Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION 2024

ACCOUNTING – HIGHER LEVEL

(400 marks)

Wednesday 19th JUNE - AFTERNOON 2.00 – 5.00

This paper is divided into 3 Sections:

Section 1: **Financial Accounting** (120 marks).
This section has four questions (Numbers 1 - 4). The first question **(A or B)** carries 120 marks and the remaining three questions carry 60 marks each. Candidates should answer either **QUESTION 1 (A or B) only** OR answer any **TWO** of the remaining three questions in this section.

Section 2: **Financial Accounting** (200 marks).
This section has three questions (Numbers 5 - 7). Each question carries 100 marks. Candidates should answer **TWO** of these questions.

Section 3: **Management Accounting** (80 marks).
This section has two questions (Numbers 8 and 9). Each question carries 80 marks. Candidates should answer **ONE** of these questions.

Calculators
Calculators may be used in answering the questions on this paper. It is very important that workings are shown in the answer book(s) so that full credit can be given for correct work.

SECTION 1 (120 Marks)
Answer **Question 1(A)** OR **1(B)** OR any **TWO** other questions

1. Answer (A) OR (B)

(A) Company Final Accounts

Yeats Ltd, has an authorised capital of €1,600,000 divided into 1,000,000 ordinary shares of €1 each and 600,000 4% preference shares of €1 each. The following trial balance was extracted from its books at 31/12/2023:

	€	€
Land and buildings at cost	580,000	
Accumulated depreciation - buildings		38,000
Delivery vans (cost €115,000)	80,000	
Discount (net)	3,500	
Profit and loss balance 01/01/2023		34,800
Stock on hand 01/01/2023	44,400	
Debenture interest for the first nine months	5,400	
3% Investments acquired on 01/05/2023	120,000	
Patents (incorporating 3 months investment income)	40,600	
Purchases and sales	747,000	1,080,700
Dividends paid	15,000	
Bad debts provision		3,200
Debtors and creditors	69,600	64,900
Bank		57,000
Salaries and general expenses (including suspense)	218,355	
8% Debentures (including €40,000 issued on 01/10/2023)		140,000
Issued share capital – ordinary shares		400,000
– 4% preference shares		100,000
VAT		1,900
Advertising	25,145	
Rent received		13,500
Capital reserve		15,000
	1,949,000	1,949,000

The following information and instructions are to be taken into consideration:

(i) Stock at cost on 31/12/2023 was €56,900. This figure includes damaged stock which cost €3,800 but which now has a net realisable value of 60% of cost.

(ii) The cost of delivery vans is to be written off on a straight line basis over 5 years. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. Delivery vans have a scrap value of 5% of the original cost.

NOTE: During the year a delivery van which had cost €40,000 in 2019 was traded in for €10,000 against a new delivery van costing €56,000. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock but was entered correctly in the bank account. These were the only entries in the books.

(iii) It was discovered that goods had been received from a supplier on 31/12/2023 on a 'sale or return' basis. These goods had been entered in the books as a credit purchase in error. The expected selling price of these goods is €5,000 which is cost plus 25%.

(iv) Patents (incorporating 3 months investment income) are being written off over a 7-year period which commenced in 2021.

(v) The suspense figure arises as a result of an incorrect figure for debenture interest (although the correct figure had been entered in the bank account) and discount allowed €400 entered only in the discount account.

(vi) A new warehouse was purchased during the year for €100,000 plus VAT @13.5%. The total amount paid to the vendor was entered in the land & buildings account. No entry was made in the VAT account.

(vii) Buildings are to be depreciated at the rate of 2% of cost per annum (land at cost was €200,000).

The company revalued land and buildings at €700,000 on 31/12/2023 and this has yet to be reflected in the accounts.

(viii) The rent received was in respect of a warehouse rented out by the company for €1,500 per month commencing on the 01/06/2023.

(ix) The Directors recommend that:

1. Provision should be made for both investment income due and debenture interest due.
2. Provision for bad debts to be adjusted to 4% of debtors.
3. A transfer of €20,000 should be made from profit to the capital reserve.

