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SUBJECT: **Accounting**  
DATE: 3<sup>rd</sup> June 2021  
TIME: 4:00 p.m. to 7:05 p.m.

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This paper contains **FOUR** Sections. Follow the instructions below.

**Section A**

Answer any **FIVE** questions in this section. Each question carries 4 marks.

**Section B**

Answer question 8. This question carries 30 marks.

**Section C**

Answer any **ONE** question from this section. This section carries 25 marks.

**Section D**

Answer any **ONE** question from this section. This section carries 25 marks.

You must show the working leading up to your answers.

Candidates may only use non-programmable calculators in this examination.

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**SECTION A**

**Answer any FIVE questions in this section. Each question carries 4 marks.**

1. List **TWO** differences between a public company and a private company. (4)
2. Describe **FOUR** differences between financial and management accounting. (4)
3. Briefly describe the following types of costs, and provide **ONE** example of each:
  - (i) Fixed cost;
  - (ii) Variable cost;
  - (iii) Direct cost;
  - (iv) Indirect Cost. (4)
4. What is inventory control? Why is it important? (4)
5. What are the objectives of:
  - (i) a statement of profit and loss; and
  - (ii) a statement of financial position? (4)
6. Define and provide an example for each concept.
  - (i) The accruals concept
  - (ii) the cost concept. (4)
7. What is the difference between a cash discount and a trade discount? Explain the accounting treatment through with an example. (4)

**(Total: 20 marks)**

**SECTION B****Answer Question 8. This question carries 30 marks.**

8. Skiffs Toiletries Ltd extracted the following Trial Balance from its books for the twelve months ended 31 March 2021:

	€	€
Ordinary Share Capital ( <i>Nominal value €0.50 per share</i> )		300,000
Share Premium		60,000
General reserve		54,000
Retained earnings		44,100
Inventories on 1 April 2020	64,200	
Trade receivables	58,500	
Trade payables		42,400
Bank		23,500
Sales		941,580
Purchases	529,480	
Returns In /Returns out	33,380	18,200
Carriage in	12,700	
Carriage out	22,300	
Discounts allowed/received	25,400	36,300
Salaries	102,000	
Distribution expenses	41,720	
Administration expenses	25,400	
Insurance	38,400	
Electricity costs	24,800	
Motor expenses	12,300	
Bad debts	14,500	
Cash	11,400	
6% Debentures		100,000
Debenture interest paid	3,000	
Premises/Depreciation allowance	500,000	66,800
Equipment and fittings/Depreciation allowance	146,000	56,000
Motor Vehicles/Depreciation allowance	104,200	32,400
Suspense	5,600	
	1,775,280	1,775,280

Additional information:

- Inventories at 31 March 2021 were valued at cost of €72,360. This figure included items at cost of €5,000 which were considered obsolete and were to be scrapped.
- After extracting the above trial balance, it was found that discounts allowed were understated by €2,400. Furthermore, a customer with an account balance of €3,200 was cancelled from Trade Receivables because it had defaulted, but the amount was not included with bad debts.
- The directors were not entitled for any regular remuneration but were to share a commission of 5% of the net profits as calculated after charging the commission.

d) Non-current assets are to be depreciated as follows:

Premises	2% on cost
Equipment and fittings	15% on cost
Motor vehicles	40% on net book value

- e) It is the company's policy to charge a full year's depreciation in the year of acquisition and none in the year of disposal.
- f) The amount for purchases shown in the Trial Balance includes an expense of €12,400 which relates to new equipment purchased.
- g) Motor expenses due and not yet paid amount to €1,230; while a bill of €850 for electricity is also outstanding. The amount for insurance as shown in the Trial Balance is for a policy that covers 15 months starting from 1 January 2021.
- h) The balance on the salaries account represents the salaries paid over 50 weeks. The salaries for the last two weeks of March 2021 were paid in the first week of April.
- i) The debentures were issued in September 2018, and interest is payable in arrears every six months, in March and September.
- j) The board of directors decided to transfer €25,000 to the General Reserve.

**Required:**

- A. Prepare the Statement of Profit and Loss of Skiffs Toiletries Ltd for the year ended 31 March 2021. (15)
- B. Prepare the Statement of Financial Position of Skiff Toiletries Ltd as at 31 March 2021. (10)
- C. Identify the items that make up shareholders equity, providing a brief description of each item. (5)

**(Total: 30 marks)**

***Please turn the page.***

**SECTION C**

**Answer any ONE question from this Section. Each question carries 25 marks.**

9. Will Brace, whose reporting period ends on 31 December, owns a small fleet of motor vehicles catering mostly for school transport. On 1 January 2020, the following non-current assets were on the books:

	<b>Date of acquisition</b>	<b>Original cost</b>
Motor Van A	1 December 2016	€35,000
Motor Van B	1 May 2018	€30,000
Equipment	1 July 2017	€28,000

As Will Brace carries out his own vehicles maintenance and servicing, he also had a quantity of loose tools with a total valuation of €5,500 as at 1 January 2020.

