ORDINARY LEVEL

1(A). FINAL ACCOUNTS OF A MANUFACTURING COMPANY (120 MARKS)

(a) Manufacturing account of O'Connor Ltd for year ended 31/12/2023. **(40 marks)**

	€		€	
Raw Materials				
Stock 01/01/2023			29,000	**(2)**
Purchases	267,500	**(2)**		
Less : Returns	1,100	**(2)**	266,400	
			295,400	
Less: Stock 31/12/2023			22,000	**(2)**
Cost of Raw Materials consumed.			273,400	
Add: Factory Wages W1			62,700*	**(3)**
Direct Expenses			15,900	**(2)**
PRIIME COST (1)			352,000	
Add: Factory Overheads				
Factory Light and Heat	26,800	**(2)**		
Factory Insurance W2	14,475*	**(3)**		
Supervisors Wages W3	20,900*	**(3)**		
Dep. Factory Buildings W4	11,500*	**(3)**		
Dep. Plant and Equipment W4	30,000*	**(3)**		
			103,675	
Factory Cost			455,675	
Add: Work in Progress 01/01/2023			14,000	**(3)**
			469,675	
Less: Work in Progress 31/12/2023			12,200	**(3)**
			457,475	
Less: Sale of Scrap			800	**(3)**
Cost of Production			456,675**	**(4)**
Profit on Manufacture			163,325	
Current Market Value			**€620,000**	

*Allow 1 mark for student's own figure. ** Accept correct figure only.

W1 Factory Wages 83,600 x 75% = 62,700
W2 Factory insurance 19,300 / 12 x 3 = 4825. 19,300 – 4,825 = 14,475
W3 Supervisors Wages 83,600 x 25% = 20,900
W4 Depr Factory Buildings = 575,000 x 2% = 11,500
Depr Plant and Equipment = 500,000 x 6% = 30,000

(b) Trading, Profit and Loss account for O'Connor Ltd for year ended 31/12/2023 (1) **(40 marks)**

	€		€	
Sales			870,000	**(2)**
Less : Returns			800	**(2)**
			869,200	
Less Cost of sales:				
Stock 01/01/2023	64,200	**(2)**		
Current Market Value	620,000	**(1)**		
	684,200			
Less: Stock 31/12/2023	60,000	**(2)**		
Cost of Sales			624,200	
Gross Profit			245,000	**(2)**
ADD Profit on Manufacture			163,325*	**(1)**
			408,325	
Less: Expenses				
Administration (1)				
Directors Fees	46,800	**(2)**		
Selling and Distribution (1)				
Dep: Delivery Trucks W5	10,500*	**(3)**		
Discount Allowed	6,900	**(2)**		
Increase in Bad Debts Provision	144	**(4)**		
Advertising	12,500	**(3)**	76,844	
Operating Profit			331,481	
Less: Debenture Interest W7			16,200*	**(3)**
			315,281	
Less: Corporation Tax			15,000	**(2)**
			300,281	
Profit and Loss Balance 01/01/2023			(66,300)	**(3)**
Profit and Loss Balance 31/12/2023			**€233,981****	**(3)**

*Allow 1 mark for students own figure. ** Accept correct figure only.

W5 Depr Delivery Trucks: (130,000 – 25,000) x 10% = 10,500 **(3)**
W6 Prov. for Bad Debts: (43,600 x 4% = 17,440). **(2)** 1,744 – 1,600 = 144. **(2)**
W7 Debenture Interest: 180,000 x 12% x 9/12 = 16,200. **(3)**

(c) Balance Sheet of O'Connor Ltd as on 31/12/2023. (40 marks)

