



QQI

BA (Hons) Accounting and Finance
BA (Hons) Financial Services

SUMMER 2020 EXAMINATIONS

Module Code: **B6AF111**

Module Description: **Principles of Accounting**

Examiner: **Paul Lydon**

Internal Moderator: **Rosdiana Rappa**

External Examiner: **Eoin Langan**

Date: Tuesday, 9th June 2020
Time: 15:00 – 17:00

INSTRUCTIONS TO CANDIDATES

Time allowed is TWO hours

SECTION A – Answer Question 1 (30 Marks)

SECTION B – Answer Question 2 (40 Marks)

SECTION C – Answer any ONE Question from Section C (30 Marks)

Section A**This question is compulsory and must be answered****(Answer sheets are provided for this question at the back of the exam paper)****Question 1**

Section A consists of 10 multiple-choice questions, each question has 4 possible answers. There is ONLY ONE correct answer in each part. Each correct answer is worth 3 marks.

- i. Which of the following is a liability of a firm:
 - A. Buildings owned by the firm
 - B. Cash in the firms safe
 - C. Money owed by Receivables
 - D. A long term loan

- ii. The sales day book is:
 - A. A record of the balances on customer accounts
 - B. A record of credit sales made
 - C. A record of cash received from customers
 - D. A record of invoices received

- iii. The trial balance:
 - A. Shows the financial position of a firm
 - B. Proves only that the Payables figure is correct
 - C. Lists all the credit entries only
 - D. Is a list of the balances brought down in the double-entry accounting records

- iv. Capital expenditure is
 - A. The cost of running the business on a day to day basis
 - B. Money spent on buying non current assets or adding value to them
 - C. The extra capital paid in by the proprietor
 - D. None of the above
- v. Which of the following is correct:
 - A. To increase an asset account we debit the T account
 - B. To decrease a capital account we credit the T account
 - C. To increase a liability account we debit the T account
 - D. To decrease any liability account we credit the T account
- VI. A closing debit balance of €200 in a nominal ledger bank account shows that:
 - A. The bank is overdrawn by €200
 - B. The total of money's received was less than €200
 - C. €200 was the total of money's paid out
 - D. The bank has a surplus of €200
- VII. The Gross Profit ratio measures:
 - A. What % of sales a business has left after covering the cost of sales
 - B. The gross profit compares with industry averages
 - C. The net profit compared with the gross profit
 - D. What percentage of sales is gross profit
- VIII. Builders Ltd purchases a new JCB costing €40,000, its expected useful life is 10 years, at which point it should have a nil scrap value. If the straight line method of depreciation is used, what is the annual depreciation charge?
 - A. €4,000
 - B. €4,500
 - C. €3,500
 - D. €3,000

- IX. Current assets are €200,000 and current liabilities are €75,000. What is the current ratio be:
- A. 1.5:1
 - B. 2.67:1
 - C. 1.64:1
 - D. 1.40:1
- X. The double entry for a purchase on credit would be?
- | | |
|----------------------------|-----------------------------|
| A. Debit Purchases | Credit Accounts payables |
| B. Debit Accounts payables | Credit Purchases |
| C. Debit Inventory | Credit Accounts receivables |
| D. Debit Purchases | Credit Accounts receivables |

(30 Marks)

Section B

This question is compulsory and must be answered

Question 2

The following Trial Balance was extracted from the books of J. Byrne Ltd as at 31st December 2019.