The equipment is depreciated on the reducing balance method at 40% per annum. The motor vans are depreciated using the straight line method, with 20% of original cost estimated as the residual value. Because of the high mileage covered, the depreciable amount is written off over four years. It is Will Brace's policy to charge a full year's depreciation in the year of acquisition, but none in the year of disposal.

During the twelve months to 31 December 2020, the following occurred:

- New loose tools costing €1,340 were purchased. The value of loose tools at the end of the year was estimated at €6,000.
- The equipment was used for wheel balancing, but Will Brace found this very time consuming and he preferred having this done professionally. Therefore, he traded it in for €3,800 against another motor van (Motor Van C) costing €38,000. The balance was settled by bank transfer at the date of the exchange.
- A fire that occurred in Will's garage in April 2020 destroyed Van B which had been parked inside. The insurance company paid €19,200 in compensation. This amount was used as a deposit on a new vehicle (Motor Van D) which cost €42,000. The balance is to be paid in five equal instalments.

**Required:**

Prepare the following accounts, including transfers to the Statement of Profit and Loss where applicable, for the year ended 31 December 2020:

- Motor Vehicles, Motor Vehicles Depreciation, Equipment and Equipment Depreciation accounts, including opening and closing balances. (13)
- The Disposal accounts. (8)
- The Loose Tools account. (4)

**(Total: 25 marks)**

10. As at 1 January 2020, the business assets and liabilities of The Coiffure, a hairdressing salon owned by Lisa Angelo, were as follows:

	€
Inventories	5,400
Trade receivables	4,200
Trade payables	8,200
Bank overdraft	12,800
Non-current assets at valuation	26,600
Rent paid in advance	3,600
Cash	450

Lisa is an excellent hairdresser, but her accounting abilities leave much to be desired. From records she kept, it could be ascertained that the following occurred during the year to 31 December 2020:

- a) Receipts from cash and credit customers €104,200.
- b) Discounts allowed €7,340.
- c) Some of Lisa's regular clients settled their bills every three months. On 31 December 2020, these owed a total of €2,500. Another credit client, owing €780, had emigrated without settling this amount. Lisa considers it highly unlikely that this amount will be recovered.
- d) Before banking her receipts, Lisa paid a total of €3,800 for running expenses and €1,200 for transport expenses. She also took €400 cash weekly for personal needs, that is, over 52 weeks.
- e) Lisa won a sum of €5,400 on a lottery, which she had deposited in the business bank account.
- f) Bank payments included:
  - €34,200 to trade payables after deducting discounts amounting to €800
  - Wages to assistants €14,200
  - Purchase of equipment €7,200
  - Electricity €5,400
  - Licence and permit €6,400
  - Sundry expenses €4,600.
- g) Annual rent of €7,200 is paid in advance in two six-monthly installments in January and July.
- h) Apart from cash and bank drawings, Lisa took goods valued at €5,200 for personal use.

On 31 December 2020, Lisa had €180 cash in the till, inventories were valued at €8,200 and suppliers of goods were owed €7,800. Wages amounting to €980 were still due. On the same day, Lisa valued her fixed assets at €24,600.

**Required:**

- A. Prepare Lisa Angelo's Statement of Affairs as at 1 January 2020, and draw up her Bank and Cash Accounts for the year to 31 December 2020. (8)
- B. Prepare the Statement of Profit and Loss for Lisa's establishment for the year ended 31 December 2020. (10)
- C. Prepare the Statement of Financial Position as at 31 December 2020. (7)

**(Total: 25 marks)**

***Please turn the page.***

11. The Kinder Toy plc is in the business of manufacturing traditional toys, mostly considered as collectible items. Following is a list of balances as extracted from its books as on 30 April 2021:

	€
Ordinary shares of €1 per share	200,000
Plant & machinery	170,000
Office Equipment	35,000
Motor Vehicles	85,000
Depreciation Allowances:	
Plant & Machinery	65,000
Office Equipment	17,400
Motor Vehicles	33,000
Opening Inventories: Raw materials	42,000
Work-in-Progress	18,000
Finished goods	31,750
Trade receivables	42,000
Trade payables	34,750
Purchases of raw material	215,000
Sales	670,000
Motor Vehicles running costs	8,500
Insurance	12,300
Returns in	14,400
Returns out	18,600
Direct factory wages	132,000
Supervisors' wages	46,000
Factory sundries	6,500
Electricity	18,000
Warehouse rent	15,400
Leasehold rent	56,000
Machinery repairs	8,400
Administration expenses	34,000
Selling and distribution expenses	57,000
Bank overdraft	9,000
Interest on bank overdraft	500