	€		€		€	
Intangible Assets						
Patents					64,000	**(2)**
Fixed Assets	**Cost**		**Depreciation**		**NBV**	
Factory Building	575,000	**(1)**	11,500	**(2)**	563,500**	**(1)**
Plant and equipment	500,000	**(1)**	150,000	**(2)**	350,000**	**(1)**
Delivery Trucks	130,000	**(1)**	35,500	**(2)**	94,500**	**(1)**
	1,205,000		197,000		1,008,000	
Current Assets						
Closing Stock						
Raw Materials			22,000	**(2)**		
Work in Progress			12,200	**(2)**		
Finished Goods			60,000	**(2)**		
Insurance prepaid			4,825	**(2)**		
Debtors	43,600	**(2)**				
Less: provision	1,744	**(2)**	41,856			
			140,881			
Less: Creditors: amounts falling due within 1 year						
Creditors	59,400	**(2)**				
Bank Overdraft	25,400	**(2)**				
Debenture Interest due	16,200**	**(2)**				
VAT	2,900	**(2)**				
Corporation Tax due	15,000	**(2)**	118,900			
Working Capital					21,981	
Total Net Assets					**€1,093,981**	
Financed by:						
Creditors: amounts falling due after 1 year						
12% Debentures					180,000	**(2)**
Capital and Reserves	**Authorised**		**Issued**			
Ordinary Share Capital	700,000	**(1)**	680,000	**(1)**		
Profit and Loss Balance			233,981		913,981	
					€1,093,981	

** Allow full marks for students own figure, if consistent with previous work

1(B). FINAL ACCOUNTS OF A SOLE TRADER (120 MARKS)

(a) Trading, Profit and Loss account for David McGee for year ended 31/12/2023 (1) (75 marks)

	€		€	
Sales			1,350,000	**(3)**
Less Cost of sales:				
Stock 01/01/2023	43,000	**(2)**		
Add: Purchases	750,000	**(2)**		
Less Returns Outwards	(2,600)	**(4)**		
Add Carriage Inwards	4,600	**(3)**		
	795,000			
Less: Stock 31/12/2023	29,200	**(2)**		
Cost of Sales			765,800	
Gross Profit			584,200	**(3)**
Less: Expenses				
Administration (1)				
Wages W1	46,140	**(4)**		
Light and heat	20,400	**(3)**		
Business insurance W2	5,500	**(5)**		
Depr: Premises W3	17,200	**(4)**		
Equipment W4	13,488	**(4)**		
	102,728			
Selling and Distribution (1)				
Depr: Delivery Van W5	19,500	**(4)**		
Advertising W6	7,125	**(5)**		
	26,625		129,353	
			454,847	
Add Discount Received			5,300	**(4)**
Reduction in Bad Debts Provision W7			260	**(5)**
			460,407	
Less Loan Interest W8			4,800	**(5)**
Net Profit for this year			455,607	
Profit/loss balance 01/01/2023			(28,800)	**(4)**
Profit/loss balance 31/12/2023			**€426,807****	**(6)**

** Accept correct figure only

(b) Balance Sheet of David McGee as on 31/12/2023. **(45 marks)**

	€		€		€	
Intangible Assets						
Patents					25,000	**(4)**
Fixed Assets	**Cost**		**Depreciation**		**NBV**	
Premises	860,000	**(1)**	17,200	**(2)**	842,800**	**(1)**
Equipment	145,000	**(1)**	46,088	**(4)**	98,912**	**(1)**
Delivery Van	195,000	**(1)**	66,500	**(2)**	128,500**	**(1)**
	1,200,000		129,788		1,070,212	
Current Assets						
Closing Stock			29,200	**(2)**		
Bank			43,900	**(2)**		
Advertising prepaid W6			2,375**	**(2)**		
Debtors	68,500	**(2)**				
Less provision	2,740	**(3)**	65,760			
VAT			17,200	**(3)**		
			158,435			
Less: Creditors: amounts falling due within 1 year						
Creditors	54,900	**(2)**				
Loan Interest W9	2,400**	**(2)**	57,300			
Working Capital					101,135	
Total Net Assets					**€1,196,347**	
Financed by:						
Creditors: amounts falling due after 1 year		**(1)**				
Term Loan					120,000	**(2)**
Capital and Reserves						
Capital 01/01/2023			684,600	**(1)**		
P&L Bal. 31/12/2023			426,807			
			1,111,407			
Less Drawings W10			(35,060)	**(5)**	1,076,347	
					€1,196,347	

