LEAVING CERTIFICATE ACCOUNTING

MARKING SCHEME FOR THE 2002 EXAMINATION

INTRODUCTION

The solutions and marking schemes for Accounting, Higher and Ordinary levels, are attached.

The solutions are printed and the marks allocated to each line/figure are highlighted and shown in a circle like this 6 alongside. These marks are then totalled for each section/page and shown in a square like this 40.

Accounting solutions are mainly computational and most figures are made up of more than one component. If a figure is wrong per the solution, the examiners analyse the make-up of the candidate's figure and allocate some marks for each correct element included. To facilitate this, where relevant, the make-up of the figures is shown in workings attached to the solution.

In some Accounting questions there can be a number of alternative approaches and formats that can be validly used by candidates (eg A Bank Reconciliation Statement can start with either the bank statement figure or the adjusted bank account balance). The solutions provided here are based on the approaches adopted by the vast majority of teachers/candidates and alternatives are not included. In cases where a valid alternative solution is required, it is provided for the examiners, so that full marks can be gained for correct accounting treatment.

Sometimes the solution to a part of a question may depend on the answer computed in another part of that question. Where their calculation in Section (a) is incorrect, but this inaccurate information is used in the answer to Section (b), examiners give credit for analysis/decisions correctly made by the candidate on the basis of the incorrect data in this section. In this way, candidates are not penalised twice for the same error.

Accounting – Higher Level 2002

Question 1

75

(a) **Trading , Profit and Loss Account for the year ended 31/12/2001**

		€	€	€
Sales				830,000❸
Less Cost of sales				
Stock 1/1/2001			61,000❸	
Add Purchases	W 1		460,000❻	
			521,000	
Less Stock 31/12/2001	W 2		(63,900)❻	(457,100)
Gross profit				372,900
Less Expenses				
Administration				
Directors fees		62,000 ❸		
Salaries & general expenses		155,000 ❸		
Patents written off	W 3	14,000 ❺		
Depreciation - buildings	W 4	10,000 ❹	241,000	
Selling and Distribution				
Bad debts written off		2,400 ❸		
Depreciation- delivery vans	W 5	36,400 ❻		
Increase in provision for bad debts	W 6	795 ❺	39,595	280,595
Operating profit				92,305
Profit on sale of van	W 7		4,000 ❹	
Investment income	W 8		8,000 ❹	12,000
				104,305
Debenture interest				(17,400) ❺
Net profit for year before taxation				86,905
Less Appropriation				
Preference dividend paid			9,000 ❷	
Ordinary dividend paid			23,000 ❷	
Preference dividend proposed			9,000 ❸	
Ordinary dividend proposed			13,800 ❸	(54,800)
Retained profit				32,105
Profit and loss balance 1/1/2001				50,400 ❷
Profit and loss balance 31/12/2001				82,505 ❸

(b) 45

Balance Sheet at 31 December 2001

		Cost	Accumulated Depreciation	Net	Total
		€	€	€	€
Intangible Fixed Assets					
Patents (70,000 - 14,000)					56,000❸
Tangible Fixed Assets					
Land and buildings	W 9	950,000 ❶		950,000	
Delivery vans	W 10	192,000 ❷	70,400 ❸	121,600	
		1,142,000	70,400	1,071,600	1,071,600
Financial Assets					
8% Investments					150,000 ❷
					1,277,600
Current assets					
Stock				63,900❷	
Investment income due				1,000❷	
Debtors	W 11		67,900 ❹		
Less provision			3,395 ❶	64,505	
				129,405	
Creditors: amounts falling due within one year					
Creditors	W 12		84,730❸		
Preference dividend due			9,000❷		
Ordinary dividend due			13,800❸		
Debenture interest due			14,400❸		
VAT			13,500❷		
Bank	W 13		3,070❺	(138,500)	
					(9,095)
					1,268,505
Financed by					
Creditors: amounts falling due after more than one year					
8% Debentures					240,000❷
Capital and reserves			Authorised	Issued	
Ordinary shares at €1 each			540,000	460,000 ❶	
6% Preference shares at €1 each			400,000	300,000 ❶	
			940,000	760,000	
Revaluation reserve	W 14			186,000 ❸	
Profit and loss Balance				82,505	
Shareholders' funds					1,028,505
Capital employed					1,268,505

