





CONTENTS



● Introductionv

	Page	Section	Marks in Exam
● 1. Final Accounts	1	1	120
● 2. Ratios and Analysis	24	2	100
● 3. Incomplete Records	40	2	100
● 4. Club Accounts	57	1 2	60 100
● 5. Service Firms	73	1 2	60 100
● 6. Correction of Errors and Suspense Accounts	86	1 2	60 100
● 7. Tabular Statements	100	1 2	60 100
● 8. Depreciation and Revaluation	112	1	60
● 9. Control Accounts.....	125	1	60
● 10. Cash Flow Statements.....	132	1 2	60 100
● 11. Published Accounts	143	1 2	60 100
● 12. Costing.....	158	3	80

 13. Marginal Costing.....	173	3	80
 14. Budgets.....	184	3	80
 15. Farm Accounts.....	201	1	60
		2	100
 16. Conceptual and Regulatory Framework....	212		

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Introduction

My main objective in devising this revision book for Leaving Certificate Accounting is to give students a good guide to the **practical application of the syllabus**. Accounting is a practical subject, and that means it must be **practised**. It is very little use reading through accounting questions – they must be attempted.

A famous sportsman once said: ‘The more I practise, the luckier and better I get.’ That applies with these questions too. The famous sportsman, incidentally, was golfer Gary Player, but his words must have been echoed by every successful sportsperson in history. That’s how important practice is when it comes to delivering your best performance exactly when it’s needed.

Get your timing right

In order to achieve a high grade in Leaving Certificate Accounting you must practise using relevant questions. That is what this book provides. But remember that **timing** is also very important.

There’s no point in spending three-quarters of the exam on a question that only accounts for one-tenth of the marks. So you need to get used to the idea of dividing the available time sensibly to allow you to get the best possible mark. Again, practice is the key.

The examination is three hours long. There are **400** marks in the exam. It is divided into three sections:

Section 1

Do either:

Question 1 120 marks

OR choose two out of:

Questions 2, 3 and 4 @ 60 marks each 120 marks

(Tip – do Question 1 – only one topic to think about.)

This translates into 30 per cent of the marks.

30 per cent of the time = 54 minutes.

Section 2

Questions 5, 6 and 7 – do two of these @100 marks each. 200 marks

Each question is worth 25 per cent of the marks.

25 per cent of the time = 45 minutes.

(Tip – generally try to do Questions 6 and 7 even though Question 5 is always on ratios and analysis.)

Section 3

Questions 8 and 9 – do one of these @ 80 marks 80 marks

Each question is worth 20 per cent of the marks.

20 per cent of the time = 36 minutes.

4

Club Accounts

aims

- To be able to prepare all relevant accounts for any club or non-profit-making organisation – including **receipts and payments accounts, income and expenditure accounts and balance sheet.**
- To be able to prepare all necessary workings and subsidiary **trading accounts.**
- To be able to **advise** the club about its finances.

The first set of figures must be entered twice, once in the calculation of the accumulated fund and secondly either in the income and expenditure a/c or the balance sheet. Deal with both of these first – e.g. Clubhouse and Courts, a fixed asset, is a debit in the accumulated fund calculation and, of course, a fixed asset in the balance sheet. The receipts and payments figures are entered once. Many of the receipts are incomes and many of the payments are expenditures. The final items are then entered twice.



These are popular examination questions and may appear in Section 1 for 60 marks or Section 2 for 100 marks.

Examined:	60 marks	1998, 2008
	100 marks	2002, 2004

key point

Watch out for these:

- Bar sales = receipts – opening debtors + closing debtors.
- Bar purchases = cash purchases – opening creditors + closing creditors.
- Subscriptions prepaid at beginning of year belong to this year and at end of year belong to next year. They are both current liabilities.
- Life membership and levy collected during the year are both subtracted from subscriptions and included in reserves. A portion of the life membership is then put back into income. Levy due at beginning of year is a current asset.
- Loan calculations are also tricky.

e.g. Repaid €40,000 loan on 30/06/ – together with 18 months' interest totalling €43,600.

18 months' interest = €3,600

1 month's interest = €200

1 year's interest = €2,400

due at beginning of year

6 months' interest = €1,200 expenditure

- If repayment date were 31/12/ – then the interest figures would be inverted.

Question 4.1

Included in the assets and liabilities of the Love All Tennis Club on 1 January 2010 were the following: clubhouse and land €190,000; equipment at cost €7,500; bar stock €8,000; subscriptions in advance €500; bar debtors €350; bar creditors €3,200; affiliation fees due €300.

The club treasurer has supplied the following account of the club's activities for the year ended 31 December 2010.

