

SOLUTIONS
AN ROINN OIDEACHAIS AGUS EOLAÍOCHTA
JUNIOR CERTIFICATE EXAMINATION, 2001
BUSINESS STUDIES – HIGHER LEVEL

PAPER I

SECTION A

(80 Marks)

WEDNESDAY, 13 JUNE, 2001 – MORNING, 9.30 a.m. to 12.00

Answer all 20 questions. Each question carries 4 marks. Calculators may be used.

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1. Name **TWO** items of information found on the label of a food product.
- (a) The Ingredients
(b) The “Use by” date
2. Choose the correct word/term from the following list to complete the sentence below.

Logo, advertisement, brand name, target market

Nike is a brand name in sportswear.

3. In the spaces provided, write the names of the currencies used in the following countries.

Country	Currency
Denmark	<i>Kroner</i>
Japan	<i>Yen</i>
United Kingdom	<i>Sterling</i>
Portugal	<i>Escudo/Euro</i>

4. List **TWO** advantages of road transport.
 (a) It is fast over short distances
 (b) Businesses can advertise on the sides of their vans.
5. A firm's Profit & Loss Account for the year showed that it had made a loss of IR£7,600. It was later discovered that the purchase of Buildings IR£100,000 had been incorrectly entered as an expense in the Profit & Loss Account.

Tick (✓) the appropriate box below to show the correct Profit or Loss figure

Profit of IR£107,600	<input type="checkbox"/>
Loss of IR£107,600	<input type="checkbox"/>
Profit of IR£92,400	<input checked="" type="checkbox"/>
Loss of IR£92,400	<input type="checkbox"/>

6. Show how the following transaction would be recorded in the ledger of Vintage Cars Ltd, a garage.

Vintage Cars Ltd bought a photocopier on credit from Jones Ltd.

Debit Office equipment A/c

Credit Jones Ltd A/c

7. Select the correct words from the following list to complete the sentence below.

Credit notes, invoices, bought, sold

Our creditors sent us invoices because we bought goods on credit.

8. The following account appeared in the ledger of Brickco Ltd.

Dr		Machinery Account		Cr	
Date	Details	IR£	Date	Details	IR£
Jan 1	Balance b/d	186,000			
May 5	Bank	90,000			

Complete the sentences below to explain the entries in the account.

On Jan 1, Brickco Ltd *had machinery to the value of £186,000*

On May 5, Brickco Ltd *bought more machinery valued at £90,000*

9. Tick (✓) whether the following statement is true or false in relation to the investments listed below.
 DIRT is payable on the interest received on the following investments provided by An Post.

	<u>True</u>	<u>False</u>
Savings Bonds	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Savings Certificates	<input type="checkbox"/>	<input checked="" type="checkbox"/>

10.

Balance Sheet as at 31 December 2000		
	IR€	IR€
Fixed Assets	360,000
Current Assets	100,000	
Current Liabilities	60,000	
	-----	40,000

		400,000

<u>Financed by</u>	<u>Authorised</u>	<u>Issued</u>
	<u>Share Capital</u>	<u>Share Capital</u>
Ordinary Shares	250,000	200,000
Revenue Reserves	80,000

		280,000
Long term Loan	120,000

		400,000

- (a) What is the figure for Working Capital? **Answer** IR€40,000
- (b) What is the figure for Retained Earnings? **Answer** IR€80,000