Question 1 - (continued)

Workings

1.	**Purchases**		510,000	-	50,000		460,000
2.	**Closing stock**		66,000	-	2,100		63,900
3.	**Patents written off**			(€13,400 + €600)			14,000
4.	**Depreciation -buildings**		2 % of (850,000 - 350,000)				10,000
5.	**Depreciation - delivery vans**		14,000	+	22,400		36,400
			33,600	+	2,800		36,400
		23,600 +	4,167	+	8,633		36,400
6.	**Increase in Provision for bad debts**		2,600	-	3,395		795
7.	**Profit on sale of van**		50,000 - 30,000 - 24,000				4,000 cr
8.	**Investment Income**		4,000 + 3,000 + 1,000				8,000
9.	**Land and Buildings at cost**		850,000	+	100,000		950,000
10.	**Delivery vans at cost**	168,000 +	74,000	-	50,000		192,000
	Accumulated Depreciation D. Vans	64,000 -	30,000	+	36,400		70,400
11.	**Debtors**	70,900 -	600	-	2,400		67,900
12.	**Creditors**		85,000	-	270		84,730
13.	**Bank overdraft as per Trial Balance**				7,400		
	Less Investment income				(4,000)		
	Less Credit transfer received				(600)		
	Add Bank under credited				270		3,070
14.	**Revaluation reserve**	100,000 +	76,000		+ 10,000)		186,000

Question 2

(a) 8

Vehicles Account

1/1/00	Balance b/d	232,000 ❷	1/4/00	Disposal	78,000 ❶
1/4/00	New Vehicle (No 4)	96,000 ❶	31/12/00	Balance	250,000
		328,000			328,000
1/1/01	Balance	250,000	1/8/01	Disposal	82,000 ❷
1/8/01	New vehicle (No 5)	90,000 ❶	31/12/01	Balance	258,000 ❶
		340,000			340,000
1/1/02	Balance b/d	258,000			

(b) 36

Provision for Depreciation on Vehicles Account

1/4/00	Disposal	(W4)	24,375 ❺	1/1/00	Balance b/d	(W1)	95,850 ❼
31/12/00	Balance c/d		108,300	31/12/00	Profit & Loss	(W2)	36,825 ❽
			132,675				132,675
1/8/01	Disposal	(W5)	68,675 ❺	1/1/01	Balance b/d		108,300
31/12/98	Balance c/d		77,625 ❸	31/12/01	Profit & Loss	(W3)	38,000 ❽
			146,300				146,300
				1/1/02	Balance b/d		77,625

(c) 16

Vehicles Disposal Account

1/4/00	Vehicles	78,000 ❷	1/4/00	Depreciation	(W4)	24,375 ❶
	Profit & Loss a/c	13,375 ❶	1/4/00	Trade-in		39,000 ❹
				Bank (Ins. Comp.)		28,000 ❷
		91,375				91,375
1/8/01	Vehicles	82,000 ❷	1/8/01	Depreciation	(W5)	68,675 ❶
				Trade-in		12,000 ❷
			31/12/01	Profit & Loss (Loss)		1,325 ❶
		82,000				82,000

Workings

NO	Cost	Annual dep	Dep to 1/1/2000	Dep for 2000	Dep for 2001	Total dep	
1	66,000 16,000	9,900 2,400	39,600 9,600	9,900 2,400	5,775 1,400	**68,675**	*W* 5
2	72,000	10,800	25,200	10,800	10,800		
3	78,000	11,700	21,450	2,925		**24,375**	*W* 4
4	96,000	14,400	-	10,800	14,400		
5	90,000	13,500	-	-	5,625		
			95,850 **W 1**	**36,825** **W 2**	**38,000** **W 3**		

