



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2021

Marking Scheme

Accounting

Ordinary Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.

Question 1 - Final Accounts Sole Trader

Trading and Profit and Loss Account of James Phelan for the year ended 31/12/2020 [1]

	€		€		€	
Sales					595,000	[4]
Less sales returns					<u>18,000</u>	[4]
					577,000	
Less cost of sales						
Opening stock			32,000	[3]		
Purchases	196,000	[3]				
Less purchases returns	<u>8,100</u>	[3]	<u>187,900</u>			
			219,900			
Less closing stock			<u>23,000</u>	[3]		
Cost of sales					<u>196,900</u>	
Gross profit					380,100	
Less Expenses						
Administration [1]						
Wages and salaries	112,000	[4]				
General expenses	12,500	[4]				
Stationery	2,100	[6]				
Insurance	5,625	[6]				
Dep Buildings	10,000	[4]				
Dep Office Eq	<u>6,000</u>	[4]	148,225			
Selling and Distribution [1]						
Advertising	4,000	[6]				
Dep of Delivery Vans	<u>4,800</u>	[4]	<u>8,800</u>		<u>157,025</u>	
					223,075	
Add Gains						
Discount received					1,600	[3]
Decrease in Bad Debt Provision					<u>1,080</u>	[4]
Operating profit					225,755	
Less loan interest					<u>4,725</u>	[6]
Net profit for this year					221,030	
Add profit and loss balance 01/01/2020					<u>51,500</u>	[2]
Profit and loss balance 31/12/20120					<u>272,530</u>	[4]

Balance Sheet of James Phelan as at 31/12/2020 [1]

	Cost		Dep		NBV	
	€		€		€	
Intangible Assets						
Patents					28,000	[2]
Fixed Assets						
Buildings	500,000	[1]	10,000	[2]	490,000	
Equipment	30,000	[1]	24,000	[2]	6,000	
Delivery vans	<u>62,000</u>	[1]	<u>18,800</u>	[2]	<u>43,200</u>	
	<u>592,000</u>		<u>52,800</u>		<u>567,200</u>	
Current Assets						
Closing stock			23,000	[1]		
Stock of stationery			1,500	[1]		
Debtors	32,400	[2]				
Less Bad Debt Provision	<u>1,620</u>	[2]	30,780			
Bank			44,500	[2]		
Advertising prepaid			2,000	[2]		
Insurance prepaid			<u>1,875</u>	[2]		
			103,655			
Creditors: amounts falling due within 1 year						
Creditors	24,400	[2]				
VAT	13,600	[2]				
Loan interest	3,525	[2]				
PRSI/USC	<u>19,700</u>	[2]	<u>61,225</u>			
Working capital					<u>42,430</u>	
Net worth					<u>609,630</u>	
Financed by						
Creditors: amounts falling due after 1 year						
Loan					90,000	[2]
Capital			262,000	[2]		
Add profit and loss balance			<u>272,530</u>	[2]		
			534,530			
Less drawings			<u>14,900</u>	[2]	<u>519,630</u>	
					<u>609,630</u>	

Question 1B Final Accounts a Company

Trading and Profit and Loss Account of Moloney Ltd for the year ended 31/12/2020 [1]

	€		€		€	
Sales					790,000	[4]
Less sales returns					<u>21,200</u>	[4]
					768,800	
Less cost of sales						
Opening stock			94,500	[4]		
Purchases			<u>440,000</u>	[4]		
			534,500			
Less closing stock			<u>75,400</u>	[4]		
Cost of sales					<u>459,100</u>	
Gross profit					309,700	
Less Expenses						
Administration [1]						
Stationery	3,700	[6]				
Light and Heat	10,600	[4]				
Directors Fees	28,800	[4]				
Rent and Rates	24,900	[2]				
Insurance	12,450	[4]				
Dep Buildings	14,000	[4]				
Dep Office Eq	<u>5,100</u>	[4]	99,550			
Selling and Distribution [1]						
Advertising	12,300	[4]				
Increase in Bad Debt Provision	1,000	[4]				
Dep of Delivery Vans	<u>8,500</u>	[4]	<u>21,800</u>		<u>121,350</u>	
					188,350	
Add Gains						
Commission					<u>17,400</u>	[3]
Operating profit					205,750	
Less loan interest					<u>7,500</u>	[6]
Net profit for this year					198,250	
Less Taxation					<u>18,000</u>	[2]
					180,250	
Add profit and loss balance 01/01/2020					<u>61,800</u>	[2]
Profit and loss balance 31/12/2020					<u>242,050</u>	[4]

