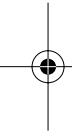
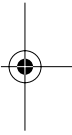




**SOLUTIONS TO  
CASH FLOW STATEMENTS  
IN  
LEAVING CERTIFICATE  
ACCOUNTING**



**HIGHER AND ORDINARY LEVEL  
REVISED EDITION**



*KEVIN O RIORDAN*

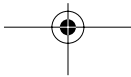
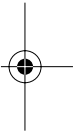
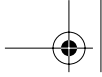


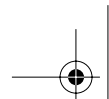
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*Editor*  
Margaret Burns

*Design & Layout*  
Gary Dermody

*Cover*  
Melanie Gradtke

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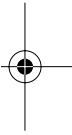
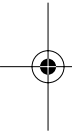
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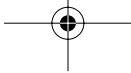




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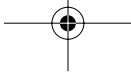
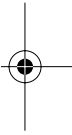
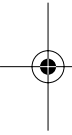


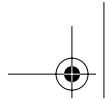


## Introduction

The new edition of *Leaving Certificate Accounting* includes an updated approach to Cash Flow Statements. The solutions to the new questions for Chapter 20: Cash Flow Statements are given in this *solutions* booklet. Other adjusted solutions are shown at the back of this publication.

Kevin O Riordan  
2004





Leaving Certificate Accounting

## NEW CHAPTER 20 SOLUTIONS

*QUESTION 20.1 (PAGE 168 OF ORIGINAL SOLUTIONS BOOK)*

**Mayhope Ltd**

**(a) Reconciliation of Operating Profit to Net Cash Flow**

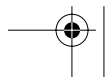
Operating Profit	79,000
Depreciation	40,000
Stock Decrease	30,000
Debtors Increase	(15,000)
Creditors Increase	21,000
Net Cash Inflow from Operating Activities	<u>155,000</u>

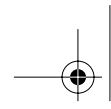
**(b) Cash Flow Statement**

<u>Operating Activities</u>	
Net Cash Inflow from Operating Activities	155,000
<u>Returns on Investments and Servicing of Finance</u>	
Nil	
<u>Taxation</u>	
Corporation Tax Paid	(41,000)
<u>Capital Expenditure and Financial Investment</u>	
Purchase of Fixed Assets	(100,000)
<u>Equity Dividends Paid</u>	
Dividends Paid on Ordinary Shares	(27,000)
Net Cash Flow Before Liquid Resources and Financing	<u>(13,000)</u>
<u>Management of Liquid Resources</u>	
Purchase of Government Investments	(5,000)
<u>Financing</u>	
Issue of Ordinary Share Capital	20,000
Increase in Cash	<u>2,000</u>
<u>Proof</u>	
Opening Bank Balance	5,000
Closing Bank Balance	7,000
Increase	<u>2,000</u>

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	2,000
Cash to Purchase Government Investments	5,000
Change in Net Debt	7,000
Net Funds at 1/1/-1	20,000
Net Funds at 31/12/-1	<u>27,000</u>





**Solutions**

**QUESTION 20.2 (PAGE 168)**

**Grimm Ltd**

**(a) Reconciliation of Operating Profit to Net Cash Flow**

Operating Profit	91,000
Depreciation	11,000
Stock Increase	(12,000)
Debtors Increase	(5,000)
Creditors Increase	21,000
Net Cash Inflow from Operating Activities	<u>106,000</u>

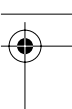
**(b) Cash Flow Statement**

<u>Operating Activities</u>	
Net Cash Inflow from Operating Activities	106,000
<u>Returns on Investments and Servicing of Finance</u>	
Nil	
<u>Taxation</u>	
Corporation Tax Paid	(31,000)
<u>Capital Expenditure and Financial Investment</u>	
Purchase of Fixed Assets	(70,000)
<u>Equity Dividends Paid</u>	
Dividends paid on Ordinary Shares	(37,000)
Net Cash Flow Before Liquid Resources and Financing	<u>(32,000)</u>
<u>Management of Liquid Resources</u>	
Purchase of Treasury Bills	(2,000)
<u>Financing</u>	
Issue of Ordinary Share Capital	20,000
Decrease in Cash	<u>(14,000)</u>
<u>Proof</u>	
Opening Bank Balance	16,000
Closing Bank Balance	2,000
Decrease	<u>(14,000)</u>