Question 3

(a) **40**

Journal Entries

		Dr	Cr
(i)	Equipment account	21,000 ❷	
	Purchases account	12,000 ❸	
	P. Browne account		24,000 ❸
	Suspense account		9,000 ❸
	Being purchase of equipment entered on incorrect side of creditors account and entered as incorrect amount on incorrect side of equipment account		
(ii)	Sales Returns account	850 ❷	
	Debtors account		850 ❷
	Suspense	530 ❷	
	Equipment	50 ❷	
	Purchases		580 ❷
	Being correction of incorrect figures and incorrect treatment of returns inwards of car parts		
(iii)	Rent account	2,400 ❷	
	Landlord/Debtors for Rent account	600 ❷	
	Capital account		3,000 ❷
	Being private funds used to pay nine months rent for the current year and three months for the following year		
(iv)	Purchases Returns account	5,000 ❷	
	Creditors account	5,100 ❷	
	Suspense account		10,100 ❷
	Being recording in books credit note and correction of incorrect entry relating to the return of a motor car		
(v)	Bank	1,400 ❸	
	Furniture		1,200 ❷
	Profit and loss account		200 ❷
	Being recording of sale of old display cabinet (book value €1,200) for €1,400 and use of proceeds for private expenses		

Penalty of I mark each for the omission of 5 narratives

(b) **20**

Statement of Correct Net Profit

			€
Original Net Profit			29,000 ❸
Add	Purchases		580 ❷
	Profit on sale		200 ❷
			29,780
Less	Purchases	(12,000) ❷	
	Sales	(850) ❷	
	Rent	(2,400) ❸	
	Purchases returns	(5,000) ❸	20,250
Correct Net Profit			9,530 ❸

Question 4

60

		January	February	March	April	May	June	July	Dec	Dec	Total
Assets	€	€	€	€	€	€	€	€	€	€	
Goodwill	16,000					❸ 7,500					23,500
Land and Buildings	440,000	❷ 210,000				❸ 150,000					800,000
Accumulated Depreciation	(44,000)	❷ 44,000							❷ (12,600)		(12,600)
Delivery Vans	70,000					❸ 75,000		❷ 6,000			151,000
Accumulated Depreciation	(28,000)							❷ 8,200	❷ (16,000)		(35,800)
Equipment	10,000		❷ (2,000)								8,000
Accumulated Depreciation	(4,000)		❶ 1,000								(3,000)
Stock	91,400										91,400
Debtors	61,000				❸ 2,100						63,100
Insurance A/c (Prepaid)	1,200			❸ 2,400						❷ (3,000)	600
	613,600	**254,000**	**(1,000)**	**2,400**	**2,100**	**232,500**		**14,200**	**(28,600)**	**(3,000)**	**1,086,200**
Liabilities											
Creditors	69,300		❸ (1,800)			❷ 45,000					112,500
Bank	11,600			❷ 2,400	❷ (900)		❷ 27,500	❷ 14,500			❶ 55,100
Wages due	2,700										2,700
Share Capital	400,000					❷ 150,000					550,000
Share Premium	35,000					❷ 37,500					72,500
Revaluation Reserve		❸ 254,000									254,000
Profit and Loss	95,000		❶ 800		❶ 3,000		❶ (27,500)	❶ (300)	❶ (28,600	❶ (3,000)	❶ 39,400
TOTAL	**613,600**	**254,000**	**(1,000)**	**2,400**	**2,100**	**232,500**		**14,200**	**(28,600)**	**(3,000)**	**1,086,200**

Question 5

(a) 45

Cash sales

$$\frac{\text{Debtors x 12}}{\text{Credit sales}} = 2$$

$$\text{Credit sales} = \frac{98{,}000 \text{ x } 12}{2}$$

$$\text{Credit sales} = 588{,}000$$

$$\text{Cash sales} = 950{,}000 - 588{,}000 = €362{,}000$$ ❾

Earnings per share

$$\frac{\text{Net profit after Pref Div x 100}}{\text{Number of ordinary shares}} = \frac{134{,}000 \text{ x } 100}{450{,}000} = 29.8c$$ ❾