** Allow full marks for students own figure, if consistent with previous work.

WORKINGS:

W1:	Wages:	76,900 x 60% = 46,140 **(4)**
W2:	Business insurance:	6,400 **(2)** – 900 **(3)** = 5,500
W3:	Depr. Premises:	860,000 x 2% = 17,200 **(4)**
W4:	Depr. Equipment:	145,000 – 32,600 = 112,400 **(2)** x 12% = 13,488 **(2)**
W5:	Depr. Delivery Van:	195,000 x 10% = 19,500 **(4)**
W6:	Advertising:	9,500 x 75% = 7,125 **(5)**
	Advertising prepaid:	9,500 **(1)** – 7,125 **(1)** = 2,375
W7:	Provision:	68,500 x 4% = 2,740 **(2)**. 3,000 – 2,740 = 260 **(3)**.
W8:	Loan Interest:	120,000 x 6% x 8/12 = 4,800 **(5)**
W9:	Loan Interest due:	4,800 – 2,400 = 2,400 **(2)**
W10:	Drawings:	3,400 + 900 **(2)** + 30,760 **(3)** = 35,060

2. CLUB ACCOUNTS (60 MARKS)

(a) Longwood Soccer Club: Accumulated Fund on 01/01/2023. **(15 marks)**

Assets	**€**		**€**	
Clubhouse/Pitches	620,000	**(1)**		
Equipment	23,600	**(1)**		
Bar Stock	1,200	**(1)**		
Investments	30,000	**(1)**		
General Expenses prepaid	350	**(2)**		
Cash	4,600	**(3)**	679,750	
Liabilities				
Members subs in advance	2,500	**(2)**		
Wages due	500	**(2)**	3,000	
Accumulated Fund on 01/01/2023			**€676,750***	**(2)**

(b) Longwood Soccer Club: Bar Trading Account for year ended 31/12/2023. **(9 marks)**

	€		**€**	
Sales			36,400	**(1)**
Less cost of sales				
Bar stock 01/01/2023	1,200	**(1)**		
Add purchases	18,500	**(1)**		
Add Creditors	4,900	**(2)**		
Add Creditors 31/12/2023	900	**(2)**		
	25,500			
Less Closing stock 31/12/2023	2,100	**(1)**		
Cost of sales			23,400	
Bar Gross Profit			13,000*	**(1)**

(c) Income and Expenditure Account for Longwood Soccer Club for the year ended 31/12/2023.

(30 marks)

Income				
Subscriptions W1			25,700	**(7)**
Interest Received			700	**(1)**
Club Lotto Surplus W2			4,900	**(2)**
Bar Gross Profit			13,000	**(1)**
Annual Sponsorship			10,000	**(1)**
			54,300	
Expenditure				
Wages W3	5,300	**(4)**		
General Expenses W4	3,950	**(4)**		
Depreciation Equipment W5	3,010	**(3)**		
Clubhouse/Pitches W6	12,400	**(3)**	24,660	
Excess Income over Expenditure			**€29,640***	**(4)**

*Accept correct figure only

WORKINGS:

W1	Subscriptions	22,500 **(1)** + 2,500 **(2)** + 1,500 **(2)** – 800 **(2)** = 25,700
W2	Club Lotto	8,400 **(1)** – 3,500 **(1)** = 4,900
W3	Wages	5,800 **(2)** – 500 **(2)** = 5,300
W4	General Expenses	3,600 **(2)** + 350 **(2)** = 3,950
W5	Depreciation Equipment	(23,600 + 6,500) x 10% = 3,010
W6	Depreciation Clubhouse	620,000 x 2% = 12,400

(d) Subscriptions: **(6 marks)**

This is the amount paid by members **(2)** each year **(2)** to be a member of the club **(2)**