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Decrease in Cash in the Period	(14,000)
Cash to Purchase Government Investments	2,000
Change in Net Debt	<u>(12,000)</u>
Net Debt at 1/1/-1	(76,000)
Net Debt at 31/12/-1	<u>(88,000)</u>





## Leaving Certificate Accounting

### QUESTION 20.3 (PAGE 169)

#### Firestal Ltd

##### (a) Reconciliation of Operating Profit to Net Cash Flow

Operating Profit	430,000
Depreciation	30,000
Stock Increase	(30,000)
Debtors Increase	(40,000)
Creditors Increase	(40,000)
Net Cash Inflow from Operating Activities	<u>350,000</u>

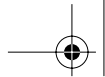
##### (b) Cash Flow Statement

<u>Operating Activities</u>	
Net Cash Inflow from Operating Activities	350,000
<u>Returns on Investments and Servicing of Finance</u>	
Interest Paid	(10,000)
<u>Taxation</u>	
Corporation Tax Paid	(150,000)
<u>Capital Expenditure and Financial Investment</u>	
Purchase of Fixed Assets	(100,000)
<u>Equity Dividends Paid</u>	
Dividends paid on Ordinary Shares	(140,000)
Net Cash Flow Before Liquid Resources and Financing	<u>(50,000)</u>
<u>Management of Liquid Resources</u>	
Sales of Government Investments	20,000
<u>Financing</u>	
Issue of Ordinary Share Capital	100,000
Repurchase of Debenture Loan	(30,000)
Increase in Cash	<u>40,000</u>
<u>Proof</u>	
Opening Bank Balance	20,000
Closing Bank Balance	<u>60,000</u>
Increase	<u>40,000</u>

##### (c) Reconciliation of Net Cash Flow to Movement in Net Debt

Increase in Cash in the Period	40,000
Cash from Sale of Government Investments	(20,000)
Cash to Repurchase Debenture	30,000
Change in Net Debt	<u>50,000</u>
Net Funds at 1/1/-1	<u>20,000</u>
Net Funds at 31/12/-1	<u>70,000</u>





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**Solutions****QUESTION 20.4 (PAGE 170)****Sliotar Ltd****(a) Reconciliation of Operating Profit to Net Cash Flow**

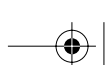
Operating Profit	44,000
Depreciation	27,000
Stock Decrease	18,000
Debtors Decrease	20,000
Creditors Increase	21,000
Net Cash Inflow from Operating Activities	<u>130,000</u>

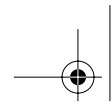
**(b) Cash Flow Statement**

<u>Operating Activities</u>	
Net Cash Inflow from Operating Activities	130,000
<u>Taxation</u>	
Corporation Tax Paid	(53,000)
<u>Capital Expenditure and Financial Investment</u>	
Purchase of Fixed Assets	(70,000)
<u>Equity Dividends Paid</u>	
Dividends paid on ordinary shares	(35,000)
Net Cash Flow Before Liquid Resources and Financing	<u>(28,000)</u>
<u>Management of liquid resources</u>	
Purchase of Government Investments	(15,000)
<u>Financing</u>	
Issue of Ordinary Share Capital	50,000
Increase in Cash	<u>7,000</u>
<u>Proof</u>	
Opening Bank Balance	16,000
Closing Bank Balance	23,000
Increase	<u>7,000</u>

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	7,000
Cash to purchase short-term deposits	15,000
Change in Net Debt	<u>22,000</u>
Net Funds at 1/1/-7	20,000
Net Funds at 31/12/-7	<u>42,000</u>



**Leaving Certificate Accounting****QUESTION 20.5 (HIGHER LEVEL) (PAGE 171)****Tuxedo Plc****(a) Reconciliation of Operating Profit to Net Cash Flow**