Required:

(a) Prepare a trading and profit and loss account for the year ended 31/12/2023. (75)

(b) Prepare a balance sheet as at 31/12/2023. (45)

(120 marks)

(B) Company Final Accounts including a Manufacturing Account

Sexton Ltd has an authorised capital of €1,500,000 divided into 1,100,000 ordinary shares of €1 each and 400,000 4% preference shares of €1 each. The following trial balance was extracted from the books on 31/12/2023:

	€	€
Factory land & buildings (cost €900,000)	812,000	
Plant and machinery (cost €780,000)	680,000	
Patents	80,000	
General factory overheads (including suspense)	110,700	
Sale of scrap materials		11,200
Stocks on hand 01/01/2023		
Raw materials	97,500	
Work in progress	13,000	
Finished goods	76,000	
Purchase of raw materials	580,000	
Sales		1,692,100
Carriage on raw materials	15,800	
Selling expenses	99,000	
Direct factory wages	310,000	
Administration expenses	113,000	
8% Debentures		200,000
Issued share capital - ordinary shares		900,000
- 4% preference shares		330,000
Profit and loss balance 01/01/2023		6,300
VAT		10,100
Bank		8,000
3% Investments acquired on 01/08/2023	150,000	
Investment income received		1,500
Dividends paid	47,000	
Debenture interest	12,200	
Debtors and creditors	45,000	52,000
Capital reserve		30,000
	3,241,200	3,241,200

The following information and instructions are to be taken into account:

(i) Stocks on hand at 31/12/2023:

Raw materials	€33,400
Work in progress	€22,100
Finished goods	€72,000

(ii) During the year raw materials which had cost €5,800 were destroyed by fire. The insurance company agreed to pay compensation of 90% of their cost. No entry has been made in the books.

(iii) Finished goods were sent to a customer on 31/12/2023 on a 'sale or return' basis. These goods were recorded in the books as a credit sale of €21,250. This is a mark-up on cost of 25%.

(iv) The suspense figure arises as a result of discount allowed €800 entered only in the debtors account and a credit purchase of raw materials €3,000 which was entered on the incorrect side of the creditor account.

(v) Patents are being written off over a 7-year period which commenced in 2021.

(vi) Included in the figure for sale of scrap materials is €7,000 received from the sale of an old machine on 31/03/2023. This machine had cost €40,000 on 30/09/2019.

Plant and machinery is to be depreciated at the rate of 15% of cost per annum calculated from the date of purchase to the date of sale.

(vii) Buildings are to be depreciated at 2% of cost per annum. (Land at cost on 01/01/2023 was €100,000.)

Depreciation on buildings is to be allocated 80% to factory and the remainder to administration expenses.

It was decided to revalue the buildings at €1,200,000 on 31/12/2023 and this has yet to be reflected in the accounts.

(viii) The figure for Bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2023 shows an overdraft of €600.
A comparison of the bank account and the bank statement revealed the following discrepancies:

1. 4 months rent received of €6,000 was paid directly into the firm's bank account. This is in relation to spare office space recently let out by Sexton Ltd commencing on 01/11/2023.
2. A cheque for fees of €3,200 issued to a creditor had not been presented for payment.
3. A cheque for €1,800 received from a debtor was dishonoured by the bank. This has not been recorded in the books.

(ix) Provision should be made for the following:

1. Investment income due and debenture interest due.
2. The creation of a provision for bad debts equal to 6% of debtors.
3. A transfer of €20,000 should be made from profit to the capital reserve.

Required:

(a) Prepare a manufacturing, trading and profit and loss account for the year ended 31/12/2023. (75)

(b) Prepare a balance sheet as at 31/12/2023. (45)

(120 marks)

2. Published Accounts

Lyne plc has an authorised share capital of €850,000 divided into 650,000 ordinary shares of €1 each and 200,000 4% preference shares of €1 each. The following trial balance was extracted from its books on 31/12/2023.

	€	€
Land & buildings at cost	850,000	
Buildings - accumulated depreciation on 01/01/2023		55,000
Vehicles at cost	440,000	
Vehicles - accumulated depreciation on 01/01/2023		75,000
Issued capital		
Ordinary shares		500,000
4% preference shares		150,000
Patent 01/01/2023	37,500	
3% Investments	140,000	
Debtors and creditors	105,000	44,000
Purchases and sales	1,500,000	2,150,000
Stock 01/01/2023	57,000	
Distribution costs	232,000	
Administration expenses	146,000	
Rental income		85,000
Profit on sale of land		60,000
Directors fees	35,000	
Profit and loss account 01/01/2023		43,000
Provision for bad debts		5,600
Debenture interest paid	12,000	
Bank		38,000
Commission		14,000
VAT	5,600	
Dividends paid	35,000	
8% Debentures 2027/2028		380,000
Advertising	4,500	
	3,599,600	3,599,600

The following information is also relevant:

(i) Stock on 31/12/2023 was €85,000.

