000	$\frac{1}{2}+\frac{1}{2}+\frac{1}{2}$
Motor Vehicles	90,000	7,200	82,800	$\frac{1}{2}+\frac{1}{2}+\frac{1}{2}$
Total Fixed Assets	630,000	47,200	582,800	$\frac{1}{2}+\frac{1}{2}+\frac{1}{2}$
Current Assets				
Closing Stock	25,000			$\frac{1}{2}$
Debtors	31,000			$\frac{1}{2}$
Cash	22,500			$\frac{1}{2}$
Insurance prepaid	400			$\frac{1}{2}$
Rent Receivable due	1,000	79,900		$\frac{1}{2}+0$
Less Current Liabilities				
Creditors	24,300			$\frac{1}{2}$
Advertising due	300			$\frac{1}{2}$
Bank Overdraft	4,000			$\frac{1}{2}$
Carriage Inwards due	500	29,100		$\frac{1}{2}+0$
Working Capital			50,800	0
Total Net Assets			633,600	$\frac{1}{2}$
Financed By	Authorised	Issued		
600,000 € ordinary shares	600,000	360,000		1+1
Add Reserves		118,600		$\frac{1}{2}$
Add Long Term Liabilities				
30 Year Loan		155,000		$\frac{1}{2}$
Capital Employed			633,600	$\frac{1}{2}$

(B)

Three suitable types of advertising furniture @ 2+2+1

	Suitable types of advertising furniture	Mark
1	Television;	<i>2 or 1</i>
2	Cinema;	<i>2 or 1</i>
3	Colour Magazines	<i>2 or 1</i>
Other	Billboards	

Marks Summary	
Item	Marks
(A) Trading, Profit and Loss Appropriation Account	<i>17½</i>
Balance Sheet	<i>16½</i>
Presentation	<i>1</i>
Total	35
(B)	5
Total for question	40

Q 5 This a Delivery System and Wages Question

A (i) Three factors @ 2 marks each

	Three Factors that should be considered when deciding on a suitable delivery system	Mark
1	Type of goods being transported	2
2	Value of goods being transported	2
3	Cost of delivery system	2
Other	Location of customer/ Destination, Safety/Security; Speed / Urgency	

A (ii) Two developments named @ 2 marks each

	Modern Developments in Delivery Systems in Ireland	Mark
1	Tool Roads/ Bridges/ Bypasses	2
2	Port Tunnel	2
Other	Barrier Free Toll Roads ; Luas / Extension to Luas lines; Bicycle Lanes;	
	New Trains e.g. Train to Donboyne; Quality Bus Corridors;	
	New Gas Pipe line; New newer alcohol limits for drivers	

(B) Cost of Transport for one day

Section	Answer	Workings	Mark
B(i)	€ 22	700 klms = 20 litres; 35 litres 20 litres X €1.10 = €22	2 3
B(ii)	€250	Driver Wages €850 = €170 5 days Helpers Wages €400 = €80 5 days Total Cost of Labour €250	2 2 2
B(iii)	€ 17	Insurance <u>€2,560</u> = €8 320 days Motor Tax <u>€1,600</u> = €5 320 days Motor Repairs <u>€1,280</u> = €4 320 days Total Cost = €17	2 2 2 1
B (iv)	€329	Total Cost of Transport for One Day Diesel € 22 Labour €250 Daily Annual Costs € 17 Toll € 40 Total Cost €329	1 1 1 1 2

Q 5 (C) contd.

Wages Book of FASTFLOW Ltd

Week No.	Employee's Name	Gross Wage	Deductions				Net Wage	Mark
			PAYE	PRSI	Pension	Total		
		€	€	€	€	€	€	
1	Mary Harte	850	210	51	34	294	555	1+1+0+1
	Luke Kidney	400	100	24	16	140	260	1+1+0+1

Q. 6 This is a Cash Flow Forecast Question

In part (B) there was an error of omission in Payments for April in which the figure for equipment of €30,000 was inadvertently omitted. There was also a typographical error in the Total Payments for April where the figure given should have read €69,500 instead of €69,000. These errors affected parts (B) and (C) of the question. The marking scheme takes account of these errors so that candidates are not disadvantaged.

(A) Two reasons outlined @ 3 marks each

	Reasons	Mark
1	To find out if a business can live within its means	3
2	To find out if there will be any liquidity problems in the future	3
Other	To find out the timing and or amounts of any future shortfalls; Necessary for obtaining Investment; Necessary for obtaining Loans / Overdrafts Needed as part of Business Plan	

(B)

Cash Flow Forecast of MORGAN Ltd for the Period March to August 2011

	March €	April €	May €	June €	July €	August €	Total Mar. to Aug. €	Mark
RECEIPTS								
Sales	40,000	40,000	40,000	40,000	40,000	48,000	248,000	2
Share Capital				210,000			210,000	1
EU Grant			20,000			20,000	40,000	1
A. Total Receipts	40,000	40,000	60,000	250,000	40,000	68,000	498,000	0
PAYMENTS								
Wages	10,500	10,500	10,500	10,500	10,500	10,500	63,000	1
Purchases	24,000	24,000	24,000	24,000	24,000	27,600	147,600	2
Loan Repayments	3,000	3,000	3,000	3,000			12,000	2
Equipment					35,000		35,000	1
Dividend					18,000		18,000	1
Advertising	2,000	2,000	2,000	2,000	2,000	1,840	11,840	2
B. Total Payments	39,500	69,000	39,500	39,500	89,500	39,940	287,440	0
C. Net Cash (A-B)	500	(29,500)	20,500	210,500	(49,500)	28,060	210,560	5
D. Opening Cash	4,200	4,700	(24,800)	(4,300)	206,200	156,700	4,200	5
E. Closing Cash (C+D)	4,700	(24,800)	(4,300)	206,200	156,700	184,760	214,760	5

The solutions given in the marking scheme are based on the printed figures. In order to ensure that candidates are not disadvantaged, accept Own Figures for all figures (except €4,200 in Total March to August Column) to Total in C, D and E, provided the procedure is correct.

(C) New Closing Cash Figure for August = Own figure for Closing Cash less €18,000

As a result of the error referred to above, and to ensure that candidates are not disadvantaged as a result, accept candidates Own Figure for Closing Cash less €18,000 for full marks (6).

Answer	Workings	Mark
€ Own Figure	€Own Figure- €18,000	6