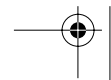
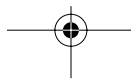
Operating Profit	408,000
Depreciation (Notes 2 and 5)	106,000
Profit on Disposal (Note 3)	(15,000)
Stock Increase	<b>(80,000)</b>
Debtors Increase	<b>(90,000)</b>
Creditors Decrease	(10,000)
Net Cash Inflow from Operating Activities	<b><u>319,000</u></b>

**(b) Cash Flow Statement**

<u>Operating Activities</u>		
Net Cash Inflow from Operating Activities		319,000
<u>Returns on Investment and Servicing of Finance</u>		
Interest paid		(15,000)
<u>Taxation</u>		
Corporation Tax Paid (Note 6)		(210,000)
<u>Capital Expenditure and Financial Investment</u>		
Purchase of Fixed Assets Land and Buildings (Note 1)	(80,000)	
Plant and Mach. (Note 4)	(120,000)	
Cash on disposal (Note 3)	45,000	(155,000)
<u>Equity Dividends Paid</u>		
Dividends Paid on Ordinary Shares (Note 7)		(100,000)
<b>Net Cash Flow Before Liquid Resources and Financing</b>		<b>(161,000)</b>
<u>Management of liquid resources</u>		
Sale of Government Investments		60,000
<u>Financing</u>		
Issue of Ordinary Share Capital	50,000	
Issue of Debenture Loan	50,000	100,000
<u>Decrease in Cash</u>		<b><u>(1,000)</u></b>
<u>Proof</u>		
Opening Bank Balance	30,000	
Closing Bank Balance	29,000	
Increase		<b><u>(1,000)</u></b>

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	(1,000)
Cash from Sale of Government Investments	(60,000)
Issue of Debenture Loan	(50,000)
<b>Change in Net Debt</b>	<b>(111,000)</b>
<b>Net Funds at 1/1/-4</b>	<b>10,000</b>
<b>Net Debt at 31/12/-4</b>	<b><u>(101,000)</u></b>





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**Solutions****QUESTION 20.6 (PAGE 172)****Lapwing Plc****(a) Reconciliation of Operating Profit to Net Cash Flow**

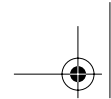
Operating Profit	126,000
Depreciation (110 + 40 + 30)	180,000
Loss on Disposal	5,000
Profit on Disposal	(10,000)
Stock Increase	<b>(35,000)</b>
Debtors Decrease	20,000
Creditors Decrease	(60,000)
Net Cash Inflow from Operating Activities	<u><b>226,000</b></u>

**(b) Cash Flow Statement**

<u>Operating Activities</u>		
Net Cash Inflow from Operating Activities		226,000
<u>Returns on investment and servicing of finance</u>		
Interest Paid		(9,000)
<u>Taxation</u>		
Corporation Tax Paid		(25,000)
<u>Capital Expenditure and Financial Investment</u>		
Purchase of Fixed Assets (Notes 1, 4 and 7)	(250,000)	
Cash on Disposal (Notes 3 and 6)	<u>125,000</u>	(125,000)
<u>Equity Dividends Paid</u>		
Dividends Paid on Ordinary Shares		<u>(70,000)</u>
<b>Net Cash Flow Before Liquid Resources and Financing</b>		<b>(3,000)</b>
<u>Management of liquid resources</u>		
Sale of Treasury Bills		5,000
<u>Financing</u>		
Issue of Debenture Loan		<u>30,000</u>
<u>Increase in Cash</u>		<u><b>32,000</b></u>
<u>Proof</u>		
Opening Bank Balance	(17,000)	
Closing Bank Balance	<u>15,000</u>	
Increase		<u>(32,000)</u>

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	32,000
Cash from Sale of Government Investments	(5,000)
Issue of Debenture Loan	<u>(30,000)</u>
<b>Change in Net Debt</b>	<b>(3,000)</b>
<b>Net Debt at 1/1/-8</b>	<u><b>(87,000)</b></u>
<b>Net Debt at 31/12/-8</b>	<u><b>(90,000)</b></u>

