

Question 1: Household Budget

1. (A) Budget Comparison Statement for the Feeney household for the year 2012

INCOME	Budget Jan – Dec €	Actual €	Difference €
Salaries	42,500	39,525	- 2975
Child benefit	3,360	3,108	-252
Interest	200	194	-6
Other		1,000	+ 1,000
TOTAL INCOME	46,060	43,827	- 2,233
EXPENDITURE			
<i>Fixed</i>			
Mortgage	12,600	13,425	+ 825
Car insurance	430	400	-30
House insurance	640	736	+96
Subtotal	13,670	14,561	+ 891
<i>Irregular</i>			
Household costs	7,200	7,740	+ 540
Car costs	1,800	2,016	+ 216
Clothing and footwear costs	2,050	2,050	0
Light and heat costs	3,400	3,544	+ 144
Medical insurance	2,300	2,185	- 115
Subtotal	16,750	17,535	+ 785
<i>Discretionary</i>			
Entertainment costs	2,400	1,900	-500
Presents	600	1,000	+ 400
Holidays	4,300	4,042	-258
Subtotal	7,300	6,942	-358
TOTAL EXPENDITURE	37,720	39,038	+ 1,318
Net Cash	8,340	4,789	-3,551
Opening Cash	1,200	1,200	
Closing Cash	9,540	5,989	

Total 22 marks

Note:

No marks for the Total Income, Subtotal of Fixed, Irregular and Discretionary Expenditure.

½ mark for each of the following figures if correct.

8 Income figures, 6 Fixed Expenditure, 10 Irregular Expenditure, 6 Discretionary Expenditure.

2 marks for each figure in Net Cash must be correct.

1 mark for correct Opening Cash.

2 marks for Closing Cash as in the solution.

In the difference column the negative figures must be shown either in brackets () or with a minus sign.

(B)

- | | | |
|-------|---------------------------|-----|
| (i) | €9,540 | (2) |
| (ii) | €8,340 | (2) |
| (iii) | €1,318/accept own figure. | (2) |
| (iv) | €5,989/accept own figure. | (2) |
| (v) | | (2) |
- Their no claims bonus may have increased.
 - The provisional driver got a full licence.
 - They reduced the value of their car or got a smaller car.
 - They received a better quote from a competing insurance firm.
 - Penalty points removed from licence.
 - Reduced the level of cover.

(C) (i) (2 × 3)

- Negotiate an interest only payment on their mortgage.
- Shop around to decrease house insurance/household costs/light and heat/car costs
- Reduce expenditure on /holidays/presents/entertainment (example of discretionary expenditure)
- Invest the closing cash.

(ii) D I R T (2)

Question 2: Club Account**(A) (i)**

The Rock Boxing Club Shop Trading Account for year ended 31/12/2012			
Sales			4,750
Stock 01/01/2012		1,300	
Add Purchases		2,900	
		4,200	
Less Stock 31/12/2012		900	3,300
Shop Profit			1,450

(A) (ii)

The Rock Boxing Club Income and Expenditure Account for year ended 31/12/2012			
Income			
Shop Profit			1,450
Tug of War Income		3,670	
Less Tug of War Expenditure		1,590	2,080
Annual Sponsorship			5,200
Club Lotto Income		5,900	
Less Club Lotto Expenditure		4,830	1,070
Subscriptions		7,960	
Less Subscriptions prepaid		140	7,820
			17,620
Less Expenditure			
Fixtures repairs		920	
Depreciation Equipment		1,260	
Insurance	6,720		
Less Insurance prepaid	840	5,880	
Light and Heat	3,625		
Add Light and Heat due	325	3,950	
Sundry Expenses		5,320	17,330
Excess/Surplus of Income over Expenditure			290

[34 marks]**(B) (i) The Club Treasurer prepares the report. (3)****(ii) The club could apply for a grant which does not have to be repaid. This could be obtained from the Sports Council or the National Lottery.**

The club could apply for a community medium or long-term loan from the local Credit Union or financial institution which could be repaid with interest/collateral may be required.

The club could seek sponsorship from a local business or benefactor to cover the cost of the changing rooms.

(1 + 2)**[6 marks]****Total 40 marks**

Trading Account:

Title and Date	=	2 marks
6 figures @ 1 mark each	=	6 marks

Income and Expenditure Account:

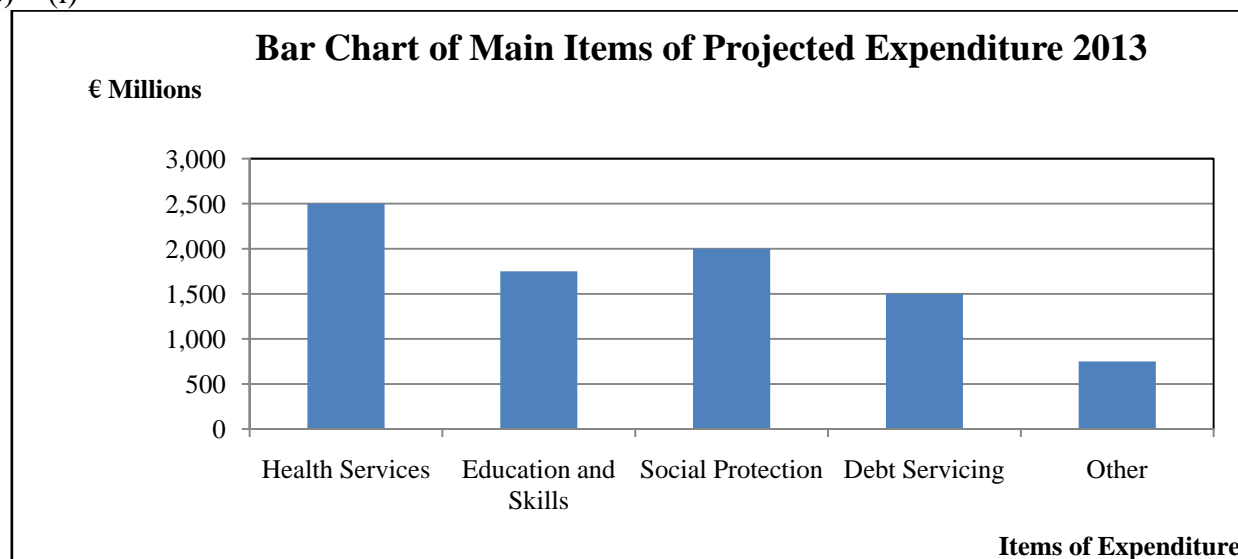
Title and Date	=	2 marks
Income Heading	=	1 mark
11 figures @ 1 mark each	=	11 marks
Expenditure Heading	=	1 mark
9 figures @ 1 mark each	=	9 marks
1 figure for surplus	=	1 mark
Word Surplus/Excess	=	1 mark
Total	=	26 marks

Question 3: Factors of Production, National Expenditure, and Economic Awareness

- (A) (i) **Land** is anything supplied by nature which is used in the production of goods and services. The reward is **rent**.
- (ii) **Labour** is all human effort used in the production of goods and services. The reward is **wages**.
- (iii) **Capital** is anything man made used in the production of goods and services. The reward is **interest**.
- (iv) **Enterprise** is the factor of production which **combines all the other factors**, takes the risk and sets up a business. The reward is **profit**.

12 marks

(B) (i)



Title and 2 axes 3 @ 1mark each

= 3 marks

Labelled 5 @ 1 mark each

= 5 marks

Correct bars 5 @ 1 mark each

= 5 marks

(13 marks)

- (B) (ii) **Limited Resources** means that there are not enough resources to do all the things that need to be done. (3)

As a result of limited resources choices must be made. **Opportunity cost** refers to choices lost as a result of a decision made. (3)

- (iii) **A Budget Deficit** occurs when government current expenditure exceeds government current revenue. (3)

- (iv) The government will have to

- decrease current expenditure e.g. the public sector pay bill
- increase current revenue through increased taxation e.g. property tax.
- a combination of both by increasing current revenue a little and cutting current expenditure a little.

(2 × 3)

(15 marks)

[28 marks]

Total 40 marks

Question 4: Insurance**(A) (i)**

Ward Insurance Ltd - Claim Form				
Name	Jack Earls (½)			
Address	The Quay, Dingle, Co. Kerry (½)			
Policy No.	525921RD (½)			
Occupation	Student (½)			
Details of Loss/Damage				
Date	1 May 2013 (½)			
Location	Tralee, Co. Kerry (½)			
Description of items lost/damaged	Value (€)	Date of Purchase		
I Pad with WiFi and Cellular (½)	€569 (½)	25 April 2013 (½)		
Was loss/damage reported to the Garda Síochána? (Tick (✓)YES or NO)		YES	✓	NO (½)
If 'Yes', please complete this section: ➡	Date of reporting	1 May 2013 (1)		
	Garda Station	Tralee (1)		
	Garda who took details	Garda Sinead Foley (1)		
Signed	Jack Earls (1)			
Date	8 May 2013 (1)			

A (i) Form: 10 items @ ½ mark each = **5 marks**
 5 items @ 1 mark each = **5 marks**
 = **10 marks**

- (ii) **Compensation:** €569 or a new I Pad. (3)
- (iii) **Indemnity-** Jack cannot make a profit from insurance. He cannot receive compensation greater than the value of the I Pad €569. (5)
- (iv) **Utmost Good Faith** – Jack was obliged to tell the truth when filling his proposal form for insurance and give all relevant facts.
Insurable Interest – Jack should be the owner of the I Pad in order to insure it. He suffered a financial loss as the I Pad was stolen. Only the owner of property can take out insurance. (5)