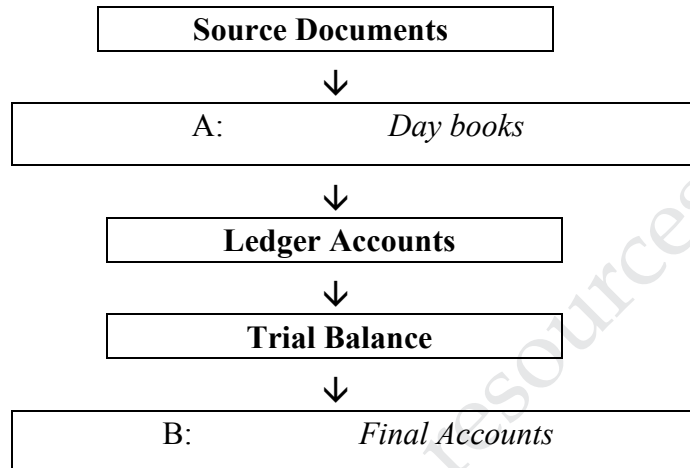
11. Name a State-owned Company/Body involved in the following activities.

1. Production *Bord na Móna*
2. Training *FÁS*

12. Tick (✓) the correct box to show whether the following statements are true or false.

- | | <u>True</u> | <u>False</u> |
|---|-------------------------------------|-------------------------------------|
| (a) The Board of Directors decide on the dividends paid to shareholders | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| (b) The Cash Book is part of the final accounts of a firm | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

13. Complete the chart below, which traces the recording of business transactions through a firm's books and accounts, by writing the appropriate stages in the blank spaces at A and B.



14. Indicate whether the following forms of communication are **ORAL**, **WRITTEN** or **VISUAL**. Tick (✓) the most suitable box in each case.

FORM	ORAL	WRITTEN	VISUAL
Meetings	✓		
Bar Charts			✓
Telephone	✓		
Fax		✓	

15. If the rate of exchange is IR£1 - \$1.10, how much would you receive if you converted \$1,430 to Irish punts?

Answer IR£1,300

Workings

$$\$1,430 \div \$1.10 = \text{IR£}1,300$$

16. Which of the following business documents would you send to a customer to show details of the customer's transactions with your firm during a given period?

Debit Note	<input type="checkbox"/>	Credit Note	<input type="checkbox"/>
Statement	<input checked="" type="checkbox"/>	Invoice	<input type="checkbox"/>

17. **Column 1** is a list of business terms. **Column 2** is a list of possible explanations for these terms.
Match the two lists by placing the letter of the correct explanation under the relevant number below. (One explanation does not apply to any of the terms.)

Column 1 – Terms		Column 2 – Possible Explanations	
1	Overheads	A	Owing the bank money.
2	Overcharge	B	A permanent source of finance.
3	Overdrawn	C	A situation when a business has no working capital.
4	Overtrading	D	Expenses of running the business.
		E	Paying more than the quoted price.

1	2	3	4
D	E	A	C

18. Complete the Rent Account below for the year ending 31 December 2000, showing the amount transferred to the Final accounts on that date.

Note There is no rent due or prepaid at the end of the year.

Dr				Rent Account				Cr			
Date	Details	Fol	IR£	Date	Details	Fol	IR£				
1/3/00	Bank	CB	1,100	1/1/00	Balance	b/d	200				
1/10/00	Cash	CB	300	31/12/00	P&L A/c		1,200				
			1,400				1,400				

19. Tick (✓) the correct box to show which of the following is the correct formula for calculating Stock Turnover.

- (a) $\frac{\text{Turnover}}{\text{Average Stock}}$ (b) $\frac{\text{Gross Sales}}{\text{Average Stock}}$
- (c) $\frac{\text{Cost of Sales}}{\text{Opening} + \text{Closing Stock}}$ (d) $\frac{\text{Cost of Sales}}{\text{Average Stock}}$

20. Tick (✓) the correct box to show whether the following statements are true or false.

- | | <u>True</u> | <u>False</u> |
|--|-------------------------------------|-------------------------------------|
| (a) The letters "Ltd" are written after the names of public companies. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| (c) A Memorandum of Association contains the rules concerning a company's dealings with outsiders. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Edco teacher's resources

QUESTION 1**Document for use with Question 1. (A) in Section B.**

1.

(A) Budget Comparison Statement for the Doyle family for the Year 2000.

