# Coimisiún na Scrúduithe Stáit
# State Examinations Commission

**LEAVING CERTIFICATE EXAMINATION 2026**

## ACCOUNTING – HIGHER LEVEL

**(400 marks)**

Wednesday, 17 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.<br>Candidates should answer either **QUESTION 1 (A or B) only** OR attempt 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.<br>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.<br>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**

Daly Ltd, has an authorised capital of €1,750,000 divided into 1,100,000 ordinary shares of €1 each and 650,000 5% preference shares of €1 each. The following trial balance was extracted from its books on 31/12/2025:

| | € | € |
|---|---|---|
| Land and buildings | 920,000 | |
| Provision for depreciation - buildings | | 26,000 |
| Delivery vans (cost €144,000) | 112,000 | |
| Discount (net) | | 2,900 |
| Equipment | 70,000 | |
| Provision for depreciation - equipment | | 28,000 |
| Stock 01/01/2025 | 76,000 | |
| Annual insurance premium (up to 31/03/2026) | 26,400 | |
| Debenture interest paid for the first nine months | 9,200 | |
| 3% Investments (acquired on 01/04/2025) | 150,000 | |
| Patents | 48,500 | |
| Purchases and sales | 526,000 | 882,000 |
| Dividends paid | 42,500 | |
| Debtors | 52,000 | |
| Creditors | | 25,840 |
| Investment income received | | 1,500 |
| Bank | 142,340 | |
| Salaries and general expenses (incorporating suspense) | 175,135 | |
| Bad debt provision | | 2,080 |
| 6% Debentures (including €60,000 issued on 01/07/2025) | | 300,000 |
| Issued share capital – ordinary shares | | 800,000 |
| – 5% preference shares | | 320,000 |
| VAT | 16,680 | |
| Advertising | 22,365 | |
| Profit and loss balance 01/01/2025 | 14,200 | |
| Capital reserve | | 15,000 |
| | 2,403,320 | 2,403,320 |

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

(i) Stock at cost on 31/12/2025 was €75,200. This figure includes stock at a cost of €8,300 which was later damaged and now has a net realisable value of 40% of cost.

(ii) It was discovered that finished goods had been received from a supplier on a sale or return basis. These goods had been recorded in the books as a credit purchase of €11,316. This figure includes VAT at 23%.

(iii) Provide for depreciation on delivery vans at the annual rate of 12% of cost from the date of purchase to the date of sale.

**NOTE:** On 01/06/2025 a delivery van which had cost €35,000 on 01/05/2022, was traded in for €16,000 against a new delivery van costing €48,000. The bank transfer for the net amount of this transaction was entered correctly in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books.

(iv) Provide for depreciation on buildings at the rate of 2% of cost per annum (land at cost was €120,000).

It was decided to revalue land and buildings at €1,100,000 on 31/12/2025 and this has yet to be reflected in the accounts.

(v) A supplier who was owed €5,600 accepted office equipment with a book value of €4,000 in full settlement of the debt. The office equipment had cost €8,000. No entry was made in the books in respect of this transaction.
Provision to be made for depreciation on equipment.
**NOTE:** The net book value of equipment as valued on 31/12/2025 is €33,200.

(vi) During the year an employee was injured while working. The employee has lodged a claim for compensation of €45,000. The company's legal advisors have advised that the company is likely to be liable for the full amount. Their insurance company has advised them that they will cover 95% of the cost of the claim. No entry was made in the books in respect of this claim.

(vii) Patents are being written off over a 10-year period, which commenced in 2020.

(viii) The suspense figure arises as a result of an incorrect figure for debenture interest paid (although the correct figure had been entered in the bank account) and discount allowed of €300 was entered only in the discount account.

(ix) The Directors recommend that:

1. Provision should be made for both investment income due and debenture interest due.
2. Provision for bad debts be adjusted to 5% of debtors.
3. Provision be made for corporation tax of €25,000.