**Leaving Certificate Accounting****QUESTION 20.7 (HIGHER LEVEL) (PAGES 172 AND 173)**

Jaycee Plc			
Note 2 Government Investment Interest Account			
Balance b/d	10,000	Bank *	18,000
Profit and Loss	10,000	Balance c/d	2,000
	<u>20,000</u>		<u>20,000</u>
Note 3 Land and Buildings Account			
Balance b/d	400,000	Disposal	112,000
Bank *	312,000	Balance c/d	600,000
	<u>712,000</u>		<u>712,000</u>

**(b) Cash Flow Statement**

<u>Operating Activities</u>			
Net Cash Inflow from Operating Activities			342,800
<u>Returns on investment and servicing of finance</u>			
Interest Paid (Note 1)	(26,800)		
Interest Received (Note 2)	18,000		
Preference Dividend Paid	<u>(18,000)</u>	(26,800)	
<u>Taxation</u>			
Corporation Tax Rebate (Note 10)			20,000
<u>Capital Expenditure</u>			
Purchase of Fixed Assets (Note 3)	(312,000)		
Cash on Disposal (Notes 5 and 8)	<u>144,000</u>	(168,000)	
<u>Equity Dividends Paid</u>			
Dividends Paid on Ordinary Shares		<u>(142,000)</u>	
<b>Net Cash Flow Before Liquid Resources and Financing</b>			<u>26,000</u>
<u>Management of Liquid Resources</u>			
Nil Movement in Liquid Resources			
<u>Financing</u>			
Debenture Loan Redeemed	(30,000)		
Issue of Ordinary Share Capital	10,000	<u>(20,000)</u>	
<u>Increase in Cash</u>			<u>6,000</u>
<u>Proof</u>			
Opening Bank Balance	21,000		
Closing Bank Balance	<u>27,000</u>		
Increase in Cash		<u>6,000</u>	

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	6,000
Redemption of Debenture Loan	30,000
<b>Change in Net Debt</b>	36,000
<b>Net Debt at 1/1/-2</b>	<u>(29,000)</u>
<b>Net Funds at 31/12/-2</b>	<u>7,000</u>





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**Solutions****QUESTION 20.8 (HIGHER LEVEL) (PAGE 175)****Manimex Plc****(c) Cash Flow Statement**

<u>Operating Activities</u>		
Net Cash Inflow from Operating Activities		117,000
<u>Returns on Investment and Servicing of Finance</u>		
Interest Paid		(5,000)
<u>Taxation</u>		
Corporation Tax Rebate (Note 7)		(29,000)
<u>Capital Expenditure</u>		
Purchase of Fixed Assets (Notes 1 and 4)	(280,000)	
Cash on Disposal (Notes 3 and 6)	180,000	(100,000)
<u>Equity Dividends Paid</u>		
Dividends Paid on Ordinary Shares (Note 8)		(27,000)
<b>Net Cash Flow Before Liquid Resources and Financing</b>		<u>44,000</u>
<u>Management of liquid resources</u>		
Purchase of Government Investments		(19,000)
<u>Financing</u>		
Debenture Loan Redeemed	(100,000)	
Issue of Ordinary Share Capital	110,000	(10,000)
<u>Decrease in Cash</u>		<u>(53,000)</u>
<u>Proof</u>		
Opening Bank Balance	4,000	
Closing Bank Balance	(49,000)	
Decrease		<u>(53,000)</u>

**(d) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	(53,000)
Redemption of Debenture Loan	100,000
Cash to Purchase Government Investments	19,000
<b>Change in Net Debt</b>	<u>66,000</u>
<b>Net Debt at 1/1/-2</b>	<u>(96,000)</u>
<b>Net Debt at 31/12/-2</b>	<u>(30,000)</u>

**Leaving Certificate Accounting****QUESTION 20.9 (HIGHER LEVEL) (PAGE 175)**

Ark Plc					
Note 1	Tangible Fixed Assets Account		Note 2	Disposal Account	
Balance b/d	370	Disposal	73	Fixed Assets	73
Bank	174	Depreciation *	94	Profit *	6
Revaluation	33	Balance c/d	410		79
	577		577		79