[23 marks]

(B)

- (i) In Dylan's case he has **a provisional licence and he is aged 22.** (2 × 3)
- (ii) **Third party** insurance provides compensation to other people injured in or by Dylan's car. It also covers damage to property caused by Dylan's car. **His own car is not covered.**
Comprehensive insurance provides compensation to all those injured by Dylan's car, any property damaged by the **car as well as damage to Dylan's car** (8)
- (iii) An **Actuary** calculates the premium. (3)

[17 marks]

Total 40 marks

Question 5: Borrowing

(A)

Main Street
Mohill
Co. Leitrim

11th June 2013

Mr Niall Daly
The Strand
Buncrana
Co. Donegal

Re: Hire Purchase versus Loan

Dear Niall,

I am writing to explain the difference between hire purchase and a loan as forms for finance.

Hire Purchase is where a deposit is paid and the balance is paid by instalments. Ownership is acquired after the last instalment is paid. Your rights under Hire Purchase are:

- to receive a copy of the HP agreement showing the cash price, the hire purchase price and the APR/number of instalments/amount of each instalment/cooling off period.
- to return the goods to the hire purchase company if the instalments cannot be paid
- if more than one third of the hire purchase price is paid the hire purchase company cannot take the goods back unless they get permission from the court.

A loan is a source of finance from a financial institution that is repayable with interest over an agreed period of time. Collateral or security may be required. You can purchase the scooter immediately and will have full ownership. Your rights as a borrower are:

- to know the APR
- to know the number of repayments
- to know the amount of each repayment
- to know the cash price
- to know the total cost of credit.
- a cooling off period to allow for change of mind.

If you have any queries please feel free to contact me.

Yours sincerely

Enda Power

Letter

Layout: 9 @ 1 mark	=	9 marks
2 Explanations @ (3) each	=	6 marks
Rights: 2 @ 2 marks	=	4 marks
English	=	3 marks

[22 marks]

[English consists of punctuation, paragraphs and neatness.]

(B) (i)

Option 1 (1)

Hire Purchase	Deposit	€350	1 mark
	30 Instalments @ €210 each	<u>€6,300</u>	3 marks
	Total	<u>€6,650</u>	1 mark
			(6 marks)

Option 2 (1)

Loan			
	€4,500 @ 10.5%	€472.50	1 mark
	€3,000 @ 10.5%	€315.00	1 mark
	€1,500 @ 10.5%	<u>€157.00</u>	1 mark
		€945.00	1 mark
	3 x €1,500	<u>€4,500.00</u>	1 mark
	Total	<u>€5,445.00</u>	1 mark

7 marks

(ii) **Choice:** I would recommend the loan **1mark**

Two Reasons: (2 @ 2 marks each) = **4 marks**

1. It is cheaper.
2. Ownership is immediate.

5 marks
[18 marks]

Total 40 marks

Question 6: Wages and People at Work

(A) (i) A tax credit reduces the amount of tax payable by a tax payer.

(3)

(ii)

Workings

Gross Pay		PAYE	
$\frac{702}{13} = \text{€}18 \text{ per hour}$ Basic €702 O T $5 \times 1.5 \times \text{€}18 = \text{€}135$ $1 \times 2 \times \text{€}18 = \text{€}36$ €171 <u>€873</u>		$873 \times 41\% = \text{€}357.93$ less tax credit <u>€120.00</u> <u>€237.93</u>	
Tax Credit		Other	
$\frac{\text{€}6,240}{52} = \text{€}120$		PRSI/USC $\text{€}873 \times 10.5\% = \text{€}91.67$	

Wage Slip		
Name: Patricia Keane		(1)
Week No: 26		(1)
Basic Pay	€702	(1)
Overtime	€171	(4)
Gross Pay	—————→	€873.00 (2)
Tax Credit	€120	(3)
Deductions		
PAYE	€237.93	(5)
PRSI/USC	€91.67	(2)
Health Insurance	€24.00	(1)
Savings	€50.00	(1)
Total Deductions	—————→	€403.60 (1)
Net Pay	—————→	€469.40 (1)

22 marks

(iii) **Additional Income:** Overtime

= 1 mark

Non Statutory Deductions: Savings, Health Insurance 2 @ 1 mark

= 2 marks

[28 marks]

- (B) (i) This is **work** because there is **no payment** involved. Patricia receives no payment for her work with Focus Ireland.

(2 × 3)

6 marks

(ii)

- She would bring teamwork skills as she works with other people in Cafe Lani.
- She could bring her catering skills to the charity in helping to prepare meals for homeless people.
- As a chef she has organisational skills in running a kitchen efficiently. These skills could be used for Focus Ireland.
- She would have good social and communication skills for interacting with the clientele.

2 skills described @ 3 marks each

[12 marks]

Total 40 marks