Price earnings Ratio

$$\frac{\text{Market price}}{\text{Earnings per share}} = \frac{204}{29.8} = 6.84 \text{ times}$$ ❾

Period to recover price

$$\frac{\text{Market Price}}{\text{Dividend per share}} = \frac{204}{14.2} = 14.4 \text{ years}$$ ❾

Dividend cover

$$\frac{\text{Net profit after Pref Div}}{\text{Ordinary dividend}} = \frac{134{,}000}{64{,}000} = 2.1 \text{ times}$$ ❾

(b) 55

I would advise my friend to buy shares in Twomey Ltd for the following reasons:

Gearing ⑩

Gearing is 34.4% or 0.66 to 1

The company is low geared at 34.4% and interest cover is 14 times. Therefore there is little risk from outside investors and the prospects of dividends are good. Last years gearing and interest cover were 36% and 11 times respectively. These indicate improved situations.

Dividends ⑩
Dividend per share is 14.2c. The company's dividend cover is 2.1. The dividend policy is such that a shareholder can expect a decent amount of profits will be paid out each year and at the same time the long term prospects of capital gain is good. The dividend per share has increased five fold since 2000.

Profitability ⑩
The return in capital employed of 19.5% and on equity funds of 23.5% indicates that the firm is profitable and earning much more than the return from risk free investments of about 4%. Big increase from 2000. The earnings per share has increased by 3.8c

Liquidity ⑩
Twomey Ltd is able to pay its immediate debts. The liquidity ratios of 1.4 to 1 and 1.07 to 1 indicate that Twomey Ltd has €1.07c available to pay each €1 owed. This is an improved acid test ratio from 2000

Reserves ❺
The firm is retaining profits and building up reserves which augers well in the long-term should bring about an increase in share market price.

Market Price ❺
The share value has gone up by 9c to €2.04 since 2000 and is likely to continue in its upward movement based on current year performance.

Security ❺
Although there are intangible assets valued at €120,000 there is little risk to the company

Sector
The sector has good prospects.

Price Earnings Ratio
The price earnings ratio is 6.8. This is a relatively short period in which to earn back the price of a share. It indicates when taken with other ratios that the company's performance is not yet reflected in the market price.

Interest Cover
Interest Cover is 14.2 times and has improved since 2000. There should not be any difficulty in paying out dividends

Question 6

(a) Profit and Loss Account of Thompson Plc for the year ended 31/12/2001 45

	Notes	€
Turnover ❶		7,988,000 ❷
Cost of Sales	1	6,134,000 ❻
Gross profit		1,854,000
Distribution costs		(610,000) ❶
Administrative expenses		(845,000) ❽
		399,000
Other operating income		
Rental Income		52,000 ❷
Operating profit ❶	2	451,000
Profit on sale of land		80,000 ❷
		531,000
Interest payable	3	(32,000) ❹
Profit on ordinary activities before taxation ❶		499,000
Taxation on profit on ordinary activities		(170,000) ❷
Profit on ordinary activities after taxation		329,000
Dividends paid	4	(24,000) ❹
Dividends proposed	4	(31,500) ❹
Profit retained for year		273,500
Profit brought forward at 1/1/2001		60,000 ❸
Profit carried forward at 31/12/2001		333,500 ❹

Balance Sheet as at 31/12/2001 22

	Notes			
Fixed Assets				
Intangible assets			144,000 ❸	
Tangible assets	5		750,000 ❶	
Financial			300,000 ❶	1,194,000
Current Assets				
Stock		690,000 ❶		
Debtors		116,000 ❶		
Cash at bank and on hand		179,000 ❶	985,000	
Creditors: amounts falling due within one year				
Trade creditors		241,000 ❶		
Other creditors		109,000 ❶		
Taxation and social welfare		252,000 ❷		
Proposed dividends		31,500 ❶	633,500	
Net current assets				351,500
Total assets less current liabilities				1,545,500 ❷
Creditors: amounts falling due after more than one year				
8% Debentures 2005/2006				400,000 ❷
Capital and Reserves				
Called up share capital			700,000 ❷	
Revaluation Reserve			112,000 ❸	
Profit and loss account			333,500	1,145,500
				1,545,500

Question 6 - (continued)

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Notes to the Accounts

1. ***Accounting policy notes*** ❺
   Tangible Fixed Assets
   Buildings were re-valued at the end of 2001 and have been included in the accounts at their re-valued amount. Depreciation is calculated in order to write off the value or cost of tangible fixed assets over their estimated useful economic life, as follows:

Buildings	2% per annum -straight line basis.
Stocks	Stocks are valued on a First in First out basis at the lower of cost and net realisable value.