**Required:**

**(a)** Prepare a trading and profit and loss account for the year ended 31/12/2025. (75)

**(b)** Prepare a balance sheet as at 31/12/2025. (45)

**(120 marks)**

## (B) Company Final Accounts including a Manufacturing Account

North Strand Ltd, has an authorised capital of €1,800,000 divided into 1,100,000 ordinary shares of €1 each and 700,000 5% preference shares of €1 each. The following trial balance was extracted from the books on 31/12/2025:

| | € | € |
|---|---|---|
| Factory land and buildings (land at cost €200,000) | 800,000 | |
| Provision for depreciation - buildings | | 95,000 |
| Plant and machinery (cost €480,000) | 360,000 | |
| Patents | 104,000 | |
| General factory overheads (incorporating suspense) | 121,200 | |
| Sale of scrap materials | | 10,400 |
| Stocks on hand 01/01/2025 | | |
| Raw materials | 96,400 | |
| Work in progress | 25,320 | |
| Finished goods | 68,000 | |
| Purchase of raw materials | 525,000 | |
| Sales | | 1,550,000 |
| Hire of special machinery | 32,400 | |
| Selling expenses | 102,345 | |
| Direct factory wages | 268,900 | |
| Administration expenses | 143,355 | |
| 6% Debentures (including €60,000 issued on 01/07/2025) | | 210,000 |
| Issued share capital - ordinary shares | | 750,000 |
| - 5% preference shares | | 230,000 |
| Profit and loss balance 01/01/2025 | | 24,990 |
| VAT | 12,600 | |
| Bank | 4,250 | |
| 3% Investments (acquired on 01/08/2025) | 180,000 | |
| Debtors (less 4% bad debt provision) | 59,520 | |
| Dividends paid | 20,000 | |
| Debenture interest paid for the first nine months | 10,100 | |
| Creditors | | 48,000 |
| Debenture redemption reserve | | 15,000 |
| | 2,933,390 | 2,933,390 |

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

(i) Stocks on hand at 31/12/2025:

| | |
|---|---|
| Raw materials | €38,400 |
| Work in progress | €32,100 |
| Finished goods | €72,000 |

(ii) Repairs to plant and machinery amounting to €4,000 were carried out during the year by one of the firm's employees. An amount of €800 of this expenditure consisted of parts taken from the firm's stocks while the remainder was included in wages.

(iii) Finished goods were sent to a customer on 31/12/2025 on a sale or return basis. These goods were recorded in the books as a credit sale of €19,065 (including VAT at 23%). This was a mark-up on cost of 25%.

(iv) Patents are being written off over a 10-year period, which commenced in 2020.

(v) The company revalued buildings at €980,000 on 01/07/2025. The land element of this new value is €280,000. The revaluation has yet to be reflected in the accounts. Buildings are to be depreciated at the rate of 2% per annum.
Depreciation is to be allocated 75% to factory and the remainder to administration expenses.

(vi) Included in the sale of scrap materials is €1,600 received from the sale of an old machine on 01/05/2025. This machine had cost €36,000 on 01/03/2020.
Plant and machinery is depreciated at the rate of 20% of cost per annum calculated from the date of purchase to the date of sale.

(vii) The suspense figure arises as a result of the incorrect figure for debenture interest paid (although the correct figure had been entered in the bank account) and a credit purchase of raw materials €10,200 which was entered on the incorrect side of the creditor's account.

(viii) The figure for bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2025 shows a balance of €8,275.
A comparison of the bank account and the bank statement revealed the following discrepancies:

1. Investment income of €1,250 was paid directly into the firm's bank account.
2. A cheque for €975 had been lodged directly into the firm's bank account on behalf of a debtor in respect of a debt previously written off. This represents 75% of the original debt and the debtor has undertaken to repay the remainder in January 2026.
3. A cheque for fees for €1,800 issued to a creditor had not been presented for payment.

(ix) Provision should be made for the following:

1. Investment income due and debenture interest due.
2. Provision for bad debts to be adjusted to 5% of debtors.
3. A transfer of €15,000 should be made from profit to the debenture redemption reserve.
4. Provision to be made for corporation tax of €22,000.

**Required**:

**(a)** Prepare a manufacturing, trading and profit and loss account for the year ended 31/12/2025. (75)

**(b)** Prepare a balance sheet as at 31/12/2025. (45)

**(120 marks)**

**2. Cash Flow Statement**

The following are the balance sheets of Horan plc as at 31/12/2024 and 31/12/2025 together with an abridged profit and loss account for the year ended 31/12/2025.