Balance Sheet of Moloney Ltd as at 31/12/2020 [1]

	Cost		Dep		NBV	
	€		€		€	
Intangible Assets						
Patents					74,000	[2]
Fixed Assets						
Buildings	700,000	[1]	49,000	[2]	651,000	
Equipment	60,000	[1]	14,100	[2]	45,900	
Delivery vans	<u>85,000</u>	[1]	<u>8,500</u>	[2]	<u>76,500</u>	
	<u>845,000</u>		<u>71,600</u>		<u>773,400</u>	
					847,400	
Current Assets						
Closing stock			75,400	[1]		
Stock of stationery			1,500	[1]		
Debtors	86,000	[2]				
Less Bad Debt Provision	<u>4,300</u>	[2]	81,700			
Insurance prepaid			<u>4,150</u>	[2]		
			162,750			
Creditors: amounts falling due within 1 year						
Creditors	93,000	[2]				
VAT	17,400	[2]				
Bank	14,500	[2]				
Advertising due	900	[2]				
Loan interest	4,300	[2]				
Corporation tax	<u>18,000</u>	[2]	148,100			
Working capital					<u>14,650</u>	
Net worth					<u>862,050</u>	
Financed by						
Creditors: amounts falling due after 1 year						
Loan					100,000	[2]
Capital and Reserves	Authorised	[1]	Issued	[1]		
Capital	<u>950,000</u>	[1]	520,000	[1]		
Add profit and loss balance			<u>242,050</u>	[2]	762,050	
					862,050	

2. Farm Accounts

[60]

(a)

Tierney Family Capital 01/01/2020

[20]

Assets		€		€	
	Land	900,000	[2]		
	Farm Buildings	340,000	[2]		
	Machinery	118,000	[2]		
	Stock of Cattle	126,000	[2]		
	Stock of Sheep	21,000	[2]		
	Bank	9,500	[2]		
				1,514,500	
Liabilities					
	ESB due	550	[3]		
	Wages due	1,200	[3]	(1,750)	
	Capital on 01/01/2020			1,512,750	[2]

(b) (i)

[20]

Enterprise Analysis Account "Cattle/Milk" for the year ended 31/12/2020

Income		€		€	
	Sale of Milk	92,000	[1]		
	Sale of Cattle	68,900	[1]		
	Single Farm Payment	21,760	[2]		
	Drawings	1,100	[1]	183,760	
Less Cost of Sales					
	Stock 1/1	126,000	[1]		
	Purchases	74,400	[1]		
		200,400			
	Less Closing Stock 31/12	112,000	[1]	(88,400)	
				95,360	
Expenditure					
	Fertilizer(22,400/2)	11,200	[2]		
	E.S.B.(W1)	7,310	[4]		
	Repairs (17,300/2)	8,650	[2]		
	Wages(W2)	17,350	[3]	(44,510)	
	Profit			50,850	[1]

(b) (ii)

[20]

Enterprise Analysis Account "Sheep" for the year ended 31/12/2020

Income		€		€	
	Sale of Lambs	43,600	[1]		
	Sale of Wool	1,400	[1]		
	Single Farm Payment	5,440	[2]		
	Drawings	240	[2]	50,680	
Less Cost of Sales					
	Stock 1/1	21,000	[2]		
	Purchases	6,700	[1]		
		27,700			
	Less Closing Stock 31/12	25,000	[2]	(2,700)	
				47,980	
Expenditure					
	Fertilizer(22,400/2)	11,200	[2]		
	E.S.B.(W1)	7,310	[2]		
	Repairs (17,300/2)	8,650	[2]		
	Wages(W2)	17,350	[2]	(44,510)	
	Profit			3,470	[1]

W1	Electricity	14,500	
	Add due 31/12	<u>670</u>	
		15,170	
	Less due 1/1	<u>550</u>	
		<u>14,620</u>	
W2 Wages 35,900- due 1/1 (1,200) = 34,700 / 2 = 17,350			

Question 3 Correction of Errors and Suspense Account

(a) Journal Entries

[35]

