# Coimisiún na Scrúduithe Stáit
State Examinations Commission

# Leaving Certificate 2015

# 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.

State Examinations Commission
Coimisiún na Scrúduithe Stáit

# LEAVING CERTIFICATE EXAMINATION 2015

## A C C O U N T I N G - O R D I N A R Y L E V E L
(400 marks)

## Solutions

## 1. Final Accounts of a Sole Trader [80]

**Trading, Profit and Loss Account of M. O'Dea for the year ended 31/12/14 [1]**

| | | | | | | |
|---|---|---|---|---|---|---|
| Sales | | | | | 485,000 | [4] |
| Less Sales Returns | | | | | 17,000 | [4] |
| | | | | | 468,000 | |
| **Less Cost of Sales** | | | | | | |
| Opening Stock | | | 29,000 | [3] | | |
| Purchases | 196,000 | [4] | | | | |
| Less Purchases Returns | 5,300 | [4] | 190,700 | | | |
| | | | 219,700 | | | |
| Less Closing Stock | | | 19,000 | [3] | | |
| **Cost of Sales** | | | | | **200,700** | |
| Gross Profit | | | | | 267,300 | |
| | | | | | | |
| **Less Expenses** | | | | | | |
| **Administration** [1] | | | | | | |
| Wages and Salaries | 78,750 | [6] | | | | |
| General Expenses | 13,000 | [3] | | | | |
| Stationery | 3,600 | [6] | | | | |
| Insurance | 9,000 | [3] | | | | |
| Depreciation: | | | | | | |
| Buildings | 30,000 | [4] | | | | |
| Office Equipment | 4,400 | [4] | 138,750 | | | |
| | | | | | | |
| **Selling and Distribution** [1] | | | | | | |
| Advertising | 3,800 | [6] | | | | |
| Increase in Bad Debt Provision | 980 | [6] | | | | |
| Depreciation of Delivery Vans | 4,900 | [4] | 9,680 | | 148,430 | |
| | | | | | 120,270 | |
| Add Gains | | | | | | |
| Discount Received | | | | | 1,400 | [3] |
| Operating Profit | | | | | 268,700 | |
| | | | | | | |
| Less Loan Interest | | | | | 2,250 | [6] |
| Net Profit for this year | | | | | 118,020 | |
| Add Profit and Loss Balance 01/01/2014 | | | | | 65,000 | [2] |
| **Profit and Loss Balance 31/12/2014** | | | | | **183,020** | [2] |
| | | | | | | |

**Balance Sheet of M. O'Dea as at 31/12/2014 [1] [40]**

| | | | | | | |
|---|---|---|---|---|---|---|
| **Intangible Assets** | | | | | | |
| Patents | | | | | 24,000 | [2] |
| | | | | | | |
| **Fixed Assets** | **Cost** | | **Dep.** | | **NBV** | |
| Buildings | 300,000 | [1] | 30,000 | [2] | 270,000 | |
| Equipment | 22,000 | [1] | 11,400 | [2] | 10,600 | |
| Delivery Vans | 63,000 | [1] | 18,900 | [2] | 44,100 | |
| | 385,000 | | 60,300 | | 324,700 | |
| | | | | | 348,700 | |
| **Current Assets** | | | | | | |
| Closing Stock | | | 19,000 | [3] | | |
| Stock of Stationery | | | 1,200 | [3] | | |
| Debtors | 34,800 | [2] | | | | |
| Less Bad Debt Provision | 3,480 | [1] | 31,320 | | | |
| Bank | | | 42,600 | [2] | | |
| Advertising Prepaid | | | 1,900 | [2] | | |
| | | | 96,020 | | | |
| | | | | | | |
| **Creditors amounts falling due within 1 year** | | | | | | |
| Creditors | 21,900 | [2] | | | | |
| VAT | 17,300 | [2] | | | | |
| Loan Interest | 1,250 | [1] | | | | |
| PRSI/USC | 10,200 | [2] | 50,650 | | | |
| Working Capital | | | | | 45,370 | |
| Net Worth | | | | | 394,070 | |
| | | | | | | |
| **Financed By** | | | | | | |
| **Creditors amounts falling after 1 year** | | | | | | |
| Loan | | | | | 50,000 | [2] |
| | | | | | | |
| Capital | | | 198,000 | [2] | | |
| Add Profit and Loss Balance | | | 183,020 | [2] | | |
| | | | 381,020 | | | |
| Less Drawings | | | 36,950 | [2] | 344,070 | |
| | | | | | 394,070 | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