Receipts	(€)	Payments	(€)
Bank Current Account	10,000	Sundry Expenses	14,500
Bar Receipts	78,000	Bar Purchases	57,000
Subscriptions	43,500	Affiliation Fees	900
Disposal of Equipment (cost €2,000)	800	Competition Prizes	1,100
Interest from 6% Government Investment of €15,000	1,350	Catering Costs	3,100
Catering Receipts	4,600	Purchase of 7% Government Bonds on 31 August 2010	12,000
Competition Receipts	600	Transfer to Deposit Account on 31 December 2010	10,000
		Purchase of Prize Bonds	200
		Repayment of €14,000 Loan on 30 June 2010 with 1.5 years' interest	16,520
		Balance	<u>23,530</u>
	<u>138,850</u>		<u>138,850</u>

You are given the following additional information:

1. Bar stock on 31 December 2010 is €8,800.
2. Subscriptions include three life memberships of €800 each, and there are subscriptions due of €500.
3. Equipment at 31 December 2010 is to be depreciated at the rate of 20 per cent per annum.
4. Bar debtors and creditors are €360 and €3,400, respectively.
5. Life membership is to be credited to income over a five-year period beginning in 2010.

Prepare the following:

- (a) A statement of accumulated fund at 1 January 2010.
- (b) An income and expenditure account for the year ended 31 December 2010.
- (c) A balance sheet at 31 December 2010.
- (d) A report to the members on the advisability of purchasing a piece of land adjoining their property that has come on the market at €200,000.

Solution to Question 4.1

The Love All Tennis Club (a) Accumulated Fund on 1 January 2010

	Dr (€)	Cr (€)
Clubhouse and Land	190,000	
Equipment	7,500	
Bar Stock	8,000	
Subscriptions in Advance		500
Bar Debtors	350	
Bar Creditors		3,200
Affiliation Fees Due		300
Bank	10,000	
6% Government Investment	15,000	
6% Investment Income Due	450	
Loan		14,000
Interest Due		1,680
Accumulated Fund		<u>211,620</u>
	<u>231,300</u>	<u>231,300</u>

(b) Income and Expenditure Account for the Year Ended 31 December 2010

	Workings	(€)
Income		
Bar Profit	W1	21,610
Subscriptions	W2	42,100
Catering Profit (4,600 – 3,100)		1,500
6% Investment Income		900
7% Investment Income		280
Life Membership		<u>480</u>
		<u>66,870</u>
Expenditure		
Sundry Expenses		14,500
Affiliation Fees (900 – 300)		600
Loss on Competitions (1,100 – 600)		500
Interest		840
Loss on Disposal of Equipment		1,200
Depreciation of Equipment		<u>1,100</u>
		<u>18,740</u>
Excess of Income		<u>48,130</u>

Workings

W1

Bar Trading Account

		(€)
Sales (78,000 – 350 + 360)		78,010
Less Cost of Opening Stock	8,000	
Add Purchases (57,000 – 3,200 + 3,400)	<u>57,200</u>	
	65,200	
Less Closing Stock	<u>8,800</u>	
Cost		<u>56,400</u>
Gross Profit		<u>21,610</u>

W2 Subscriptions $43,500 + 500 - 2,400 + 500 = 42,100$

	(€)
Life Membership	2,400
Income	<u>480</u>
Reserves	<u>1,920</u>

(c) Balance Sheet at 31 December 2010

	Cost (€)	Accumulated Depreciation (€)	Net (€)
Fixed Assets			
Clubhouse and Land	190,000		190,000
Equipment	<u>5,500</u>	<u>1,100</u>	<u>4,400</u>
	<u>195,500</u>	<u>1,100</u>	194,400
6% Government Stock			15,000
Prize Bonds			200
7% Government Bonds			<u>12,000</u>
			221,600
Current Assets			
Bank	23,530		
Closing Stock	8,800		
Bar Debtors	360		
Deposit Account	10,000		
Subscriptions Due	500		
Income Due on 7% Bond	<u>280</u>		

	<u>43,470</u>	
Less Current Liabilities/Creditors	<u>3,400</u>	<u>40,070</u>
		<u>261,670</u>
Financed by		
Accumulated Fund	211,620	
Excess of Income	48,130	
Life Membership	<u>1,920</u>	
		<u>261,670</u>

(d)

Points in favour of purchase: The club has liquid assets of government investments €27,000; deposit account €10,000; current account €23,530. In addition:

- It has repaid its loan.
- It could levy its members.
- It could offer reduced life membership (which might reduce its future income).
- It could apply for lottery funding.
- It could finance some borrowing.

Points against purchase:

- The land might not be suitable for development.
- There may be planning permission problems.
- Development costs may be very high.
- The club may have a burden of interest/loan repayments in the future.

Question 4.2

Included in the assets and liabilities of the Below Par Golf Club at 1 January 2010 were the following: clubhouse and land €180,000; life membership €18,000; equipment at book value €17,000; bar debtors €250; bar creditors €5,600; levy reserve fund €40,000, bar stock €6,600.

The club treasurer has supplied the following information regarding the club's activities during the year ended 31 December 2010.

Receipts	(€)	Payments	(€)
Bank Current Account	12,000	Catering Expenses	3,400
Interest from 7% Government Investments 2009	2,100	Sundry Expenses	24,000
		Greenkeepers' Wages	15,900