Other relevant information:

a) The following inventories were held at the end of the reporting period on 30 April 2021:

Raw materials	€52,000
Work-in-progress	€24,000
Finished Goods	€51,200

b) It is company policy to allow for depreciation as follows:

Plant and machinery	10% on cost
Office equipment and Motor vehicles	25% reducing balance

A full year's depreciation is charged in the year of acquisition, and none in the year of disposal.

c) Leasehold rent due and unpaid was €4,000, while administration expenses and insurance include a prepayment of €3,600 and €2,900, respectively.

d) The warehouse is used to store finished goods.

- e) The plant occupies 80% of the premises. The office occupies the remaining 20%. Leasehold rent and electricity costs are apportioned between plant and office accordingly.
- f) 30% of insurance costs relate to motor vehicles, while the remaining 70% relates to the insurance of the plant.
- g) 60% of all motor vehicle costs incurred relate to the procurement of raw material. The remaining 40% are incurred in delivery of finished goods. .

**Required:**

- A. Prepare the Manufacturing Account of Kinder Toy plc for the year ended 30 April 2021. (13)
- B. Prepare the Statement of Profit and Loss for the same period. (12)

**(Total: 25 marks)**

**SECTION D**

**Answer any ONE question from this Section. Each question carries 25 marks.**

12. Modules plc specialises in electronic components. The company runs three production departments, namely, Tagging, Assembly and Finishing. It also has a Maintenance department which is responsible for the handling and storage of materials.

The following details relate to the previous 4-week period:

	<b>Tagging</b>	<b>Assembly</b>	<b>Finishing</b>	<b>Maintenance</b>
Direct material (€)	36,000	42,000	24,000	-
Direct labour cost (€)	62,800	80,600	86,000	-
Overheads (€)	8,400	11,650	14,400	11,700
Direct labour hours	12,000	14,500	15,000	-
Indirect labour hours	1,000	1,500	1,800	2,500
Machine hours	6,260	11,590	12,300	-

Material handling costs are to be apportioned to the other departments on the basis of direct material cost.

The following are the details of Job Ai9, completed during the previous 4-week production run:

		<b>€</b>
Material		1,796
		<b>Hours</b>
Direct labour hours:	Tagging	456
	Assembly	896
	Finishing	768
Machine Hours:	Tagging	240
	Assembly	320
	Finishing	360

Management was rather uncertain which overhead recovery rate to apply, that is, whether to use machine hours or labour hours as a recovery basis.

***Question continues on next page.***

**Required:**

- A. As the accountant of Modules plc, suggest to management which recovery rate would be more appropriate. Give reasons for your answer. (2)
- B. Applying the overhead absorption rate you suggested in (A), calculate an overhead absorption rate for each of the **THREE** departments. (9)
- C. Considering that Modules plc's profit policy is a margin 20% on sales, calculate the invoice price of Job Ai9. (14)

(Show your workings correct to 2 decimal places)

**(Total: 25 marks)**

13. Three employees, Bernard, Carmen and Doris do the same job in different enterprises and with different remuneration packages. Hence, their employment contracts differ especially with regard to wages.

Bernard is paid on a time-rate basis, working 40 hours per week for a weekly wage of €216. His contract stipulates that any overtime is paid at 1.5 times the normal rate.

Carmen's wages, on the other hand, are based on piece-rates, and the agreed rate is €1.80 per unit. Like Bernard, she works a 40-hour week with a minimum wage of €216 a week, during which time she is expected to produce 120 units. This guarantees Carmen that, should she produce less than 120 units in any week, she would still get €216. If her output exceeds 120 units per week, she receives half the normal rate per unit for the extra units produced.

Doris' wage agreement is similar to Bernard's, but adds that, should her production rate exceed 3 units per hour, she is paid a production bonus equal to half her hourly pay on the time saved. The production bonus is calculated on a weekly basis.

The time and output for the 4-week period ended 30 April 2021 is the same for all 3 employees:

<b>Week</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Output in Units	105	122	126	128
Hours worked	40	45	48	40

**Required:**

- A. Compute the salaries earned by Bernard, Carmen and Doris during the 4-week period ended 30 April 2021. (19)
- B. For the 4-week period ended 30 April 2021, calculate for each employee:
- the average labour cost per unit; and
  - the average labour hour rate. (6)
- (Show your workings correct to 2 decimal places)

**(Total: 25 marks)**