## 2. Service Accounts

### (a) Dr. Wallace's Capital as on 01/01/2014 [20]

| Assets | € | | € | |
|---|---|---|---|---|
| Buildings | 310,000 | [2] | | |
| Furniture | 21,700 | [2] | | |
| Motor Vehicles | 28,000 | [2] | | |
| Medical Equipment | 42,000 | [2] | | |
| Bank | 18,400 | [2] | | |
| Amounts due from Private Patients | 1,600 | [2] | | |
| Amounts due from Medical Card Scheme | 3,900 | [2] | 425,600 | |
| | | | | |
| **Liabilities** | | | | |
| Light and Heat due | 300 | [2] | | |
| Depreciation of Medical Equipment | 9,500 | [2] | 9,800 | |
| Capital | | | 415,800 | [2] |

### (b) Income and Expenditure Account for year ended 31/12/2014 [40]

| | | | | | |
|---|---|---|---|---|---|
| **Income** | | | | | |
| | Private Patient Fees | 185,700 | [4] | | |
| | Medical Card Scheme | 118,000 | [6] | 303,700 | |
| | | | | | |
| **Expenditure** | | | | | |
| | Light and Heat | 15,700 | [4] | | |
| | Telephone and Broadband | 7,300 | [3] | | |
| | Motor Expenses | 14,900 | [2] | | |
| | Magazines | 1,300 | [3] | | |
| | Locum Fees | 19,100 | [3] | | |
| | Insurance | 24,000 | [4] | | |
| | Wages | 39,850 | [4] | | |
| | Depreciation | | | | |
| | Medical Equipment | 5,680 | [3] | | |
| | Motor Vehicles | 5,600 | [3] | 133,430 | |
| **Excess Income over Expenditure** | | | | 170,270 | [1] |

## 3. Bank Reconciliation [35]

**(a)**

| | | € | | | | € | |
|---|---|---|---|---|---|---|---|
| Mar | Balance b/d | 33,250 | [5] | Mar | Standing Order | 510 | [6] |
| | Interest Received | 75 | [6] | | Cheque dishonoured | 420 | [5] |
| | Dividend Received | 1,200 | [6] | | Bank charges | 90 | [6] |
| | | | | | Balance c/d | 33,505 | [1] |
| | | 34525 | | | | 34525 | |

**[25]**

| **(b)** | **Bank Reconciliation Statement** | | | **€** | |
|---|---|---|---|---|---|
| Adjusted Cash Book Balance | | | | 33,505 | [3] |
| **Add**: Cheques drawn not yet cashed | | | | | |
| | 0017 T. Mulvey | 1,800 | [4] | | |
| | 0020 Wages | 1,400 | [4] | 3,200 | |
| | | | | 36,705 | |
| **Less**: Lodgement not yet credited | | | | | |
| | Sales | | | 9,450 | [4] |
| | | | | 27,255 | |
| **Less**: Bank Error | | | | 160 | [8] |
| | | | | 27,095 | [2] |

**Alternative**

| | | | | **€** | |
|---|---|---|---|---|---|
| Balance as per Bank Statement | | | | 27,095 | [3] |
| **Add**: Lodgement not yet credited | | | | | |
| | Sales | | | 9,450 | [4] |
| | | | | 36,545 | |
| **Less**: Cheques drawn not yet cashed | | | | | |
| | 0017 T. Mulvey | 1,800 | [4] | | |
| | 0020 Wages | 1,400 | [4] | 3,200 | |
| | | | | 33,345 | |
| **Add**: Bank Error | | | | 160 | [8] |
| | | | | 33,505 | [2] |