<u>Income</u>	Budget IR£ Jan - Dec	Actual IR£	Difference IR£
Salaries	18,000	18,900	+900
Child Benefit	960	1,140	+ 180
Interest	150	113	- 37
Other	–	1,200	+ 1,200
Total Income	19,110	21,353	+ 2,243
<u>Expenditure</u>			
<u>Fixed</u>			
Mortgage	4,320	4,920	+ 600
Car insurance	397	637	+ 240
House insurance	170	204	+ 34
Sub total	4,887	5,761	+ 874
<u>Irregular</u>			
Household Costs	7,504	6,566	- 938
Shoes and Clothes	1,740	1,635	- 105
Car Costs	1,500	5,770	+ 4,270
Light & Heat	1,800	1,656	- 144
Medical Expenses	200	75	- 125
Sub Total	12,744	15,702	+ 2,958
<u>Discretionary</u>			
Entertainment	1,000	720	- 280

Gifts	200	180	- 20
Sub Total	1,200	900	- 300
Total expenditure	18,831	22,363	+ 3,532
Net Cash: Surplus/Deficit	279	-1,010	- 1,289

Document for use with Question 1. (B) in Section B.

1.

- (B) (i) Did the Doyle family have a Surplus or Deficit at the end of the year? What was this figure?

Answer Deficit €1,010

- (ii) How much money had the Doyles intended to save during the year?

Answer: IR£ 279



- (iii) By how much did they exceed their budgeted expenditure?

Answer: IR£ 3,532

- (iv) What was their actual closing cash balance at the end of the year?

Answer: IR£ (1,010)

Document for use with Question 1. (C) in SECTION B.

Date <u>26 March 2000</u> 00475			 Bank of Ireland TRIM, CO. MEATH		Date <u>26 March 2000</u> 90-01-13
Pay <u>Tara Motors Ltd</u>			Pay <u>Tara motors Ltd.</u>		or order
Balance b/f	IR£3,276	00	<u>four thousand pounds</u>		IR£4000
Lodgement	—	—			
This cheque	IR£4000	00	 <u>Alc Doyle</u>		MICHAEL DOYLE
Balance c/f	IR£-724	00			<u>Michael Doyle</u>
00475 900113 3395134					

QUESTION 2

- (A) (i) A broker sells insurance on behalf of a number of insurance companies. They are paid a commission for this. They will assist the public in finding the best price for insurance.
A proposal form is an application form for insurance.
The cost of insurance is known as a premium.
- (ii) A loading is applied in some insurance situations because of the level of risk involved. In this case the cottage is beside a river and was occasionally flooded.
- (B) (i) This rule of insurance states that no person can profit out of insurance. You should only end up in the same financial position as before the loss occurred.
- (ii) Utmost Good Faith
- (C) (i) Comprehensive – Covers all those who have suffered injury or damage to property including the insured.
Third Party Fire and Theft – (i) Covers injury and damage to property of ‘Innocent third parties’; (ii) Does not cover the insured driver; (iii) Insured can claim compensation if the vehicle is stolen or destroyed by fire
- (ii) This is a reduction in the cost of the insurance premium as a result of not making any claims previously
- (iii) Assessor
- (iv) * Driver's age
* Age of the car.

QUESTION 3

- (A) (i) Current account because she uses cheques to make various payments and you must have a current account in order to have the use of cheques.
- (ii) As they were cashed at different times
- (iii) Sarah withdrew £80 from the Automated Teller Machine in Clonmel
- (iv) She was overdrawn in the bank
- (v) There is interest charged on Sarah's account
- (vi) It is an instruction to your bank to allow a fixed or variable amount to be taken from your account and put into another account on an agreed date. It is useful for paying bills, e.g. ESB, Gas, Telephone.