**Abridged Profit and Loss Account for the year ended 31/12/2025**

| | **€** |
|---|---|
| Operating profit | 154,890 |
| Investment income for the year | 2,000 |
| Interest for the year | (10,800) |
| Profit before taxation | 146,090 |
| Taxation for the year | (52,000) |
| Profit after taxation | 94,090 |
| Dividends paid | (51,800) |
| Retained profit for the year | 42,290 |
| Retained profit on 01/01/2025 | 198,290 |
| Retained profit on 31/12/2025 | 240,580 |

| **Balance Sheets as at** | **31/12/2025** | | **31/12/2024** | |
|---|---|---|---|---|
| **Fixed Assets** | **€** | **€** | **€** | **€** |
| Land and buildings at cost | 920,000 | | 800,000 | |
| Less accumulated depreciation | (58,000) | 862,000 | (45,000) | 755,000 |
| Machinery at cost | 420,000 | | 480,000 | |
| Less accumulated depreciation | (260,000) | 160,000 | (230,000) | 250,000 |
| **Financial Assets** | | | | |
| Investments at cost | | 112,000 | | 100,000 |
| | | 1,134,000 | | 1,105,000 |
| **Current Assets** | | | | |
| Stock | 211,000 | | 190,000 | |
| Cash | 5,400 | | 4,500 | |
| Debtors (less 4% provision) | 151,680 | | 133,440 | |
| Government securities | 15,000 | | ---------- | |
| Investment interest due | 400 | | 650 | |
| | 383,480 | | 328,590 | |
| **Less Creditors**: **amounts falling due within 1 year** | | | | |
| Creditors | 269,000 | | 245,000 | |
| Bank overdraft | 3,000 | | 8,500 | |
| Corporation tax | 74,000 | | 60,000 | |
| Interest payable due | 2,900 | | 1,800 | |
| | 348,900 | 34,580 | 315,300 | 13,290 |
| | | 1,168,580 | | 1,118,290 |
| **Financed by**: | | | | |
| **Creditors**: **amounts falling due after 1 year** | | | | |
| 6% Debentures | | 180,000 | | 220,000 |
| **Capital and Reserves** | | | | |
| Ordinary shares of €1 each | 740,000 | | 700,000 | |
| Share premium | 8,000 | | ---------- | |
| Profit and loss account | 240,580 | 988,580 | 198,290 | 898,290 |
| | | 1,168,580 | | 1,118,290 |

The following information is also available:

(i) There were no disposals of buildings during the year.

(ii) There were no purchases of machinery during the year. Machinery was disposed of for €35,000.

(iii) Depreciation charged for the year on machinery in arriving at operating profit was €41,400.

**Required**:

**(a)** Prepare the cash flow statement of Horan plc for the year ended 31/12/2025 including reconciliation statements. (52)

**(b)** **(i)** Explain why earning profit does not always result in a corresponding change in cash balances. Use figures from the accounts of Horan plc to support your answer.

**(ii)** Cashflow statements are useful in assessing the solvency of a business. Explain the term solvency.

(8)

**(60 marks)**

**3. Club Accounts**

Included in the assets and liabilities of Blackwater Tennis Club on 01/01/2025 were the following:

Clubhouse and courts at cost €700,000; equipment at cost €58,000; bar stock €12,335; coaching wages due €500; bar debtors €1,520; bar creditors €2,950;
life membership €36,000; levy reserve fund €50,000; subscriptions prepaid €850.

**All fixed assets have 2 years accumulated depreciation on 01/01/2025.**

The club treasurer has supplied the following account of the club's activities during the year ended 31/12/2025:

| **Receipts and Payments Account for year ended 31/12/2025** | | | |
|---|---|---|---|
| **Receipts** | **€** | **Payments** | **€** |
| Subscriptions | 152,600 | Balance 01/01/2025 | 4,200 |
| 9 months interest from 4% investments (up to 30/06/2025) | 990 | Extension to clubhouse 01/04/2025 | 232,000 |
| Bar receipts | 101,320 | Bar purchases | 81,450 |
| Annual grant | 12,500 | Competition prizes | 18,590 |
| Competition receipts | 24,320 | Loan interest | 6,250 |
| Sale of equipment (cost €30,000) | 17,500 | Coaching wages | 6,320 |
| Long term loan | 200,000 | New equipment | 25,000 |
| | | General expenses | 36,320 |
| | | Balance 31/12/2025 | 99,100 |
| | 509,230 | | 509,230 |

You are given the following information and instructions:

(i) Bar stock (including stock of heating oil €5,200) on 31/12/2025 was €17,460.