2. ***Operating profit*** ❸
   The operating profit is arrived at after charging:

Depreciation on tangible fixed assets	14,000
Patent amortised	24,000
Directors remuneration	80,000
Auditors remuneration	9,000

3. ***Contingent Liability*** ❷
   The company is being sued by a former employee for unlawful dismissal. The company's legal advisers have advised that the company will probably **not** be liable under the terms of the employment contract. They have estimated the maximum amount of liability at €25,000

4. ***Dividends:*** ❹

Ordinary dividends			
Interim paid	2.625c per share	10,500	
Final proposed	6.0c per share	24,000	34,500
Preference dividends			
Interim paid	4.5c per share	13,500	
Final proposed	2.5c per share	7,500	21,000

5 ***Tangible Fixed Assets*** ❹

	Land & Buildings	**Total**
Cost/valuation at 1/1/2001	755,000	755,000
Disposal	55,000	55,000
Revaluation surplus at 31/12/2001	50,000	50,000
	750,000	750,000
Depreciation at 1/1/2001	48,000	48,000
Charge for year	14,000	14,000
Transfer on revaluation	(62,000)	(62,000)
Net Book Values at 31/12/2000	707,000	707,000
Net Book Values at 31/12/2001	750,000	750,000

Workings

Cost of sales	6,150,000 + 650,000 - 690,000 + 24,000	=	**6,134,000**
Administrative expenses	742,000 + 14,000 + 80,000 + 9,000	=	**845,000**
Revaluation reserve	48,000 + 50,000 + 14,000	=	**112,000**

(b)

15

<u>Unqualified Auditor's Report</u>

An unqualified auditor's report is often referred to as a clean report. ❺ This is when the auditor's report states that in his/her opinion the following apply:

- the financial statements <u>give a true and fair view</u> ❸of the state of affairs of the company at the end of the year and of it's profit and loss account for the year.
- the financial statements are prepared in accordance with the Companies Acts. ❺
- all the information necessary for the audit was available
- the information given by the directors is consistent with the financial statements
- the net assets are more than 50% of the called up capital

<u>Qualified Auditor's Report</u>

A qualified auditor's report is when an auditor in his/her opinion is **<u>not satisfied</u>** or is unable to conclude that all or any of the following apply: ❷

- the financial statements give a <u>true and fair view</u> of the state of affairs of the company at the end of the year and of it's profit and loss account for the year.
- the financial statements are prepared in accordance with the Companies Acts
- all the information necessary for the audit was available
- the information given by the directors is consistent with the financial statements
- the net assets are more than 50% of the called up capital

The report will state the elements of the accounts or of the director's report that are unsatisfactory.

Question 7 - Solution

(a) **30**

Accumulated Fund at 1 January 2001

	€	€
Assets		
Clubhouse and Courts	520,000 ❶	
Equipment	11,200 ❶	
Bar stock	2,100 ❶	
Bar debtors	90 ❶	
Bank Current Account	3,950 ❸	
Government Investments	25,000 ❷	
Levy due	1,200 ❸	
Interest on Investments	500 ❷	564,040
Less Liabilities		
Life Membership	24,000 ❷	
Levy Reserve Fund	20,000 ❷	
Subscriptions prepaid	600 ❷	
Creditors	1,250 ❶	
Wages due	900 ❶	
Loan	12,000 ❷	
Loan interest due	300 ❸	59,050
Accumulated fund at 1 January 2001 ❶	❷	504,990