## 4. Correction of Errors and Suspense Account [35]

### (a) Journal Entries

| | | Debit | | Credit | |
|---|---|---|---|---|---|
| (i) | | | | | |
| Waldron Ltd. | Dr | 11,300 | [3] | | |
| To Sales | Cr | | | 11,300 | [3] |
| Being correction of an error of omission of sales in book. [1] | | | | | |
| | | | | | |
| (ii) | | | | | |
| Purchases | Dr | 16,200 | [3] | | |
| To Suspense | Cr | | | 16,200 | [3] |
| Being correction of an error of understating purchases in the accounts. [1] | | | | | |
| | | | | | |
| (iii) | | | | | |
| Suspense | Dr | 1,400 | [2] | | |
| To Interest Received | Cr | | | 700 | [2] |
| To Interest Paid | Cr | | | 700 | [2] |
| Being correction of an error of entering Interest Received in Interest Paid. [1] | | | | | |
| | | | | | |
| (iv) | | | | | |
| Drawings | Dr | 400 | [3] | | |
| To Cash/Bank | Cr | | | 400 | [3] |
| Being correction of an error of omitting drawings. [1] | | | | | |
| | | | | | |
| (v) | | | | | |
| Michael Ryan | Dr | 560 | [3] | | |
| To Michelle Ryan | Cr | | | 560 | [3] |
| Being correction of an error of entering goods sold on credit in Michelle Ryans account instead of Michael Ryans account. [1] | | | | | |
| | | | | | |

### (b) Statement of Corrected Net Profit [25]

| | | | | |
|---|---|---|---|---|
| Net Profit | | | 18,400 | [5] |
| Add: Sales | 11,300 | [5] | | |
| Interest Received/Paid | 1,400 | [5] | 12,700 | |
| | | | 31,100 | |
| | | | | |
| Less: Purchases | | | 16,200 | [5] |
| Corrected Net Profit | | | 14,900 | [5] |

**5. Interpretation of Accounts** **[40]**

**(a)** (i) Sales – Cost of Sales = Gross Profit
640,000 –380,000 = 260,000

$$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1} \quad \frac{260{,}000}{640{,}000} \times \frac{100}{1} = 40.63\%$$

(ii) **Rate of Stock Turnover**

$$\frac{\text{Opening Stock} + \text{Closing Stock}}{2} \qquad \frac{\text{Cost of Sales}}{\text{Average Stock}}$$

$$\frac{28{,}000 + 16{,}000}{2} \qquad \frac{380{,}000}{22{,}000} = 17.27 \text{ times}$$

(iii) **Return on Capital Employed**

$$\frac{\text{Net Profit} + \text{Interest}}{\text{Capital Employed}} \times \frac{100}{1} \quad \frac{148{,}000 + 7{,}200}{948{,}000} \times \frac{100}{1} = 16.37\%$$

(iv) **How many more shares can Springfield Ltd issue/sell?**

Authorised - Issued 800,000 – 720,000 = 80,000 shares

**(b)** (i) **9% Debenture 2021/2022** **[40]**
Debentures are long term loans. They will be repaid in full during the years 2021/2022. They carry a fixed annual rate of interest of 9%. Springfield Ltd has a Debenture loan of €80,000 [10]

(ii) **Trade Debtors**: Goods are sold on credit to Debtors and payment is received for these goods at a later date. Springfield Ltd has trade creditors of €32,000 [10]

(iii) **Depreciation**: This is the loss in value of a Fixed Asset during the year due to wear and tear or the passage of time. A business will decide a suitable % for the yearly charge. There is depreciation of €30,000 in the above Balance Sheet. [10]

(iv) **Interest Paid**: This is the extra money paid to the lender for the use of money borrowed from a bank. It is the cost of borrowing money. Springfield Ltd paid €9,000 interest at a rate of 9% [10]

**(c)** **Acid Test Ratio** - (74,000 – 16,000) : 46,000 **[10]**
**= 1.26** : **1**
This ratio tells us that for every €1 they owe they have liquid assets of €1.26. This is better than the recommended ratio of 1 : 1.

**[10]**
**(d)** Return on Capital Employed has decreased from 19% in 2013 to 16.37% in 2014. This is a decrease of 2.63%. This is still a good return, the business is profitable and you would only get a return of approx 2/3% from a bank or risk free investments.

## 6. Cash Flow Statement

### (a) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities **[30]**

| | € | |
|---|---|---|
| Operating Profit | 83,000 | [3] |
| Add Depreciation | 7,000 | [6] |
| Increase in Stock | (5,000) | [6] |
| Increase in Debtors | (4,000) | [6] |
| Decrease in Creditors | (1,000) | [6] |
| Net Cash inflow from Operating Activities | 80,000 | [3] |