3. CORRECTION OF ERRORS AND SUSPENSE ACCOUNT (60 MARKS)

(a) Journal Entries **(35 marks)**

	Debit		Credit	
Purchases			1,980	**(3)**
To Suspense	1,980	**(3)**		
Being correction of error of overstating purchases in				
the purchases account **(1)**				
Sales Returns	690	**(3)**		
To Suspense			690	**(3)**
Being correction of error of sales returns				
under totted **(1)**				
Bank	2,500	**(3)**		
To Rent Received			2,500	**(3)**
Being correction of error of rent received omitted				
omitted from books **(1)**				
Drawings	850	**(3)**		
To Purchases			850	**(3)**
Being correction of error of drawings of stock not				
recorded in the books **(1)**				
John Smith	1,300	**(3)**		
To James Smith			1,300	**(3)**
Being correction of error of entering sales to John				
Smith in James Smith's account **(1)**				

(b) Statement of Corrected Net Profit **(25 marks)**

Net Profit			23,540	**(1)**
Add Purchases	1,980	**(5)**		
Rent Received	2,500	**(5)**		
Purchases	850	**(5)**	5,330	
			28,870	
Less Sales Returns	690	**(5)**	690	
Corrected Net profit			**€28,180****	**(4)**

** Accept correct figure only.

4. COMPANY PROFIT AND LOSS (60 MARKS)

Profit and Loss Account for the year ended 31/12/2023 **(35 marks)**

	€		€	
Net profit for the year			73,000	**(2)**
Less Interest			9,000	**(6)**
Less Taxation			15,750	**(6)**
			48,250	
Less Appropriations:				
Increase in General Reserve	11,800	**(5)**		
Ordinary Dividend W1	13,500	**(5)**		
Preference Dividend W2	4,800	**(5)**	30,100	
Retained profit for the year			18,150	
Retained profit at 01/01/2023			27,300	**(5)**
Retained profit carried forward 31/12/2023			45,450**	**(1)**

Balance Sheet as on 31/12/2023 **(25 marks)**

	€		€	
Fixed and Current Assets			715,200	
Creditors: Amounts falling due within I year				
Interest Due	9,000	**(3)**		
Taxation Due	15,750	**(3)**	24,750	
			690,450	
Financed by:				
Capital and Reserves	**Authorised**		**Issued**	
Ordinary Shares @ €1 each	750,000	**(3)**	450,000	**(2)**
4% Preference Shares	250,000	**(3)**	120,000	**(2)**
	1,000,000		570,000	
Profit & Loss Balance			45,450	**(1)**
General Reserve W3			75,000	**(4)**
Shareholders' Funds			690,450**	**(4)**

W1: 450,000 **(2)** shares x 3c **(2)** = 13,500 **(1)**
W2: 120,000 **(2)** shares x 4% **(2)** = 4,800 **(1)**
W3: Increase in General Reserve = 75,000 **(2)** – 63,200 **(2)** = 11,800 **(1)**

** Correct figure only

5. INTERPRETATION OF ACCOUNTS (100 MARKS)

(a) (i) Credit Purchases: **(10 marks)**

Cost of Sales + Closing stock – Opening Stock

= 296,000 **(2)** + 28,000 **(3)** – 35,000 **(3)** = €289,000 **(2)**

> **Full marks awarded for correct answer even if no workings are shown.
> ** Marks in brackets show breakdown of marks if answer is incorrect.

(ii) Return On Capital Employed: **(10 marks)**

Return on Capital Employed $= \dfrac{\text{Net profit + Debenture Interest}}{\text{Capital Employed}} \times \dfrac{100}{1} = X\%$

$= \dfrac{268{,}000\ \mathbf{(2)} + 12{,}000\ \mathbf{(2)}}{818{,}000\ \mathbf{(2)}} \times \dfrac{100}{1}$

= 34.23%% ** **(4)**

> **Full marks awarded for correct answer even if no workings are shown.
> ** Marks in brackets show breakdown of marks if answer is incorrect.
> ** Penalise 1 mark if final answer not given as two decimal places
> ** Allow 2 marks for formula if no other work is shown.
> *** Allow mark for students consistent work

(iii) Net Profit Margin **(10 marks)**

Net profit/Sales X 100 = X%

268,000 **(4)** / 850,000 **(4)** x 100 = 31.53% **(2)**

> **Full marks awarded for correct answer even if no workings are shown.
> ** Allow 2 marks for correct formula, if no other marks awarded.
> **Marks in brackets show breakdown of marks if answer is incorrect.