(ii) The patent was acquired on 01/01/2018 for €75,000. It is being amortised over 10 years in equal instalments. The amortisation is to be included in cost of sales.

(iii) During the year, land adjacent to the company's premises, which had cost €210,000, was sold for €270,000. (The remaining land had cost €200,000).

Depreciation on buildings was at the rate of 2% of cost per annum straight line and is to be allocated 25% to distribution costs and 75% to administration expenses. There was no purchase or sale of buildings during the year.

At the end of the year the company revalued its land and buildings at €950,000. The company wishes to reflect this value in the accounts.

(iv) Vehicles are depreciated at the rate of 20% of cost per annum straight line.

(v) Included in the distribution costs is the receipt of €2,650 for patent royalties.

(vi) Provide for debenture interest due, investment income due, auditor's fees €8,500 and corporation tax €87,000.

Required:

(a) Prepare the published profit and loss account for the year ended 31/12/2023 in accordance with the Companies Act and appropriate accounting standards showing the following notes:

1. Accounting policy note for tangible fixed assets and stock
2. Operating profit
3. Dividends
4. Tangible fixed assets. (52)

(b) (i) Explain the term exceptional item with reference to the accounts of Lyne plc.

(ii) What regulations must accountants observe when preparing financial statements for publication? (8)

(60 marks)

3. Farm Accounts

Among the assets and liabilities of E. Fleming, who carries on a small mixed farming business, on 01/01/2023 are:

> land and buildings at cost €410,000; vehicles and machinery at cost €168,000;
> electricity due €250; medicines prepaid €330; value of cattle €88,000;
> value of sheep €35,600; milk cheque due €6,900; stock of fuel €370;
> two months investment interest due €400.

All fixed assets have 3 years accumulated depreciation on 01/01/2023.

The following is a summary taken from the cheque payments and lodgments books for the year ended 31/12/2023:

Lodgments	€	**Cheque Payments**	€
Balance 01/01/2023	51,500	Fertiliser	35,600
Milk	100,000	General farm expenses	21,610
Sheep	15,400	Dairy wages	5,200
Cattle	14,900	Sheep	8,900
Lambs	8,700	Cattle	11,200
Calves	10,800	Light, heat and fuel	46,850
Single payment – sheep	6,600	Machinery	15,000
Single payment – cattle	3,385	Repairs	5,750
Wool	800	Veterinary fees and medicines	4,120
Interest from 2% investment bond	1,400	Repayment of bank loan plus 18 months' interest at 5% per annum on 31/08/2023	32,250
E.U. GLAS environmental scheme	5,600		
		Balance 31/12/2023	32,605
	219,085		219,085

The following information and instructions are to be taken into account:

		Cattle	Sheep
(i)	Value of livestock on 31/12/2023 was:	€94,000	€51,000

(ii) Farm produce used by Fleming during the year – milk €550; lamb €770.

(iii) Veterinary fees and medicines include a cheque for private health insurance of €1,700.

(iv) General farm expenses, fertiliser, veterinary fees and medicines are to be apportioned 70% to 'cattle and milk' and 30% to 'sheep'.

(v) All other expenses and costs are to be apportioned 90% to general farm and 10% to household.

(vi) Vehicles and machinery are to be depreciated at the rate of 10% of cost per annum and buildings at 2% of cost per annum. (Land at cost was €200,000.)

(vii) On 31/12/2023 there was a milk cheque due €6,950, creditors for fertiliser amounted to €750 and stock of fuel was €450.

Required:

(a) Prepare Fleming's statement of capital on 01/01/2023. (20)

(b) Prepare an enterprise analysis account for 'cattle and milk' and 'sheep' for the year ended 31/12/2023. (20)

(c) Prepare Fleming's general profit & loss account for the year ended 31/12/2023. (12)

(d) Fleming is considering upgrading the farm with the installation of solar panels at a cost of €100,000(net of grants). He has estimated that this would reduce energy costs by 40%.

Fleming has asked you to advise him on the financial implications of the installation of solar panels. Based on the accounts you have prepared what advice would you give? (8)

(60 marks)

4. Depreciation of Fixed Assets

Cobra Trucking Ltd prepares its final accounts to 31 December each year. The company's policy is to depreciate its trucks on a straight line basis over 5 years.

Scrap value is estimated at 10% of the original cost of a truck.
Depreciation is charged from the date of purchase to the date of disposal.