**(a) Reconciliation of Operating Profit to Net Cash Flow**

Operating Profit	198,000
Depreciation (Note 1)	94,000
Profit on Disposal (Note 2)	(6,000)
Stock Increase	(18,000)
Debtors Decrease	10,000
Creditors Decrease	(13,000)
Net Cash Inflow from Operating Activities	265,000

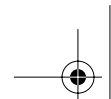
**(b) Cash Flow Statement**

<u>Operating Activities</u>		
Net Cash Inflow from Operating Activities		265,000
<u>Returns on Investment and Servicing of Finance</u>		
Interest Paid (Note 4)	(18,000)	
Interest Received (Note 3)	6,000	(12,000)
<u>Taxation</u>		
Corporation Tax (Note 6)		(40,000)
<u>Capital Expenditure</u>		
Purchase of Fixed Assets (Note 1 and 4)	(174,000)	
Cash on disposal	79,000	(95,000)
<u>Equity Dividends Paid</u>		
Dividends Paid on Ordinary Shares (Note 5)		(74,000)
Net Cash Flow Before Liquid Resources and Financing		44,000
<u>Management of Liquid Resources</u>		
Cash Put to Term Deposit	(6,000)	
<u>Financing</u>		
Debenture Loan Redeemed	(119,000)	
Issue of Ordinary Share Capital	50,000	(75,000)
Decrease in Cash		(31,000)
<u>Proof</u>		
Opening Bank Balance	12,000	
Closing Bank Balance	(19,000)	
Decrease	(31,000)	

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Decrease in Cash in the Period	(31,000)
Redemption of Debenture Loan	119,000
Cash to Term Deposits	6,000
Change in Net Debt	94,000
Net Debt at 1/1/-7 (15,000 + 12,000 – 130,000)	(103,000)
Net Debt at 31/12/-7 (21,000 – 19,000 – 11,000)	(9,000)





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**Solutions****QUESTION 20.10 (HIGHER LEVEL) (PAGE 177)****Cain Plc****(a) Reconciliation of Operating Profit to Net Cash Flow**

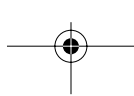
Profit before Taxation	411,000
Add Interest Payable (Note 4)	35,000
Operating Profit	446,000
Depreciation	152,000
Amounts Written Off Intangible Assets	20,000
Profit on Disposal (Note 1)	(20,000)
Stock Increase	(69,000)
Debtors Increase	(36,000)
Creditors Decrease	(81,000)
Net Cash Inflow from Operating Activities	<u>412,000</u>

**(b) Cash Flow Statement**

<u>Operating Activities</u>		
Net Cash Inflow from Operating Activities		412,000
<u>Returns on Investment and Servicing of Finance</u>		
Interest Paid (Note 3)		(65,000)
<u>Taxation</u>		
Corporation Tax (Note 6)		(259,000)
<u>Capital Expenditure and Financial Investment</u>		
Purchase of Fixed Assets (Note 1)	(455,000)	
Payments to Acquire Financial Fixed Assets	(40,000)	
Cash on Disposal	130,000	(365,000)
<u>Equity Dividends Paid</u>		
Dividends Paid on Ordinary Shares (Note 5)		(105,000)
Net Cash Flow Before Liquid Resources and Financing		<u>(382,000)</u>
<u>Management of Liquid Resources</u>		
Sale of Government Investments	21,000	
<u>Financing</u>		
Debenture Loan Issued	100,000	
Issue of Ordinary Share Capital	300,000	421,000
Increase in Cash		<u>39,000</u>
<u>Proof</u>		
Opening Bank Balance	73,000	
Closing Bank Balance	112,000	
Increase		<u>39,000</u>

**(c) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	39,000
Cash from Debenture Loan	(100,000)
Cash from Sale of Government Investments	(21,000)
Change in Net Debt	<u>(82,000)</u>
Net Debt at 1/1/-9 (68,000 + 73,000 – 300,000)	<u>(159,000)</u>
Net Debt at 31/12/-9 (47,000 + 112,000 – 400,000)	<u>(241,000)</u>