(iv) No. of shares available for sale **(10 marks)**

Authorised share capital – issued share capital

900,000 **(4)** – 400,000 **(4)** = 500,000 **(2)**

(b) (i) 8% Debentures 2029/2030 **(10 marks)**

Debentures are long-term **(1)** loans. **(1)** The fixed **(1)** annual **(1)** rate of interest **(1)** is 8% **(1)**. Loan must be repaid **(1)** in one lump sum **(1)** during the years 2029/2030 **(1)**. The Debenture in this set of accounts is €150,000 **(1)**

(ii) Liquid Assets **(10 marks)**

These are current assets **(1)** that can be turned into cash quickly **(1)**. Liquid assets are made up of cash **(1)**, debtors **(1)** and bank **(1)**. It is current assets less closing stock **(2)**. McGann Ltd has liquid assets of €152,000 **(1)** – €28,000 **(1)** = €124,000 **(1)**.

(iii) Shareholders Funds: **(10 marks)**

This is the amount of money owed by the company to the ordinary shareholders **(3)**
It consists of issued ordinary share capital **(2)** plus Reserves/ Retained profits **(2)**. In this set of accounts the shareholders funds equal €400,000 **(1)** + €268,000 **(1)** = €668,000. **(1)**

(iv) Trade Debtors: **(10 marks)**

Trade Debtors represents customers **(2)** of the business to whom goods/services **(2)** have been sold on credit. **(2)** The Debtors agree to pay what they owe at some future date **(2)**.The debtors in this set of accounts owe the business €47,000 **(2)**

Figures in brackets show breakdown of marks if answer is incomplete.

(c) Calculate the Acid Test ratio. What does this ratio tell us about McGann Ltd. **(10 marks)**

(i) Acid Test Ratio = Current Assets less closing stock : Current liabilities

= 152,000 **(1)** – 28,000 **(1)** = 124,000 **(1)**

= 124,000 : 45,000 = 2.76 : 1 **(2)**

(ii) The Acid Test Ratio of 2.76 :1 is above **(1)** the recommended of 1:1: **(1)** For every €1 that the business owes **(1)** it has €2.76c in liquid assets **(1)** to cover the short term debt. **(1)**

- Marks in brackets show breakdown of marks if answer is incorrect incomplete

(d) The Return on Capital employed: Comment **(10 marks)**

The return on capital employed has improved **(2)** from 20.8% % in 2022 to 34.23% **(2)** in 2023. This is an excellent return **(1)** and shareholders would be very satisfied **(1)**. It is much higher than current interest rates on risk free investments **(2)** of less than 2%** **(1)**. The company is performing very well **(1)**.

** Accept figure between .5% to 2%.
- Marks in brackets show breakdown of marks if answer is incomplete.

6. CASH FLOW STATEMENT (100 MARKS)

(a) Reconciliation of Operating Profit to Net Cash Flow from Operating activities. (30 marks)

Operating Profit	147,000	**(3)**
Depreciation charge for the year *	17,000	**(6)**
Decrease in Stock *	15,000	**(6)**
Increase in Debtors *	(14,000)	**(6)**
Decrease in Creditors *	(6,000)	**(6)**
Net Cash Inflow from Operating Activities	**159,000****	**(3)**

* Allow 2 marks for correct word(s) even if figure is incorrect or omitted
** Accept correct figure only

(b) Cash Flow Statement of Jackson Ltd. for year ended 31/12/2023 (60 marks)