(b) **35**

Income and Expenditure Account for the year ended 31 December 2001

		€	€
Income			
Bar profit	W 1	32,460 ❻	
Investment income	W 2	2,000 ❸	
Subscriptions	W 3	66,500 ❻	
Life membership	W 4	3,200 ❸	
Entrance fees		16,000 ❶	
Annual sponsorship		36,000 ❶	
Profit from catering		2,770 ❷	158,930
Less Expenditure			
Sundry expenses		82,720 ❸	
Loan interest		1,200 ❷	
Depreciation – Equipment		4,740 ❷	
Depreciation – Clubhouse & Courts		10,400 ❷	
Coaching Lessons		4,650 ❶	103,710
Surplus of income over expenditure for year			55,220 ❸

(c) **20**

Balance Sheet as at 31/12/2001

		Cost	Dep to date	NBV
Fixed Assets		€	€	€
Clubhouse & Courts		520,000 ❶	10,400 ❶	509,600
Equipment		23,700 ❷	4,740 ❶	18,960
		543,700	15,140	528,560
Investments				
8% Government investments			25,000 ❶	
Building Society			45,000 ❶	70,000
				598,560
Current Assets				
Bar stock			2,300 ❶	
Bar debtors			140 ❶	
Investment Interest due			1,000 ❸	
Bank			30,490 ❶	
			33,930	
Less Creditors: amounts falling due within 1 year				
Subscriptions prepaid		1,500 ❶		
Bar creditors		1,980 ❶	3,480	
Working Capital				30,450
Total Net Assets				629,010
Financed by				
Creditors: amounts falling due after more than 1 year				
Life membership	W 4			28,800 ❷
Levy reserve Fund				40,000 ❷
Accumulated fund				
Balance at 1 January 2001			504,990 ❶	
Add excess of income for year			55,220	560,210
Capital employed				629,010

(d) **15**

A reduction in subscriptions of 10% for 2002 would involve a reduction in club income of €6,650. ❻
The club is capable of bearing such a decrease based on the surplus of income for the year 2001. However almost all of this surplus is provided by entrance fees of €16,000 and sponsorship of €36,000. ❸
The treasurer might refer to the proposed capital expenditure on the club in the near future. ❸
It should be pointed out that although the club has a healthy bank balance of €30,490 and investments of €70,000, these funds are not of a recurring nature and even the sponsorship may not be guaranteed in future years ❸
It would <u>not</u> be prudent to reduce subscription fees at present and instead it would be advisable to retain the present level of fees and use these fees to provide improved facilities for the members and thus attract more members.

Workings

1 Bar Profit -Bar Trading Account for year ended 31/12/2001

		€	€
Sales	(104,440 - 90 + 140)		104,490
Less Cost of goods sold			
Stock at 1 January 2001		2,100	
Add purchases	(71,500 + 1,980 – 1,250)	72,230	
Less Stock 31 December 2001		(2,300)	72,030
Bar profit			32,460

2 Investment Income

	€	
Income Received	1,500	
Less Income due 1/1/2001	(500)	
Add Income due 31/12/2001	1,000	
Income and expenditure account		2,000

3 Subscriptions

	€	
Subscriptions received	96,600	
Add subscriptions prepaid at 1/1/2001	600	
Less subscriptions prepaid at 31/12/2001	(1,500)	
Less Levy for 2002	(20,000)	
Less Levy for 2000	(1,200)	
Less 2 life memberships	(8,000)	
Income and Expenditure Account		66,500

4 Life Membership 1/1/2001

Life Membership 1/1/2001	24,000	
Add membership received	8,000	
Less amount transferred to I & E account	(3,200)	
Balance 31/12/2001		28,800

5 Profit on Catering - catering receipts

Profit on Catering - catering receipts	5,250	
Catering costs	2,480	
Income and expenditure account		2,770