(ii) Bar debtors and bar creditors on 31/12/2025 were €1,600 and €3,100 respectively.

(iii) Provide for depreciation on equipment at the rate of 15% of cost. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

(iv) Provide for depreciation on clubhouse and courts at the rate of 3% of cost per annum.

(v) The club borrowed €200,000 on 01/04/2025. Interest was charged at the rate of 8% per annum.

(vi) Subscriptions include:

1. 3 new life memberships bringing the total to 12.
2. Levy for 2025 of €100 each on all 250 members.
3. Levy for 2024 of €100 from 12 members.
4. Subscriptions for 2026 amounting to €2,750.

(vii) Life membership is to be credited to income over a 10-year period commencing in 2025.

**Required:**

**(a)** Show the club's accumulated fund (capital) on 01/01/2025. (20)

**(b)** Show the club's income and expenditure account for the year ending 31/12/2025. (32)

**(c)** **(i)** Outline the purpose of a levy.

**(ii)** The club is considering a proposal to discontinue the current levy and to increase the annual subscription fee by €50 instead. As a Treasurer of Blackwater Tennis Club what advice would you give to the club? (8)

**(60 marks)**

**4. Creditors Control Account**

The creditors' ledger control account of P. Kelly showed the following balances: €68,320cr and €850dr on 31/12/2025. These figures did not agree with the schedule (list) of creditors balances extracted on the same date. An examination of the books revealed the following:

(i) A credit note was received from a supplier for €7,350. The only entry made in the books was €735 debited to the supplier's account.

(ii) Purchases of €3,325 had been entered by Kelly on the debit side of the suppliers account. This included cash purchases of €1,225. This was the only entry made in the books.

(iii) A creditor had charged Kelly interest amounting to €100 on an overdue account. The only entry in the books for this interest had been €10 credited to the creditor's account. After negotiations the interest charge was reduced by €40 but this reduction has not been reflected in the accounts.

(iv) Discount disallowed by a supplier of €125 had been treated as discount received of €215 in the general ledger and entered as €25 on the correct side of the supplier's account.

(v) Kelly had returned goods costing €850 to a supplier and had entered this correctly in the books. However, a credit note arrived showing a deduction of 6% for a restocking charge. The total amount of this credit note was credited to the suppliers account. In relation to the credit note no other entry was made in the books.

(vi) The money owed to Kelly on 31/12/2025 had in fact been refunded to Kelly. No entry had been made in the books.

**Required:**

**(a)** Prepare the adjusted creditors ledger control account. (26)

**(b)** Prepare the adjusted schedule of creditors showing the original balance. (26)

**(c)** **(i)** Identify the books of first entry and/or ledger accounts (as appropriate) that are necessary to prepare the following:

1. Creditors Control account
2. Schedule of Creditors.

**(ii)** Explain the term bills payable in relation to the creditors control account. (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 Power plc, a pharmaceutical company involved in the manufacture and distribution of medical weight loss products, for the year ended 31/12/2025. The company has an authorised share capital of €900,000 made up of 700,000 ordinary shares of €1 each and 200,000 5% preference shares of €1 each. The firm has already issued 420,000 ordinary shares and 100,000 5% preference shares.

| **Trading and Profit and Loss account for the year ended 31/12/2025** | |
|---|---|
| | **€** |
| Sales | 920,000 |
| Cost of goods sold | (575,000) |
| Operating expenses for year | (212,000) |
| Investment Income | 6,000 |
| Interest | (17,500) |
| Net profit | 121,500 |
| Dividends paid | (41,000) |
| Retained profit | 80,500 |
| Profit and loss balance 01/01/2025 | 20,500 |
| Profit and loss balance 31/12/2025 | 101,000 |

| **Ratios and information for year ended 31/12/2024** | |
|---|---|
| Earnings per ordinary share | 22c |
| Dividend per ordinary share | 7c |
| Interest cover | 3.5 times |
| Acid test ratio | 1.8:1 |
| Return on capital employed | 14% |
| Market value of one ordinary share | €1.20 |
| Gearing | 36% |
| Dividend cover | 3.14 times |
| Dividend yield | 5.83% |