On 01/01/2023 Cobra Trucking Ltd owned the following trucks:

Truck No. 1 purchased on 01/05/2018 for €55,000.
Truck No. 2 purchased on 01/04/2019 for €68,000.
Truck No. 3 purchased on 01/06/2021 for €72,000.

On 01/09/2022, truck no.1 was traded in for €20,000 against another truck costing €82,000. Truck no.1 had a refrigeration unit fitted on 01/09/2019. The cost of the refrigeration unit was €22,000 and the cost of installing it was a further €2,000.
Note: Refrigeration units are depreciated at 20% of cost for the first two years and thereafter at a rate of 10% of cost each year until fully written off.

On 01/04/2023, truck no. 3 was crashed and traded in against a new truck costing €88,000. The company received compensation from the insurance company to the value of €26,000 and the cheque paid for the new vehicle was €65,000.

You are required to show, with workings, for each of the two years 2022 and 2023:

(a) The Truck Account. (6)

(b) The Provision for Depreciation Account. (32)

(c) The Truck Disposal Account. (14)

(d) (i) Why does a company charge depreciation in calculating profit?

(ii) Explain the term 'useful economic life' in relation to fixed assets. (8)

(60 marks)

Section 2 begins on page 12

SECTION 2 (200 Marks)
Answer any **TWO** questions

5. Interpretation of Accounts

The following figures have been taken from the final accounts of Kelly plc, a company in the renewable energy sector, for the year ended 31/12/2023. The company has an authorised capital of €800,000 made up of 600,000 ordinary shares of €1 each and 200,000 4% preference shares of €1 each. The firm has already issued 400,000 ordinary shares and 40,000 4% preference shares.

Trading and Profit and Loss account for year ended 31/12/2023		
	€	€
Sales		819,000
Opening stock	65,000	
Cost of goods sold		(605,000)
Operating expenses for year		(92,000)
Interest		(12,000)
Net profit		110,000
Dividends paid		(20,000)
Retained profit		90,000
Profit and loss balance 01/01/2023		25,000
Profit and loss balance 31/12/2023		115,000

Ratios and information for year ended 31/12/2022	
Earnings per ordinary share	15c
Dividend per ordinary share	6c
Interest cover	5 times
Quick ratio	1.20 : 1
Return on capital employed	15%
Market value of one ordinary share	€1.20
Gearing	15%
Dividend cover	2.5 times
Dividend yield	5%

Balance Sheet as at 31/12/2023			
Fixed Assets	€	€	€
Intangible		50,000	
Tangible		480,000	530,000
Investments (market value 31/12/2023 – €120,000)			100,000
			630,000
Current Assets		126,000	
Less Creditors: amounts falling due within 1 year			
Bank overdraft	(16,000)		
Trade creditors	(35,000)	(51,000)	75,000
			705,000
Financed by			
8% debentures (2027 secured)			150,000
Capital and Reserves			
Ordinary shares of €1 each		400,000	
4% preference shares of €1 each		40,000	
Profit and loss balance		115,000	555,000
			705,000

Market value of one ordinary share **€1.25** on **31/12/2023**.

(a) **You are required to calculate the following for 2023**:
(where appropriate calculations should be made to **two** decimal places).

(i) The closing stock if the rate of stock turnover is 10 based on average stock

(ii) Return on capital employed

(iii) Price earnings ratio

(iv) Gearing

(v) Dividend yield (50)

(b) Advise the bank manager if a loan of €200,000, on which a rate of 9% would be charged, should be granted to Kelly plc.

The loan is to finance the upgrade of manufacturing equipment.

Use relevant ratios, percentages and other information to support your answer. (40)

(c) Your friend has decided to invest €20,000 in shares in Kelly plc and has asked for your advice. They have the option of purchasing either

- ordinary shares at market value (€1.25) or
- 4% preference shares at their nominal value of €1 each.

(i) Distinguish between ordinary shares and preference shares.

(ii) Based on your analysis of the accounts of Kelly plc what advice would give?