		Dr		Cr	
(i) Purchases	Dr	900	[3]		
To Suspense	Cr			900	[3]
Being correction of an error of incorrect posting of purchases book figure.	[1]				
(ii) Shane Keane	Dr	990	[3]		
To Sean Keane	Cr			990	[3]
Being correction of an error of entering goods purchased on credit in Shane Keane's account instead of Sean Keane's account.	[1]				
(iii) Sales returns	Dr	850	[3]		
To Suspense	Cr			850	[3]
Being correction of error of under totting the total in the sales returns	[1]				
(iv) Bank	Dr	400	[3]		
To interest received	Cr			400	[3]
Being correction of an error omission of interest received.	[1]				
(v) Drawings	Dr	650	[3]		
To purchases	Cr			650	[3]
Being correction of an error of omitting goods by Donal Power for his own use.	[1]				

(b)

[25]

Statement of Corrected Net Profit

Original Net Profit			21,250	[4]
Add: Purchases	650	[4]		
Interest received	<u>400</u>	[4]	<u>1,050</u>	
			22,300	
Less: Sales returns	850			[4]
Purchases	<u>900</u>		<u>(1,750)</u>	[4]
Corrected net profit			<u>20,550</u>	[5]

Question 4 - Depreciation and Revaluation of Fixed Assets

(a) **[15]**

Buildings Account								
€				€				
01/01/19	[1]	Balance b/d	840,000	[2]	01/07/19	Disposal	160,000	[2]
01/06/19		Bank	<u>210,000</u>	[4]	31/12/19	Balance c/d	<u>890,000</u>	
			<u>1,050,000</u>				<u>1,050,000</u>	
01/01/20		Balance b/d	890,000		31/12/20	Balance c/d	970,000	[1]
01/01/20		Revaluation	<u>80,000</u>	[4]				
			<u>970,000</u>				<u>970,000</u>	
01/01/21		Balance b/d	970,000	[1]				

(b) **[20]**

Provision for Depreciation on Buildings Account							
€				€			
01/07/19	Disposal	74,000	[3]	01/01/19	Balance b/d	157,000	[4]
31/12/19	Balance c/d	<u>127,000</u>	[1]	31/12/19	Dep P & L	<u>44,000</u>	[4]
		<u>201,000</u>				<u>201,000</u>	
01/01/20	Revaluation	127,000	[3]	01/01/20	Balance b/d	127,000	
31/12/20	Balance c/d	<u>48,500</u>	[1]	31/12/20	Dep P & L	<u>48,500</u>	[3]
		<u>175,500</u>				<u>175,500</u>	
				01/01/21	Balance b/d	48,500	[1]

(c) **[15]**

Disposal of Buildings Account							
€				€			
01/07/19	Buildings	160,000	[4]	01/07/19	Disposal	74,000	[4]
01/07/19	Profit on Disposal	<u>10,000</u>	[3]	01/07/19	Bank	<u>96,000</u>	[4]
		<u>170,000</u>				<u>170,000</u>	

(d) **[10]**

Revaluation Reserve Account							
€				€			
				01/01/20	Buildings	80,000	[5]
				01/01/20	Prov. for Dep.	<u>127,000</u>	[5]
						<u>207,000</u>	

Question 5 - Interpretation of Accounts

(a) (i) **Purchases** [10]

Cost of Sales + Closing Stock – Opening Stock

$$433,000 + 80,000 - 128,000 = \text{€}385,000$$

(ii) **Return on Capital Employed** [10]

$$\frac{\text{Net profit} + \text{Interest}}{\text{Capital Employed}} \times \frac{100}{1} = \frac{157,000 + 18,000}{997,000} \times \frac{100}{1} = 17.55\%$$

(iii) **Period of credit given to debtors** [10]

$$\frac{\text{Debtors}}{\text{Credit Sales}} \times \frac{365}{1} = \frac{75,000}{850,000} \times \frac{365}{1} = 32.21 \text{ days or } 1.06 \text{ months}$$

(iv) **Percentage mark up on cost** [10]

$$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1} = \frac{417,000}{433,000} \times 100 = 96.30\%$$

(b) (i) **Trade Creditors**

People from whom you have bought goods on credit and you will pay for them at a later date. In this question trade creditors are €93,000. [10]