For use with Question 3. (B) in Section B

(i)

Cash Book/Bank Account

Dr			Cr			
Date	Details	IR£	Date	Details	Ch No.	IR£
2001 30-4	C.T.	29	2001 April 1	Balance b/d		23
30-4	Paypath	863	30-4	S.O.-New Ireland		420
			30-4	Bank charges		5
			30-4	Interest		2
			30-4	Balance c/d		442
		892				892
May 1	Balance b/d	442				

(ii)

Bank Reconciliation Statement at 30 April 2001

	IR£	IR£
<i>Balance as per Bank Statement</i>		242
Add. lodgements not yet credited		500
		742
Less cheques not presented – Ch 87		300
Balance as per corrected cash back		442

PLEASE REMEMBER TO RETURN THIS SECTION A WITH YOUR ANSWER BOOK

QUESTION 4

(A)

THE NATIONAL BUDGET 2002

<u>Income</u>	IR£	
PAYE	338	
Customs Duty	18	
DIRT	73	
Excise Duty	129	
VAT	144	
Corporation Tax	57	759
		<hr/>
<u>Expenditure</u>		
Health and Social Welfare	275	
Education and Science	166	
Defence	49	
Debt Servicing	138	
Agriculture	76	704
Budget Surplus		<hr/>
		55
		<hr/>

It is a Surplus

- (B) (i) Building a new hospital
(ii) Building of a new school.

- (C) Scarce resources means a shortage of things such as land, machinery, workers, materials, money, etc. They are limited. Because a resource like money may be scarce, departments have to make choices in how they spend their money. When a department chooses to buy something, they forego buying other things. This is said to be the opportunity cost of the things they decided to purchase.

- (D) (i) * Increase in social welfare spending, i.e. Children's Allowance
 * Increase in health spending – midwives, doctor services
- (ii) * Increase in Income Tax figures
 * Decrease in Social Welfare spending, i.e. unemployment benefit.

QUESTION 5

- (A) (i)

Knockbrack Mountaineering Club
Canteen Trading A/c for year ended 30/4/01

	IR£	IR£
Canteen Sales		8193
<u>Less Cost of Sales</u>		
Opening Stock	—	
+ Canteen purchases	2,647	
	2,647	
– Canteen closing stock	575	2,072
Canteen gross profit		6,121

- (ii)

Knockbrack Mountaineering Club
Income & Expenditure A/c for year ended 30/4/01

	IR£	IR£	IR£
<u>Income</u>			
Canteen profit		6,121	
Subscriptions	2,418		
(iii) – Subs prepaid	180	2,238	
Raffle Income	3,786		
Flag day collection		1,959	14,104
<u>Less Expenditure</u>			
Insurance		2,714	

	Rent	1,275	
(ii)	– Rent prepaid	350	925
	Travel expenses	<hr/>	1,688
	Telephone	493	
(i)	+ Telephone bill due	84	577
(iv)	<u>Depreciation:</u>		
	Equipment (15%)	510	6,414
	Excess Income over Expenditure	<hr/>	<hr/> <u>7,690</u>

(B)

- (i) Equipment £3,400
- (a) Canteen stock £575

- (b) Telephone bill due £84
- Subscriptions prepaid £180
- (ii) Chairperson
- Treasurer
- Secretary

QUESTION 6

- (A) (i) **IT** = Information Technology
- (ii) **Hardware** = the physical components of a computer, e.g. mouse, monitor, keyboard
Software – computer programs that run on a computer
- (iii) It is a transportable disk which can store information
- (iv) The function of computer output devices is to send information from the computer to the outside, e.g. (i) printer; (ii) Visual Display Unit (monitor).
- (B) (i) A network of computers, which communicate with one another via telephone lines using a modem
- (ii) E-mail
- (iii) (1) They can advertise their business on the Internet using a website
(2) They can access more tourists abroad and boost their business.
- (C) (1) Cost of their Internet calls on their telephone bill
- (2) Cost of a modem
- (3) Cost of connecting to an Internet service provider, e.g. Ireland-On-Line.