Operating activities	**(2)**		
Net Cash Inflow from Operating Activities		159,000*	**(4)**
Returns on investments and servicing of finance	**(2)**		
Interest paid	**	(11,000)	**(7)**
Taxation	**(2)**		
Tax Paid		(31,000)	**(4)**
Capital expenditure and financial investment	**(2)**		
Payment to acquire fixed assets	**	(70,000)	**(6)**
Equity dividends paid	**(2)**		
Dividends paid	**	(34,000)	**(6)**
Net cash inflow before liquid resources and financing		13,000	
Financing	**(2)**		
Issue of Ordinary Share Capital	**	30,000	**(6)**
Receipt from Share Premium	**	6,000	**(6)**
Repayment of debenture	**	(40,000)	**(6)**
Increase in cash		€9,000***	**(3)**

* Allow full marks for student's own figure if consistent with previous work
** Allow 2 marks for correct word(s) even if figure is incorrect or omitted
*** Accept correct words with correct figure only.
• Penalise 2 marks for each item under the incorrect heading, up to a maximum of –6

(c) Reconciliation of Net Cash Flow to Movement in Net Debt **(10 marks)**

Increase in cash in the period	9,000*	**(2)**
Repayment of Debentures	40,000	**(2)**
Change in net debt	49,000**	**(1)**
Net Debt at 01/01/2023 (120,000 – 18,000)	(102,000)	**(3)**
Net Debt at 31/12/2023 (80,000 – 27,000)	(53,000)**	**(2)**

* Allow full marks for student's own figure if consistent with previous work.
** Accepts students own consistent figure.

7. INCOMPLETE RECORDS: CONTROL ACCOUNTS (100 MARKS)

(a) Calculate Orla Flynn's Capital on 01/01/2023. **(10 marks)**

Capital on 01/01/2023

Assets	€	€
Buildings	312,000 **(1)**	
Delivery Trucks	78,000 **(1)**	
Trade Debtors	16,500 **(1)**	
Stock	9,300 **(1)**	
Commission due	1,300 **(1)**	
Expenses Prepaid	570 **(1)**	417,670
Liabilities		
Trade Creditors	14,200 **(1)**	
Bank Balance 01/01/2023	17,300 **(1)**	31,500
Capital on 01/01/2023		386,170** **(2)**

** Accept correct figure only.

(b) Total Sales: **(10 marks)**

DR. Debtors Control Account CR.

01/01/2023	Balance b/d	16,500 **(2)**	31/12/2023	Bank	68,400 **(2)**
31/12/2023	Credit Sales	73,800 **(1)**	31/12/2023	Balance c/d	21,900 **(2)**
		90,300			90,300

Total Sales = Cash sales + credit sales

= €267,400 (3) + €73,800 = **€341,200**

Total Purchases: **(10 marks)**

DR. Debtors Control Account CR.

31/12/2023	Bank	10,000 **(2)**	01/01/2023	Balance c/d	14,200 **(2)**
31/12/2023	Balance b/d	19,300 **(1)**	31/12/2023	Credit Purchases	15,100 **(2)**
		29,300			29,300

Total Purchases = Cash Purchases + Credit Purchases

= €75,500 (3) + €15,100 = **€90,600**

(c) Trading, Profit and Loss Account for year ended 31/12/2023. **(30 marks)**

Sales		341,200 **(3)***
Less Cost of Sales		
Stock 01/01/2023	9,300 **(3)**	
Add Purchases	90,600 **(3)***	
	99,900	
Less Stock 31/12/2022	14,700 **(3)**	
Cost of Sales		(85,200)
Gross Profit		256,000
Add Commission Received (W1)		10,600 **(4)**
		266,600
Less Expenses		
Wages & General Expenses (W2)	39,870 **(4)**	
Advertising	2,500 **(2)**	
Depreciation: Delivery Trucks (W3)	15,600 **(2)**	
Depreciation: Buildings (W4)	6,240 **(2)**	64,210
		€202,390** **(4)**

* Accept students own consistent figure
** Accept correct figure only.