(ii) **Depreciation**

Depreciation is the loss in value of a fixed asset due to wear and tear or age. It is an expense in the P&L. O'Connell Ltd has depreciated its fixed assets by €40,000. [10]

(iii) **Tangible Assets**

These are assets that have real value and can be seen and touched, e.g. Buildings. O'Connell has fixed assets which cost €840,000. [10]

(iv) **Capital Employed**

This is the total amount invested in the business. It is in Financed by section of Balance Sheet. It is made up of Issued Share Capital plus reserves and long term liabilities. In this question it is €997,000. [10]

(c) **Acid Test Ratio**

Current Assets – Closing Stock: Current Liabilities

$$250,000 - 80,000 : 93,000 \quad 1.83 : 1$$

O'Connell Ltd has an acid test ratio of 1.83:1 which is greater than the ideal of 1:1. This means that they have €1.83 available for every €1 they owe in the short term. [10]

(d) Return on capital employed for 2020 was 17.55% which is an increase of 5.55% from 12% in 2019. This is a good return. The business is profitable. The current return available from the banks or risk free investments is less than 2%. Overall O'Connell Ltd is performing well and is profitable. [10]

Question 6 - Cash flow Statement

Reconciliation of Operating Profit to Net Cash Inflow/Outflow from Operating Activities	€	
Operating profit	152,000	[3]
Add depreciation	42,000	[6]
Increase in stock	(14,000)	[6]
Decrease in debtors	8,000	[6]
Increase in creditors	<u>3,000</u>	[6]
Net cash inflow from operating activities	<u>191,000</u>	[3]

Cash Flow Statement of Betts Ltd for the year ended 31/12/2020		€	
Operating Activities [2]			
Net cash inflow from operating activities		191,000	[4]
Return on Investment and Servicing of Finance [2]			
Interest paid		(24,000)	[6]
Taxation [2]			
Tax paid		(46,000)	[8]
Capital Expenditure and Financial Investment [2]			
Purchase of land/buildings		(180,000)	[6]
Equity Dividend paid [2]			
Dividends paid		<u>(42,000)</u>	[6]
Net cash outflow before liquid resources and financing		(101,000)	
Financing			
Issue of ordinary share capital	70,000	[5]	
Share premium	10,000	[5]	
Issue of Debentures	<u>30,000</u>	[5]	
		<u>110,000</u>	
Increase in cash		9,000	[5]

(c) Reconcile the net cash flow to movement in net debt

	€	
Increase in cash in the period	9,000	[2]
Debentures	<u>(30,000)</u>	[2]
Change in net debt	(21,000)	[2]
Net debt 01/01/2020	<u>(143,000)</u>	[2]
Net debt 31/12/2020	<u>(164,000)</u>	[2]

Question 7 – Service Accounts

Statement of Capital of the Bergin family on 01/01/2020

Assets	€		€	
B & B premises	540,000	[3]		
Equipment and linen	9,600	[3]		
Airbnb premises	60,000	[3]		
Bicycles	8,100	[3]		
Cash	6,800	[4]		
Stock of fuel and heating oil	<u>3,200</u>	[5]	627,700	
Liabilities				
Advance deposits	<u>1,700</u>	[5]	<u>1,700</u>	
Capital 01/01/2020			<u>626,000</u>	[4]

(b) Income and Expenditure Account for year ended 31/12/2020				
Income				
	€		€	
Receipts from guests	41,250	[4]		
Receipts from bicycle hire	3,400	[2]		
Rent from Airbnb	<u>25,200</u>	[4]	69,850	
Expenditure				
Provisions	2,625	[6]		
Light and heat	4,440	[6]		
Wages	21,400	[2]		
Laundry	3,800	[2]		
Advertising	2,100	[2]		
Repairs and maintenance	5,400	[2]		
Depreciation				
Bicycles (20%)	1,620	[3]		
Equipment and linen (15%)	<u>1,440</u>	[3]	<u>42,825</u>	
Excess income over expenditure			27,025	[4]