(10)

(100 marks)

6. Cash Flow Statement

The following are the balance sheets of Simpson plc as at 31/12/2023 and 31/12/2022:

Balance Sheets as at	**31/12/2023**		**31/12/2022**	
Intangible Assets	€	€	€	€
Patent		65,000		78,000
Fixed Assets				
Fixed assets at cost	730,000		610,000	
Less accumulated depreciation	(145,000)	585,000	(118,000)	492,000
Financial Assets				
3% Investments		35,000		35,000
		685,000		605,000
Current Assets				
Stock	108,300		98,000	
Cash	2,680		2,370	
Debtors	56,000		54,000	
Less provision for bad debts	(1,680)		(1,620)	
Government securities	20,000		12,000	
Investment interest due	1,500		1,000	
	186,800		165,750	
Less creditors: **amounts falling due within 1 year**				
Creditors	84,000		70,000	
Bank overdraft	10,000		15,000	
Corporation tax	52,000		50,200	
Interest payable due	2,400		1,000	
	148,400	38,400	136,200	29,550
		723,400		634,550
Financed by:				
Creditors: **amounts falling due after 1 year**				
8% Debentures		120,000		110,000
Capital and Reserves				
Ordinary shares of €1 each	500,000		450,000	
Share premium	15,000		-----------	
Profit and loss account	88,400	603,400	74,550	524,550
		723,400		634,550

The following information is also available:

(i) The shares were issued at €1.30 per share on 01/01/2023.

(ii) Fixed assets which cost €30,000 and on which total depreciation of €21,000 had been provided, were sold during the year ending 31/12/2023 for €8,500.

(iii) Debentures, €10,000, were issued on 30/06/2023.

(iv) The total dividend paid for the year was 5c per share on shares held on 31/12/2023.

(v) Corporation tax charged on profits for 2023 was €45,000.

(vi) The patent is being written off over a six-year period, which commenced in 2022.

Required:

(a) (i) Prepare an abridged profit and loss account to ascertain the operating profit for the year ended 31/12/2023.

(ii) Prepare the cash flow statement of Simpson plc for the year ended 31/12/2023 including reconciliation statements. (90)

(b) (i) Outline how Simpson plc can benefit from the preparation of a cashflow statement.

(ii) Explain why earning profit may not always result in a corresponding increase in cash balances. Use figures from this question to support your answer. (10)

(100 marks)

7. Correction of Errors and Suspense Account

The trial balance of F. Grey, an electrical wholesaler, failed to agree on 31/12/2023. The difference was entered in a suspense account and the following balance sheet was prepared:

Balance Sheet as at 31/12/2023			
	€	€	€
Fixed Assets	**Cost**	**Dep. to date**	**NBV**
Premises	450,000	----------	450,000
Delivery Vans	60,000	30,000	30,000
Equipment	27,000	-----------	27,000
	537,000	30,000	507,000
Current Assets			
Stock	47,100		
Debtors	12,600		
Cash	10,100	69,800	
Creditors: **amounts falling due within 1 year**			
Creditors (including suspense)	58,800		
Bank	16,100		
VAT	7,700	82,600	
Net current assets			(12,800)
Total assets less current liabilities			494,200
Financed by			
Capital		455,000	
Net profit		53,100	
		508,100	
Less drawings		(13,900)	494,200
			494,200

On checking the books the following errors and omissions were discovered:

(i) A payment of €900 was received from V. Mullen, a debtor, whose debt had previously been written off and who wishes to trade with Grey again. This represents 80% of the original debt and the debtor has undertaken to pay the remainder of the debt by January 2024. No entry had been made in the books.

(ii) A delivery van which cost €20,000 and had a book value of €12,000 was sold for €10,000 cash. This had been entered as €2,000 on the debit of the debtors account and €1,200 on the credit of the sales account.
No other entries had been made in in the books.

(iii) Advertising due €900, and rent prepaid by Grey €1,200 were not recorded in the books.

(iv) F. Grey sold goods on credit to CD Electrical Ltd for €4,000 plus VAT @ 23%. The only entries recorded in the accounts were that the VAT inclusive figure was entered on the credit side of the equipment account and the VAT exclusive figure was entered on the debit side of CD Electrical Ltd account.

(v) F. Grey had returned electrical appliances previously purchased on credit from a supplier for €8,000 and entered this transaction in the relevant ledger accounts incorrectly as €2,200. However, a credit note subsequently arrived from the supplier showing a restocking charge of €200 to cover the cost of the return. The only entry made in respect of this credit note was a credit entry of €7,800 in the creditors account.