WORKINGS:

W1: Commission Received	11,900 **(2)** – 1,300 **(2)** = 10,600	
W2: Wages & General Expenses Paid	39,700 **(1)** + 570 **(2)** – 400 **(1)** = 39,870	
W3: Depreciation of Delivery Trucks	78,000 x 20% = €15,600 **(2)**	
W4: Depreciation of Buildings	312,000 x 2% = €6,240 **(2)**	

(d) Balance Sheet as on 31/12/2023 **(40 marks)**

	€	€	€
Fixed Assets	**Cost**	**Depr.**	**NBV**
Buildings	312,000 **(2)**	6,240 **(2)***	305,760 **(2)**
Delivery Trucks	78,000 **(2)**	15,600 **(2)***	62,400 **(2)**
Furniture	11,000 **(2)**	-----------	11,000
	401,000	21,840	379,160
Current Assets			
Stock 31/12/2023		14,700 **(4)**	
Trade Debtors		21,900 **(4)**	
Bank (347,700 – 157,800)		189,900 **(4)**	
General Expenses prepaid		400 **(4)**	
		226,900	
Less Creditors :amounts falling due within 1 year			
Trade Creditors		19,300 **(3)**	
Working Capital			207,600
Total Net Assets			**€586,760**
Financed by:			
Capital 01/01/2023		386,170 **(2)***	
Add net profit		202,390 **(2)***	
		588,560	
Less Drawings		1,800 **(3)**	
Capital Employed.			**€586,760**

* Accept students own consistent figure

8. ABSORPTION COSTING (80 MARKS)

(a) Selling price per unit: **(10 marks)**

= Sales Revenue / Total Units

= 825,000 **(4)** / 75,000 **(4)**

= €11 per unit. **(2)**

*Allow full marks for correct answer, if no workings or incorrect working shown. *Marks in brackets show breakdown of marks if answer is incorrect. *Deduct 1 mark if per unit is omitted

(b) Variable cost per unit: **(10 marks)**

= Variable costs / Total Units

= 450,000 **(4)** / 75,000 **(4)**

= €6 per unit **(2)**

*Allow full marks for correct answer, if no workings or incorrect working shown. *Marks in brackets show breakdown of marks if answer is incorrect. *Deduct 1 mark if per unit is omitted

(c) Contribution from each unit sold: **(10 marks)**

= Selling price per unit – variable cost per unit.

= Contribution per unit = €11**(4) – €6 ** **(4)**

= €5* per unit **(2)**

*Allow full marks for correct answer, if no workings or incorrect working shown. *Marks in brackets show breakdown of marks if answer is incorrect. *Deduct 1 mark if per unit is omitted ** Allow marks for students own consistent previous work.

(d) Break-Even point in units and sales value. **(15 marks)**

Break Even point in Units (10) = Fixed Costs / Contribution per unit

= 125,000 **(4)** / 5 * **(4)**

= 25,000 units ** **(2)**

*Allow marks for students own consistent figure. ** Allow marks for correct answer if no workings or incorrect workings shown. **Deduct 1 mark if units omitted ** Marks in brackets show breakdown of marks if answer is incorrect

Breakeven point in Sales Value: (5)

Break even Units x Selling Price

= 25,000* **(2)** x €11 * **(2)**

= €275,000** **(1)**

*Allow marks for students own consistent figure. ** Allow marks for correct answer if no workings or incorrect workings shown. Marks in brackets show breakdown of marks if answer is incorrect

(e) The Margin of Safety in units and sales value. (14 marks)

Margin of safety in Units (10)

= Budgeted Sales – Break-Even Sales

= 55,000 **(4)** – 25,000** **(4)**

= 30,000 units **(2)**

Margin of Safety in Sales revenue (4)

= Margin of safety units x Selling price.