Question 8 - solution

(a) 31

Overhead Analysis

Overhead	Basis of Apportionment		Total	Manufacturing	Polishing	Packing
Indirect materials	Actual		180,000	110,000 ❶	40,000 ❶	30,000 ❶
Indirect Labour	Actual		240,000	120,000 ❶	70,000 ❶	50,000 ❶
Light and heat	Volume	❶	48,000	24,000 ❶	16,000 ❶	8,000 ❶
Rent and rates	Floor space	❶	27,000	12,000 ❶	9,000 ❶	6,000 ❶
Machine maintenance	Machine hrs	❶	16,000	8,000 ❶	4,000 ❶	4,000 ❶
Plant depreciation	Plant valuation	❶	80,000	48,000 ❶	20,000 ❶	12,000 ❶
Factory canteen	Employees	❶	35,000	15,000 ❶	15,000 ❶	5,000 ❶
			626,000	337,000 ❶	174,000 ❸	115,000 ❶

(b) 21

Overhead recovery (absorption) per	Machine hours	Direct Labour hours	
	Manufacturing	Polishing	Packing
Budgeted overheads	337,000	174,000	115,000
Budgeted hours	30,000	60,000	20,000
Overhead absorption rate per machine hour	€11.23 ❼		
Overhead absorption rate per direct labour hour	€4.21	€2.90 ❼	€5.75 ❼

(c) 28

Selling price of Job No 999

			€
Direct materials		(7,500 + 2,800)	10,300.00 ❹
Direct labour		(850 + 3,900 + 1,500)	6,250.00 ❻
Overheads			
Manufacturing Dept		(50 x €11.23)	561.50 ❺
Polishing Dept		(90 x €2.90)	261.00 ❺
Packing Dept		(25 x €5.75)	143.75 ❺
Production cost	=	80% of selling price	17,516.25
Profit	=	20% of selling price	4,379.06
Selling price	=	100%	21,895.31 ❸

QUESTION 9 – Budgeting

(a) **60**

Cash Budget (Forecast) Jan/June

	Jan	Feb	Mar	April	May	June
Receipts	€	€	€	€	€	€
Cash sales receipts	50,400❶	64,800❶	60,000❶	55,200❶	57,600❶	60,000❶
Credit sales receipts I month	8,000❷	12,600❶	16,200❶	15,000❶	13,800❶	14,400❶
	58,400	77,400	76,200	70,200	71,400	74,400
Payments						
Machinery		12,000❶				
Purchases - materials	60,750❷	56,250❷	51,750❷	54,000❷	56,250❷	65,250❷
Rent	2,000❶	2,000❶	2,000❶	2,000❶	2,000❶	2,000❶
Computer				2,200❶		
Rates				2,400❶		
Loan repayment and interest						5,729 ❸
Wages/Labour	12,500❶	12,500❶	12,500❶	12,500❶	12,500❶	12,500 ❶
	75,250	82,750	66,250	73,100	70,750	85,479
Net monthly Cash Flow	(16,850)❶	(5,350)❶	9,950❶	(2,900)❶	650❶	(11,079)❶
Bank loan – Financing ❸	22,000❶	5,000❶				4,000 ❶
Opening balance	1,500❶	6,650	6,300	16,250	13,350	14,000
Closing balance	**6,650**	**6,300**	**16,250**	**13,350**	**14,000**	**6,921**❹

(b) **20**

Budgeted Income Statement for 6 months ended 30/6/2002

	€	€
Sales:		435,000.00 ❶
Less Cost of sales (75% of €435,000)		
Opening Stock	47,250.00 ❶	
Purchases	344,250.00 ❶	
	391,500.00	
Less Closing stock (75% of July sales)	65,250.00 ❶	326,250.00
Gross profit		108,750.00
Less Expenses		
Wages	75,000.00 ❶	
Rent	12,000.00 ❶	
Rates less prepaid	1,800.00 ❹	
Interest	1,084.00 ❸	
Depreciation - Machinery	750,00 ❷	
- Computer	110.00 ❷	90,744.00
Profit		18,006.00 ❸

W 1 Interest	€5,500	for 5 months at 10%	=		229
W 2 Interest	€22,000	for 5 months at 10%	=	917	
	5,000	for 4 months at 10%	=	167	1,084