**(d)** See textbook

**Leaving Certificate Accounting****QUESTION 20.11 (HIGHER LEVEL) (PAGE 178)****Abel Plc****(b) Reconciliation of Operating Profit to Net Cash Flow**

Operating Profit	159,000
Depreciation (Note 2, 5, 8)	70,000
Amount Written off Goodwill	20,000
Profit on Disposal (Note 3, 6)	(25,000)
Loss on Disposal (Note 9)	12,000
Stock Decrease	40,000
Debtors Decrease	20,000
Creditors Increase	10,000
Net Cash Inflow from Operating Activities	<u>306,000</u>

**(c) Cash Flow Statement**

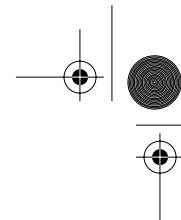
<u>Operating Activities</u>	
Net Cash Inflow from Operating Activities	306,000
<u>Returns on Investment and Servicing of Finance</u>	
Interest Paid (Note 12)	(9,000)
<u>Taxation</u>	
Corporation Tax (Note 10)	(75,000)
<u>Capital Expenditure</u>	
Purchase of Fixed Assets (Notes 1 and 4)	(160,000)
Cash on Disposal (Notes 3, 6 and 9)	<u>53,000</u>
	(107,000)
<u>Equity Dividends Paid</u>	
Dividends Paid on Ordinary Shares (Note 11)	<u>(30,000)</u>
Net Cash Flow Before Liquid Resources and Financing	85,000
<u>Management of liquid resources</u>	
Sale of Corporate Bonds	15,000
<u>Financing</u>	
Debenture Loan Redeemed	(100,000)
Issue of Ordinary Share Capital	<u>100,000</u>
	15,000
<u>Increase in Cash</u>	<u>100,000</u>
<u>Proof</u>	
Opening Bank Balance	(25,000)
Closing Bank Balance	<u>75,000</u>
Increase	<u>100,000</u>

**(d) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	100,000
Cash to Redeem Debenture	100,000
Cash from Sale of Corporate Bonds	<u>(15,000)</u>
Change in Net Debt	185,000
Net Debt at 1/1/-4 (25,000 + 25,000 – 200,000)	<u>(200,000)</u>
Net Debt at 31/12/-4 (10,000 + 75,000 – 100,000)	<u>(15,000)</u>





**QUESTION 20.12 (HIGHER LEVEL) (PAGES 179 AND 180)****Lerner Plc****(a) Abridged Profit and Loss Account for the year ended 31/12/-5**

Profit and Loss Balance c/f	237,000
Profit and Loss Balance b/f	150,000
Retained Profits	87,000
Dividends	43,000
Profit after Taxation	130,000
Taxation	41,000
Profit before Taxation	171,000
Interest Paid €200,000 at 12%	24,000
Operating Profit	195,000

**(b) Reconciliation of Operating Profit to Net Cash Flow**

Operating Profit	195,000
Depreciation (Note 2)	60,000
Loss on Disposal (Note 3)	5,000
Stock Increase	(94,000)
Debtors Increase	(10,000)
Creditors Decrease	(21,000)
Net Cash Inflow from Operating Activities	135,000

**(c) Cash Flow Statement**

<u>Operating Activities</u>		
Net Cash Inflow from Operating Activities		135,000
<u>Returns on Investment and Servicing of Finance</u>		
Interest Paid		(24,000)
<u>Taxation</u>		
Corporation Tax		(33,000)
<u>Capital Expenditure</u>		
Purchase of Fixed Assets (Note 1)	(200,000)	
Cash on Disposal (Note 3)	15,000	(185,000)
<u>Equity Dividends Paid</u>		
Dividends Paid on Ordinary Shares		(50,000)
Net Cash Flow Before Liquid Resources and Financing		(157,000)
<u>Management of Liquid Resources</u>		
Sale of Government Securities		8,000
<u>Financing</u>		
Debenture Loan Redeemed	50,000	
Issue of Ordinary Share Capital	150,000	200,000
Increase in Cash		51,000
<u>Proof</u>		
Opening Bank Balance	(63,000)	
Closing Bank Balance	(12,000)	
Increase	51,000	