(c) Balance Sheet of Bergin family as at 31/12/2020

Fixed Assets	Cost		Dep		NBV	
B & B premises	540,000	[1]			540,000	[1]
Equipment & linen	9,600	[1]	1,440	[1]	8,160	[1]
Airbnb Premises	60,000	[1]			60,000	[1]
Bicycles	<u>8,100</u>	[1]	<u>1,620</u>	[1]	<u>6,480</u>	[1]
	<u>617,700</u>		<u>3,060</u>		614,640	
Current Assets						
Stock of oil	860	[3]				
Bank	<u>35,800</u>	[3]	36,660			
Current Liabilities						
Advance deposits	3,150	[3]				
Provisions due	<u>200</u>	[3]	<u>3,350</u>			
Working capital					<u>33,310</u>	
Net worth					<u>647,950</u>	
Financed by						
Capital					626,000	[2]
Excess income					27,025	[2]
Less drawings					<u>(5,075)</u>	[4]
					<u>647,950</u>	

8. Absorption Costing

(a) (i) Overhead Absorption rate per Direct Labour Hour

Direct Labour Hour rate [15]
= $\frac{\text{Budget Factory overheads}}{\text{Budgeted Direct labour hours}} = \frac{120,000}{15,000\text{hrs}} = \text{€8 per labour hour}$

(ii) Overhead absorption rate per Machine Hour [15]

Machine Hour rate
= $\frac{\text{Budgeted factory Overheads}}{\text{Budgeted Machinery Hours}} = \frac{120,000}{12,000\text{hrs}} = \text{€10 per machine hour}$

(b) Total cost of Job No 330 [16]

	Machine Hour Rate	
Direct Materials	28,000	[3]
Direct Labour (310 x €12.50)	3,875	[6]
Factory overheads (190 x €10)	1,900	[6]
	<u>33,775</u>	[1]

(c) Total Cost of Job No. 330 [16]

	Direct Labour Hour Rate	
Direct Materials	28,000	[3]
Direct Labour (310 x €12.50)	3,875	[6]
Factory overheads (310 x €8)	2,480	[6]
	<u>34,355</u>	[1]

(d) Selling Price of Job No. 330 [10]

	Labour Rate	
Cost	34,355	[4]
Mark up 20%	6,871	[4]
Selling Price	<u>41,226</u>	[2]

(e) State two reasons why a business needs to calculate the cost price of a product. [8]

A business needs to be able to calculate the cost price of a product so that they can determine a suitable selling price in order to make a profit. They also can see if it is worthwhile producing. They may want to plan for the future or compare to competitors.

9. Product Budgeting

(a) Sales Budget

	Comfort		Standard	
Budgeted Sales	5,600	[3]	4,400	[3]
Budgeted Selling Price	<u>€25</u>	[3]	<u>€18</u>	[3]
	€140,000	[1]	€79,200	[1]
Total Sales = €219,200				

(b) Production Budget

	Comfort		Standard	
Budgeted Sales	5,600	[2]	4,400	[2]
Add Budgeted Closing Stock	<u>610</u>	[2]	<u>380</u>	[2]
	6,210		4,780	
Less Budgeted Opening Stock	<u>740</u>	[2]	<u>530</u>	[2]
Budgeted production in units	5,470	[2]	4,250	[2]

(c) Material Usage Budget

		Material A		Material B	
Comfort (5,470 x 9)	49,230	[3]	(5,470 x 7)	38,290	[3]
Standard (4,250 x 6)	<u>25,500</u>	[3]	(4,250 x 4)	<u>17,000</u>	[3]
	<u>74,730kg</u>	[2]		<u>55,290kg</u>	[2]

(d) Materials Purchases Budget

	Material A		Material B	
Budgeted Usage	74,730	[2]	55,290	[2]
Add Budgeted Closing Stock	<u>220</u>	[2]	<u>420</u>	[2]
	74,950		54,870	
Less Budgeted Opening Stock	<u>190</u>	[2]	<u>360</u>	[2]
Budgeted production in units	74,760		55,350	
Budgeted Purchase Price	x €3	[1]	x €2	[1]
	224,280	[1]	110,700	[1]

(e) Labour Budget

	Comfort		Standard	
Budgeted Production	5,470	[1]	4,250	[1]
No of hours per unit	<u>x 5</u>	[1]	<u>x 4</u>	[1]
	27,350		17,000	
Labour Rate per hour	<u>x €10</u>	[1]	<u>x €10</u>	[1]
	273,500	[1]	170,000	[1]
Total Labour Cost	€443,500	[2]		

- (f) A material usage budget is used to calculate the amount of raw materials that are needed for production. It is also used to plan the future stock requirements. [8]