### (b) Cash Flow Statement of Rodgers Ltd For the year ended 31/12/2014 **[65]**

| | | | € | |
|---|---|---|---|---|
| **Operating Activities [2]** | | | | |
| Net Cash inflow from Operating Activities | | | 80,000 | [4] |
| | | | | |
| **Return on Investment and Servicing of Finance [2]** | | | | |
| Interest Paid | | | (6,000) | [8] |
| | | | | |
| **Taxation [2]** | | | | |
| Tax Paid | | | (11,000) | [6] |
| | | | | |
| **Capital Expenditure and Financial Investment [2]** | | | | |
| Purchase of Land/Buildings | | | (120,000) | [6] |
| | | | | |
| **Equity Dividend paid [2]** | | | | |
| Dividends paid | | | (14,000) | [8] |
| Net cash inflow before liquid resources and financing | | | (71,000) | |
| | | | | |
| **Financing** | | | | |
| Issue of Ordinary Share Capital | 49,000 | [6] | | |
| Share Premium | 12,000 | [6] | | |
| Debentures | 15,000 | [6] | 76,000 | |
| **Increase in Cash** | | | **5,000** | [5] |
| | | | | |

### (c) Reconciliation of Net Cash Flow to movement in Net Debt **[5]**

| | | |
|---|---|---|
| Increase in cash in the period | 5,000 | [1] |
| Debentures | (15,000) | [1] |
| Change in Net Debt | (10,000) | [1] |
| Net debt 01/01/2014 | (87,000) | [1] |
| Net debt 31/12/2014 | (97,000) | [1] |

**7. Incomplete Records – Control Accounts**

**(a) Capital as on 01/01/2014** **[10]**

| **Assets** | **€** | | **€** | |
|---|---|---|---|---|
| Premises | 490,000 | [1] | | |
| Equipment | 21,000 | [1] | | |
| Debtors | 7,200 | [1] | | |
| Stock | 16,500 | [1] | | |
| Cash | 14,900 | [2] | | |
| Expenses prepaid | 1,200 | [1] | | |
| | | | 550,800 | |
| **Liabilities** | | | | |
| Creditors | 4,300 | [1] | 4,300 | |
| Capital | | | 546,500 | [2] |
| | | | | |

**(b)** **[20]**

**Debtors Control Account**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 01/01/14 Balance | 7,200 | [2] | | 31/12/14 Cash | 69,800 | [2] |
| Credit Sales | 67,800 | [1] | | Balance c/d | 5,200 | [2] |
| | 75,000 | | | | 75,000 | |

Credit Sales + Cash Sales = Total Sales
**67,800 + 143,500 = 211,300** [3]

**Creditors Control Account**

| | | | | | | |
|---|---|---|---|---|---|---|
| 31/12/14 Bank | 31,800 | [2] | | 01/01/14 Balance c/d | 4,300 | [2] |
| Balance c/d | 5,700 | [2] | | Credit Purchases | 33200 | [1] |
| | 37,500 | | | | 37,500 | |

Credit Purchases + Cash Purchases = Total Purchases
**33,200 + 85,300 = 118,500** [3]

**(c)** **[30]**

**Trading, Profit and Loss Account of Mary Henderson for the year ended 31/12/14**

| | | | | | | |
|---|---|---|---|---|---|---|
| Sales | | | | | 211,300 | [3] |
| **Less Cost of Sales** | | | | | | |
| Opening Stock | | | 16,500 | [3] | | |
| Purchases | | | 118,500 | [3] | | |
| | | | 135,000 | | | |
| Less Closing Stock | | | 13,200 | [3] | | |
| **Cost of Sales** | | | | | 121,800 | |
| Gross Profit | | | | | 89,500 | |
| | | | | | | |
| **Less Expenses** | | | | | | |
| Wages and General Expenses | | | 82,600 | [6] | | |
| Depreciation: Equipment | | | 5,250 | [4] | 87,850 | |
| | | | | | 1,650 | |
| **Add** | | | | | | |
| Commission | | | | | 6,100 | [4] |
| **Net Profit** | | | | | 7,750 | [4] |

**(d)**

**Balance Sheet of Mary Henderson as at 31/12/2014** **[40]**

| **Fixed Assets** | **Cost** | | **Dep.** | | **NBV** | |
|---|---|---|---|---|---|---|
| Premises | 490,000 | | | | 490,000 | [3] |
| Equipment | 21,000 | [2] | 5,250 | [2] | 15,750 | [3] |
| Motor Vans | 13,900 | | | | 13,900 | [4] |
| | 524,900 | | 5,250 | | 519,650 | |
| | | | | | | |
| **Current Assets** | | | | | | |
| Closing Stock | 13,200 | [4] | | | | |
| Debtors | 5,200 | [4] | | | | |
| Bank | 17,600 | [6] | | | | |
| Expenses prepaid | 700 | [4] | 36,700 | | | |
| | | | | | | |
| **Creditors amounts falling due within 1 year** | | | | | | |
| Creditors | | | 5,700 | [4] | | |
| Working Capital | | | | | 31,000 | |
| Net Worth | | | | | 550,650 | |
| | | | | | | |
| **Financed By** | | | | | | |
| Capital | | | 546,500 | [1] | | |
| Add Net Profit | | | 7,750 | [1] | | |
| | | | 554,250 | | | |
| Less Drawings | | | 3,600 | [2] | | |
| | | | | | 550,650 | |
| | | | | | | |