| **Balance Sheet as at 31/12/2025** | | | |
|---|---|---|---|
| **Fixed Assets** | **€** | **€** | **€** |
| Intangible | | | 50,000 |
| Tangible | | | 602,000 |
| 6% Investments (market value 31/12/2025 - €115,000) | | | 100,000 |
| | | | 752,000 |
| **Current Assets** | | | |
| Closing stock | 58,000 | | |
| Debtors | 32,000 | | |
| Bank | 75,000 | 165,000 | |
| **Less Creditors: amounts falling due within 1 year** | | | |
| Trade creditors | (28,000) | | |
| Other creditors | (18,000) | (46,000) | 119,000 |
| | | | 871,000 |
| **Financed by:** | | | |
| 7% Debentures (2028 secured) | | | 250,000 |
| **Capital and Reserves** | | | |
| Ordinary shares of €1 each | | 420,000 | |
| 5% preference shares of €1 each | | 100,000 | |
| Profit and loss balance | | 101,000 | 621,000 |
| | | | 871,000 |

Market value of one ordinary share on **31/12/2025 is €1.25**.

**(a)** **You are required to calculate the following for 2025**:

(where appropriate calculations should be made to **two** decimal places).

**(i)** Cash purchases if the period of credit received is 2 months and 30% of total purchases are credit purchases.

**(ii)** Return on capital employed.

**(iii)** Price earnings ratio.

**(iv)** Gearing.

**(v)** Dividend yield. (50)

**(b)** Indicate whether the debenture holders would be satisfied with the performance, state of affairs and prospects of the company. Use relevant ratios and other information to support your answer. (40)

**(c)** **(i)** Outline two differences between a public limited company and a private limited company.

**(ii)** Having examined the accounts of Power plc what advice would you give in order to ensure they pay the debenture in full by the due date?

(10)

**(100 marks)**

**6. Published Accounts**

Olivette plc has an authorised share capital of €1,000,000 divided into 700,000 ordinary shares of €1 each and 300,000 5% preference shares of €1 each. The following trial balance was extracted from its books on 31/12/2025:

| | € | € |
|---|---|---|
| Land & buildings at cost | 950,000 | |
| Buildings - accumulated depreciation on 01/01/2025 | | 70,000 |
| Vehicles at cost | 490,000 | |
| Vehicles - accumulated depreciation on 01/01/2025 | | 92,000 |
| Issued capital | | |
| Ordinary shares | | 600,000 |
| 5% preference shares | | 200,000 |
| Patent 01/01/2025 | 59,500 | |
| 4% Investments (acquired on 01/04/2025) | 120,000 | |
| Debtors and creditors | 196,000 | 138,500 |
| Purchases and sales | 1,655,000 | 2,330,000 |
| Stock 01/01/2025 | 107,000 | |
| Distribution costs | 194,000 | |
| Administrative expenses | 127,000 | |
| Returns outwards | | 5,000 |
| Rental income prepaid 01/01/2025 | | 22,000 |
| Annual rental income | | 72,000 |
| Profit on sale of land | | 69,000 |
| Insurance | 27,000 | |
| Profit and loss account 01/01/2025 | | 77,000 |
| Provision for bad debts | | 7,800 |
| Discount (net) | 4,000 | |
| Debenture interest paid | 18,000 | |
| Bank | 15,000 | |
| Commission | | 17,000 |
| VAT | 5,600 | |
| Dividends paid | 35,000 | |
| 7% Debentures 2030/2031 | | 300,000 |
| Investment Income | | 2,800 |
| | 4,003,100 | 4,003,100 |

The following information is also relevant:

(i) Stock on 31/12/2025 was €105,000.

(ii) The patent was acquired on 01/01/2022 for €85,000. It is being amortised over 10 years in equal instalments. The amortisation is to be included in cost of sales.

(iii) Provision should be made for debenture interest due, investment income due, auditor's fees €16,000 and corporation tax €73,000.

(iv) During the year land which had cost €100,000, was sold for €169,000. (The remaining land had cost €250,000).

Depreciation is to be provided for on buildings at a rate of 2% of cost per annum straight line and is to be allocated 20% to distribution costs and 80% to administrative 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 €1,200,000. The company wishes to reflect this value in the accounts.