	Debit €	Credit €
Purchases	250,000	
Wages	112,000	
Interest Received		2,000
Sales		740,000
Insurance	70,000	
Carriage Inward	30,000	
Sales Returns	70,000	
Opening Stock	56,000	
Light & Heat	25,000	
Land and Buildings (cost €390,000)	363,000	
Equipment (cost €120,000)	96,000	
Receivables	80,000	
Payables		114,000
Cash	2,000	
Bank		70,000
Capital		270,000
Bad Debts	1,000	
Advertising	40,000	
Retained Profit		20,000
Provision for Bad Debts		9,000
Drawings	30,000	
	<u>1,225,000</u>	<u>1,225,000</u>

The following information is available at 31/12/19

1. Stock at 31st December 2019 amounted to €136,000
2. Advertising Due €15,000
3. Depreciate Land and Buildings 7% P.A. (Straight Line Method).
4. Depreciate Equipment by 20% P.A. (Reducing Balance Method)
5. Bad debt provision is to be adjusted to 10% of Receivables
6. Insurance Prepaid €2,000

Required

A. Prepare a Statement of Profit or Loss for the year ended 31st December 2019.
(25 marks)

B. Prepare a Statement of Financial Position as at 31st December 2019.
(15 marks)

(Total: 40 marks)

Section C

Answer any ONE question**Question 3**

The following information relates to the Receivables and Payables of Rath Ltd. for the month ending 31st December 2019

Balances on the 01 December 2019

Receivables Control	Dr	€45,000
	Cr	€245
Payables Control	Dr	€1,500
	Cr	€35,000

Total transactions for the month to 31 December 2019	€
Purchases	80,000
Sales	120,000
Purchases Returns	2,500
Receivables accounts settled by contra with Payables	500
Bad debt written off	1,200
Discount and allowances to customers	750
Cash received from customers	115,000
Cash discount received	1,800
Cash paid to Payables	70,000

Required:

- A. Prepare the Receivables Control Account for Rath Ltd for the month ending 31st December including the opening balance for the coming month in your answer.

(15 marks)

- B. Prepare the Payables Control Account for Rath Ltd for the month ending 31st January including the opening balance for the coming month in your answer.

(15 marks)

Total (30 marks)

Question 4

The following information has been extracted from the accounts of **Clover Ltd.**

Profit and loss account for the year to 31st May 2019

	<u>2018</u>	<u>2019</u>
	€'000	€'000
Turnover (all credit sales)	7,650	15,500
Less: Cost of sales	<u>(5,800)</u>	<u>(9,430)</u>
Gross profit	1,850	6,070
Other expenses	(150)	(170)
Loan interest	<u>(50)</u>	<u>(350)</u>
Profit before taxation	1,650	5,550
Taxation	<u>(600)</u>	<u>(550)</u>
Profit after taxation	1,050	5,000
Dividends (all ordinary shares)	<u>(300)</u>	<u>(300)</u>
Retained profits	<u>750</u>	<u>4,700</u>

Balance sheet as at 31st May 2019

	<u>2018</u>	<u>2019</u>
	€'000	€'000
<u>Non-current asset</u>		
Tangible assets	10,050	11,350
<u>Current assets</u>		
Stocks	1,500	2,450
Trade debtors	1,200	7,800
Cash	900	50
	<u>3,600</u>	<u>10,300</u>
<u>Total Assets</u>	<u>13,650</u>	<u>21,650</u>
<u>Equity and Liabilities</u>		
<u>Equity and reserves</u>		
Issued equity capital	5,900	5,900
Retained earnings	<u>5,000</u>	<u>9,700</u>
	<u>10,900</u>	<u>15,600</u>
<u>Non-current liabilities</u>	<u>350</u>	<u>3,350</u>
<u>Current liabilities</u>		
Trade and other payables	<u>2,400</u>	<u>2,700</u>
<u>Total equity and liabilities</u>	<u>13,650</u>	<u>21,650</u>

Required:

A. Calculate the following ratios for 2019.

Ratios	2018
1. Gross Profit Ratio	24%
2. Net Profit Ratio	22%
3. Return on Capital Employed	15.1%
4. Current Ratio	1.5 : 1
5. Receivable Days	57 days
6. Payables Days	151 Days

(18 marks)

B. Comment in detail on the company's performance during 20X6 in the light of the above information.

(12 marks)

Total (30 marks)

END OF EXAMINATION