Required:

(a) Journalise the necessary corrections. (50)

(b) (i) Prepare the suspense account

(ii) Explain why there is no closing balance on the suspense account. (10)

(c) Prepare the statement of corrected net profit (14)

(d) Prepare the corrected balance sheet. (20)

(e) Explain with an example what is meant by error of principle. (6)

(100 marks)

SECTION 3 (80 Marks)
Answer **ONE** question

8. Flexible Budgets and Stock Valuation

(a) Flexible Budgets

Royston Ltd manufactures a component for the computer industry. The following flexible budgets have been prepared for 50%, 75% and 95% of the plant's capacity:

Output levels	**50%**	**75%**	**95%**
Units	20,000	30,000	38,000
Costs	€	€	€
Direct materials	90,000	135,000	171,000
Direct wages	300,000	450,000	570,000
Production overheads	110,000	155,000	191,000
Other overhead costs	171,000	249,000	311,400
Administration overheads	80,600	80,600	80,600
	751,600	1,069,600	1,324,000

Profit is budgeted to be 20% of sales. All units produced are sold.

Required:

(i) Separate production overheads into fixed and variable elements.
(ii) Separate other overhead costs into fixed and variable elements.
(iii) Prepare a flexible budget for 85% activity level using marginal costing principles, and show the contribution.
(iv) Based on your calculations in part (iii) calculate the breakeven point and the margin of safety at 85% activity level for Royston.
(v) Explain with an example the term 'controllable cost'.

(b) Stock Valuation

Touhy Ltd is a retail store that buys and sells one product. The following information relates to the purchases and sales of the firm for the year 2023:

Period	**Purchases on Credit**	**Credit Sales**	**Cash Sales**
01/01/2023 - 31/03/2023	6,500 @ €9 each	1,900 @ €12 each	200 @ €11 each
01/04/2023 - 30/06/2023	3,700 @ €9.50 each	1,700 @ €13 each	1,900 @ €12 each
01/07/2023 - 30/09/2023	2,600 @ €9.75 each	2,900 @ €14 each	2,800 @ €13 each
01/10/2023 - 31/12/2023	1,200 @ €10 each	700 @ €15 each	1,600 @ €14 each

On 01/01/2023 there was an opening stock of 5,000 units @ €8 each.

Required:

(i) Calculate the value of closing stock at 31/12/2023 using the FIFO method. (Show your workings).
(ii) Prepare a trading account for the year ended 31/12/2023.
(iii) Explain the FIFO method of stock valuation and name one other method of valuing stock.

(80 marks)

9. Budgeting

O'Neill Ltd is planning to set up a business on 01/07/2024 and has made the following forecast for the first six months of trading:

	July	August	September	October	November	December
Sales units	12,500	12,700	13,800	14,900	14,500	15,400
Sales Revenue (€)	625,000	635,000	690,000	745,000	725,000	770,000

(i) Stocks of finished goods are maintained at 40% of the following month's sales requirement.

(ii) Each product unit requires 5 kg of material X, which costs €4 per kg.

(iii) Stocks of raw materials, sufficient for 10% of the following month's requirements in kgs are held at the end of each month.

(iv) The cash collection pattern from sales is expected to be:

Cash Customers 30% of sales revenue will be for immediate cash and a cash discount of 5% will be allowed.

Credit Customers 70% of sales revenue will be from credit customers. These debtors will pay their bills in the month after sale.

(v) Two month's credit is received from suppliers.

(vi) Expenses of the business will be settled as follows:

Expected Costs Wages €24,000 plus 10% of sales revenue per month, payable as incurred.
Variable overheads €15 per unit, payable as incurred.
Fixed overheads (including depreciation) €15,000 per month, payable as incurred.

Capital Costs Equipment will be purchased on 01/07/2024 costing €60,000 which will have a useful life of 4 years.
To help finance this purchase, a loan of €48,000 will be secured at 6% per annum.
The capital sum is to be repaid over four years in equal monthly instalments commencing on 01/08/2024.
The interest for each month is to be paid on the last day of the month based on the amount of the loan outstanding at that date commencing on 31/07/2024.

Required:

(a) Prepare a production budget for O'Neill Ltd for the four months July to October 2024.

(b) Prepare a raw materials purchases budget (in kg and €) for O'Neill Ltd for the four months July to October 2024.

(c) Prepare a cash budget for O'Neill Ltd for the four months July to October 2024.

(d) Prepare a budgeted trading and profit and loss account for O'Neill Ltd for the four months ending 31/10/2024 (if the budgeted cost of a unit of finished goods is €30).

(e) (i) Explain what is meant by variance analysis.
(ii) Give a specific example of a favourable variance that may arise for O'Neill Ltd.

(80 marks)

Leaving Certificate – Higher Level

Accounting

Wednesday 19 June
Afternoon 2:00 – 5:00