(v) Vehicles are to be depreciated at the rate of 20% per annum on a reducing balance basis.

(vi) Rental income was received on the 01/05/2025 for the period 01/05/2025 to 30/04/2026.

(vii) Included in the distribution costs is the receipt of €12,600 for patent royalties.

(viii) The company is being sued by a former employee who is claiming unfair dismissal. They are seeking damages for €95,000. The company's legal advisors have advised that the company is unlikely to be liable for the full amount. The company has received an invoice for legal fees to the value of €25,000.

**Required:**

**(a)** Prepare the published profit and loss account for the year ended 31/12/2025 and a balance sheet as at that date in accordance with the Companies Acts and appropriate accounting standards, showing the following notes:

1. Accounting policy note for tangible fixed assets and stock.
2. Operating profit.
3. Dividends.
4. Contingent liability.
5. Tangible fixed assets. (90)

**(b)** **(i)** Explain why it is important that financial statements are properly regulated.

**(ii)** Outline the main functions and responsibilities of a company director in relation to financial information. (10)

**(100 marks)**

**7**. **Correction of Errors and Suspense Account**

The trial balance of F Kearns, a garage owner, failed to agree on 31/12/2025. The difference was entered in a suspense account and the following balance sheet was prepared:

| **Balance Sheet as at 31/12/2025** | | | |
|---|---|---|---|
| | **€** | **€** | **€** |
| **Fixed Assets** | **Cost** | **Dep. to date** | **NBV** |
| Premises | 660,000 | ---------- | 660,000 |
| Equipment | 60,000 | 24,000 | 36,000 |
| | 720,000 | 24,000 | 696,000 |
| **Current Assets** | | | |
| Stock | 74,800 | | |
| Debtors | 32,600 | | |
| Cash | 10,100 | 117,500 | |
| | | | |
| **Creditors**: **amounts falling due within 1 year** | | | |
| Creditors (including suspense) | 45,500 | | |
| Bank | 21,400 | | |
| VAT | 9,600 | (76,500) | |
| Net current assets | | | 41,000 |
| Total assets less current liabilities | | | 737,000 |
| | | | |
| **Financed by** | | | |
| Capital | | 700,000 | |
| Net profit | | 71,200 | |
| | | 771,200 | |
| Less drawings | | (34,200) | 737,000 |
| | | | 737,000 |

On checking the books on 31/12/2025, the following errors and omissions were discovered:

(i) Old equipment which cost €10,000 and had a book value of €6,000 was sold for €5,000 cash. This had been entered as €4,000 on the debit side of the debtors account and €1,200 on the credit side of the sales account.
No other entries had been made in the books.

(ii) F Kearns purchased goods for resale, on credit from Wholesale Cars Ltd for €6,000 plus VAT @ 23%. The only entries recorded in the accounts were that the VAT inclusive figure was entered on the debit side of the equipment account and the VAT exclusive figure on the credit side of Wholesale Cars Ltd account.

(iii) Goods with a retail selling price of €15,000 were returned to a supplier. This was correctly entered in the books. The retail selling price was cost plus 25%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry was made in the books in respect of the restocking charge.

(iv) Annual premises insurance of €9,900 (from 01/04/2025) and office expenses of €3,000 were paid from F Kearns's private bank account. No entry had been made in the books.

(v) F Kearns had returned goods, previously purchased on credit from a supplier for €16,000 and entered this transaction in the relevant ledger accounts incorrectly as €1,600. Subsequently, a credit note arrived from the supplier showing a charge of €160 due to the late return of the goods. The only entry made in respect of this credit note was a credit entry of €15,840 in the creditors account.

**Required**:

**(a)** Journalise the necessary corrections. (50)

**(b)** Prepare the suspense account. (8)

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

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

**(e)** **(i)** What is the purpose of preparing a trial balance?

**(ii)** State and explain two types of errors not revealed by the trial balance. (8)

**(100 marks)**

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

## 8. Job Costing and Under and Over Absorption

Jackson Ltd, trades as a manufacturing firm and has four departments: production 1, production 2, service A and service B.
The following costs relate to 2026:

| | Total | Production 1 | Production 2 | Service A | Service B |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| Indirect labour | 289,000 | 100,000 | 89,000 | 45,000 | 55,000 |
| Indirect materials | 615,000 | 315,000 | 205,000 | 60,000 | 35,000 |
| Factory cleaning | 27,000 | | | | |
| Machine maintenance | 33,000 | | | | |
| Factory light & heat | 72,000 | | | | |
| Plant depreciation | 42,000 | | | | |