**8. Marginal Costing** **[40]**

**(a) Production Dept**:

| | | | |
|---|---|---|---|
| Fixed | 30,000 / 5,000 | = €6 per hour | [10] |
| | | | |
| Variable | 18,000 / 5,000 | = €3.60 per hour | [10] |

**Packing Dept**:

| | | | |
|---|---|---|---|
| Fixed | 7,000 / 2,000 | = €3.50 per hour | [10] |
| | | | |
| Variable | 9,000 / 2,000 | = €4.50 per hour | [10] |

**(b) Job No 671** **[24]**

| | | | |
|---|---|---|---|
| Direct Materials | | 1,250 .00 | [4] |
| Direct Labour | | 460.00 | [4] |
| Production overheads | | | |
| | Fixed 3 × 6 | 18.00 | [3] |
| | Variable 3 × 3.60 | 10.80 | [3] |
| Packing overheads | | | |
| | Fixed 2 × 3.50 | 7.00 | [3] |
| | Variable 2 × 4.50 | 9.00 | [3] |
| | | 1,754.80 | [4] |

**(c) Selling Price of Job No. 671** **[10]**

Cost: 1754.80
+ 20% 350.96
2,105.76

**(d) Two reasons** **[6]**

(i) To be able to calculate a selling price.

(ii) To see if it will be possible to make a profit producing the product.

**9. Product Budgeting**

**(a)** **[16]**

**Sales Budget**

| | Comfort | | Wraparound | |
|---|---|---|---|---|
| Budgeted Sales | 4,200 | [3] | 2,800 | [3] |
| Budgeted Selling Price | €40 | [3] | €55 | [3] |
| | €168,000 | [2] | €154,000 | [2] |
| Total Sales = €322,000 | | | | |

**(b)** **[18]**

**Production Budget**

| | Comfort | | Wraparound | |
|---|---|---|---|---|
| Budgeted Sales | 4,200 | [2] | 2,800 | [2] |
| Add Budgeted Closing Stock | 610 | [3] | 370 | [3] |
| | 4,810 | | 3,170 | |
| Less Budgeted Opening Stock | 840 | [3] | 450 | [3] |
| Budgeted production in units | 3,970 | [1] | 2,720 | [1] |
| | | | | |

**(c)** **[16]**

**Material Usage Budget**

| | Material A | | | Material B | |
|---|---|---|---|---|---|
| Comfort (3970 x 4) | 15,880 | [3] | (3970 x 5) | 19,850 | [3] |
| Wraparound (2720 x 3) | 8,160 | [3] | (2720 x 4) | 10,880 | [3] |
| | 24,040 | [2] | | 30,730 | [2] |

**(d)** **[16]**

**Materials Purchases Budget**

| | Material A | | Material B | |
|---|---|---|---|---|
| Budgeted Usage | 24,040 | [2] | 30,730 | [2] |
| Add Budgeted Closing Stock | 190 | [2] | 320 | [2] |
| | 24,230 | | 31,050 | |
| Less Budgeted Opening Stock | 130 | [2] | 270 | [2] |
| Budgeted production in units | 24,100 | | 30,780 | |
| Budgeted Purchase Price | × €6 | [1] | × €4 | [1] |
| | €144,600 | [1] | €123,120 | [1] |

**(e)** **[10]**

**Labour Budget**

| | Comfort | | Wraparound | |
|---|---|---|---|---|
| Budgeted Production | 3,970 | [1] | 2,720 | [1] |
| No of hours per unit | x 5 | [1] | x 7 | [1] |
| | 19,850 | | 19,040 | |
| Labour Rate per hour | x €8 | [1] | x €8 | [1] |
| | 158,800 | [1] | 152,320 | [1] |
| Total Labour Cost | €311,120 | [2] | | |

**[4]**

**(f)** A materials usage budget is prepared in order to determine how much of each material is needed to make the budgeted production. Once this is determined a materials purchases budget is required.

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