= 30,000** **(2)** units x €11** **(1)** = €330,000 ** **(1)**

**Allow full marks for students own consistent figures. ** Allow full marks for correct answer if no workings or incorrect workings shown. Marks in brackets show breakdown of marks if answer is incorrect

(f) Level of sales required: (15 marks)

Fixed costs + Target profit / Contribution per unit	125,000 **(3)** + 250,000 **(3)** / 5 ** **(3)**
	75,000 units **(3)**
	75,000 x €11 = €825,000 ** **(3)**

**Allow full marks for students own consistent figures. ** Allow full marks for correct answer if no workings or incorrect workings shown. Marks in brackets show breakdown of marks if answer is incorrect

(g) Variable costs are costs which vary with production. **(2)** E.g. Materials , labour, light & heat,
Any two examples (2 x 2 marks) **(6 marks)**

9. PRODUCT BUDGETING (80 MARKS)

(a) Cash Budget for the period January to May 2024 **(62 marks)**

	January	February	March	April	May	Total
Receipts (12)						
Cr. Sales						
Debtors 01.01.24	38,500 **(3)**					38,500 **(1)**
Jan		41,000 **(1)**				41,000 **(1)**
Feb			39,600 **(1)**			39,600 **(1)**
Mar				41,800 **(1)**		41,800 **(1)**
April					49,700 **(1)**	49,700 **(1)**
Total	38,500	41,000	39,600	41,800	49,700	210,600
Payments (31)						
Purchases						
Creditors 01.01.24	47,000 **(3)**					47,000 **(1)**
Jan		21,700 **(1)**				21,700 **(1)**
Feb.			26,500 **(1)**			26,500 **(1)**
March				20,200 **(1)**		20,200 **(1)**
March Cash Pur.			10,000 **(1)**			10,000 **(1)**
April					33,500 **(1)**	33,500 **(1)**
Rent	3,000 **(1)**	3,000 **(1)**	3,000 **(1)**	3,000 **(1)**	3,000 **(1)**	15,000 **(1)**
Equipment			4,000 **(1)**		4,000 **(1)**	8,000 **(1)**
Wages	4,000 **(1)**	4,000 **(1)**	4,200 **(1)**	4,200 **(2)**	4,200 **(2)**	20,600 **(1)**
Total	54,000	28,700	47,700	27,400	44,700	202,500
(19)						
Net Cash	(15,500) **(1)**	12,300 **(1)**	(8,100) **(1)**	14,400 **(1)**	5,000 **(1)**	8,100 **(1)**
Op. Cash	(15,000) **(2)**	(30,500) **(1)**	(18,200) **(1)**	(26,300) **(1)**	(11,900) **(1)**	(15,000) **(2)**
Cl. Cash	(30,500) **(1)**	(18,200) **(1)**	(26,300) **(1)**	(11,900) **(1)**	(6,900*) **(1)**	(6,900)

*Accept correct figure only

(b) Budgeted Balance Sheet as on 31/05/2024 **(12 marks)**

Fixed Assets	**Cost**	**Dep**	**NBV**
Machinery	470,000		470,000 **(1)**
Equipment	8,000		8,000 **(1)**
	478,000		478,000
Current Assets			
Closing Stock		12,400 **(1)**	
Debtors		52,300 **(2)**	
		64,700	
Creditors: Amounts falling due within 1 year			
Creditors	36,800 **(2)**		
Bank Overdraft **	6,900 **(2)**	43,700	
Working Capital			21,000
Total Net Assets			499,000
Financed By:			
Capital 01/01/2024		475,500 **(1)**	
Add Net Profit		28,500 **(1)**	
		504,000	
Less Drawings		5,000 **(1)**	
Capital Employed			499,000

*accept students own figure

(c) Give two items of information Connolly can get from the prepared cash budget: (any two 3+3) ** **(6 marks)**

- A cash budget will show all inflows and outflows of cash in the period.
- A cash budget will show the surplus/deficit at the end of each month.
- A cash budget will help to decide when a bank overdraft is needed.
- A cash budget will help decide when to invest surplus funds, if any.
- A cash budget will help with planning in the business.

** Accept any other appropriate answers.