The following information relates to the four departments:

| | Total | Production 1 | Production 2 | Service A | Service B |
|---|---|---|---|---|---|
| Volume in cubic metres | 10,000 | 3,750 | 3,000 | 2,500 | 750 |
| Floor area in square metres | 4,000 | 2,000 | 1,200 | 600 | 200 |
| Book value of plant (€) | 1,000,000 | 500,000 | 350,000 | 105,000 | 45,000 |
| Machine hours | 120,000 | 90,000 | 30,000 | | |
| Labour hours | 150,000 | 45,000 | 105,000 | | |

JOB No. 226 has just been completed, the details are:

| | Direct Materials | Direct Labour | Machine Hours | Labour Hours |
|---|---|---|---|---|
| | € | € | | |
| Production 1 | 18,000 | 4,000 | 60 | 20 |
| Production 2 | 3,900 | 10,500 | 30 | 120 |

The company budgets for a 20% profit margin.

**Required:**

**(a)** Calculate the overhead to be absorbed by each department, stating clearly the basis of apportionment used.

**(b)** **(i)** Transfer the service department costs to the production departments 1 and 2 on the basis of labour hours.

**(ii)** Explain why it is necessary to transfer the service department overheads to the production departments.

**(c)** Calculate a suitable overhead absorption rate for each department.

**(d)** Calculate the selling price of Job No. 226.

**(e)** Using the overhead absorption rates calculated in **part (c)** and the table below:

| Actual Costs | Total Overhead | Machine Hours | Labour Hours |
|---|---|---|---|
| Production 1 | €599,320 | 93,000 | 31,000 |
| Production 2 | €489,200 | 48,000 | 104,000 |

**(i)** Calculate the under/over absorption by department and in total for the period. Outline what the figures mean for Jackson Ltd.

**(ii)** Explain how over absorption of overhead costs may impact a manufacturing firm.

**(80 marks)**

**9. Budgeting**

Clarke Ltd is planning to set up a business on 01/01/2027. Clarke plans to lodge €35,000 cash into the business bank account and has made the following forecast for the first six months of trading:

| | January | February | March | April | May | June |
|---|---|---|---|---|---|---|
| Sales units | 13,500 | 14,550 | 16,500 | 18,000 | 18,750 | 19,200 |
| Sales revenue (€) | 405,000 | 436,500 | 495,000 | 540,000 | 562,500 | 576,000 |

(i) Stocks of finished goods are maintained at 30% of the following month's sales requirement.

(ii) Each product unit requires 4 kg of material X, which costs €3 per kg.

(iii) Stocks of raw materials, sufficient for 20% 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** 20% of sales revenue will be for immediate cash and a cash discount of 5% will be allowed.

**Credit Customers** 80% of sales revenue will be from credit customers. These debtors will pay their bills in the month after sale.

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

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

**Expected Costs** Wages €15,000 plus 5% of sales revenue per month, payable as incurred.
Variable overheads €5 per unit, payable as incurred.
Fixed overheads (including depreciation) €20,000 per month, payable as incurred.

**Capital Costs** Equipment will be purchased on 01/01/2027 costing €60,000 which will have a useful life of 5 years. Equipment will have a scrap value of 5% of cost.
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 01/02/2027.
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 31/01/2027.

**Required**:

**(a)** Prepare a production budget for Clarke Ltd for the four months January to April 2027.

**(b)** Prepare a raw materials purchases budget (in kg and €) for Clarke Ltd for the four months January to April 2027.

**(c)** Prepare a cash budget for Clarke Ltd for the four months January to April 2027.

**(d)** Prepare a budgeted trading and profit and loss account for Clarke Ltd for the four months ending 30/04/2027 (if the budgeted cost of a unit of finished goods is €22).

**(e)** **(i)** What recommendations would you make to Clarke Ltd based on the budgets you have prepared?

**(ii)** Outline two differences between management and financial accounting.

**(80 marks)**

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Leaving Certificate – Higher Level

# Accounting

Wednesday 17 June
Afternoon 2:00 – 5:00