**(d) Reconciliation of Net Cash Flow to Movement in Net Debt**

Increase in Cash in the Period	51,000
Cash from Debenture Issue	(50,000)
Cash from Sale of Government Securities	(8,000)
Change in Net Debt	(7,000)
Net Debt at 1/1/-5 (21,000 – 63,000 – 150,000)	(192,000)
Net Debt at 31/12/-5 (13,000 – 12,000 – 200,000)	(199,000)



Adjusted Solutions

QUESTION 6.4 (PAGE 16 OF ORIGINAL SOLUTIONS BOOK)

(b)		Provision for Depreciation Account			
1/4/-8	Disposal	27,000	1/1/-8	Balance b/d	54,000
31/12/-8	Balance c/d	44,500	31/12/-8	Profit and Loss	17,500
		71,500			71,500
			1/1/-9	Balance b/d	44,500
31/12/-9	Balance c/d	64,500	31/12/-9	Profit and Loss	20,000
		64,500			64,500

QUESTION 6.10 (HIGHER LEVEL) (PAGE 23)

5. Depreciation to date of Sale Vehicle No. 3

(1/1/-7 – 1/4/-9) = 2 years, 3 months ( $2\frac{1}{4}$ )

Year 1      Calculation 2 = ..... 8,400

Year 2      Calculation 4 = ..... **6,720**

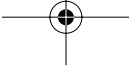
Year 3 –  $\frac{1}{4}$  year x 20% of (33,600 – 6,720 = 26,880) ..... 1,344

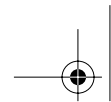
Total = ..... **16,464**

QUESTION 6.14 (HIGHER LEVEL) (PAGE 28)

5. Annual Depreciation charge for year ended 31/12/-6

1 year at 2% of €700,000 = ..... **€14,000**



**Solutions****QUESTION 16.6 (PAGE 101)**

Polymer Fabrications Ltd			
(c) Balance Sheet as at 31/12/-3			
	€	€	€
	Cost	Depr	Value
<u>Fixed Assets</u>			
Buildings	190,000	–	190,000
Plant And Machinery	6. 140,000	60,000	80,000
Office Equipment	7. 30,000	<b>14,500</b>	15,500
	<u>360,000</u>	<u><b>74,500</b></u>	285,500
Goodwill			<u>25,000</u>
			310,500
<u>Current Assets</u>			
Closing Stocks – Raw Materials		31,000	
– Work-in-Progress		18,000	
– Finished Goods		14,000	
Debtors	18,000		
Provision for Bad Debts	1,000	17,000	
Advertising Prepaid	8. 1,250		
VAT	700		
	<u>81,950</u>		
– <u>Current Liabilities</u>			
Creditors	26,000		
PAYE / PRSI	800		
Bank	11,500		
Debenture Interest Due	5. 7,200		
		<u>(45,500)</u>	
			36,450
<u>Total Assets less Current Liabilities</u>			<u>346,950</u>
<u>Financed By</u>			
<u>Share Capital</u>			
€1 Ordinary Shares	<u>450,000</u>	<u>300,000</u>	<u>300,000</u>
<u>Reserves</u>			
Profit and Loss Account			(13,050)
<u>Long-Term Liabilities</u>			
12% Debenture			<u>60,000</u>
			<u>346,950</u>

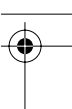
**QUESTION 19.10 (HIGHER LEVEL) (PAGE 158)****(b) Report****1. Gearing**

The debt / total capital percentage of the company is 33%. Thus it is a low geared company. If the loan is granted the gearing will become **higher** at **49%**, making the fixed interest payment on the loan a greater burden on company profits. The interest cover now is 20 times but this will fall to five times if the loan is granted, unless profits increase.

**QUESTION 21.3 (PAGE 182)**

Tralee Tennis Club			
Bar Trading Account			
Notes	1.		
		Opening Stock	2,000
		Bar Purchases	21,000
			<u>23,000</u>
		Closing Stock	<u>(2,100)</u>
		Cost of Sales	20,900
		Profit on Bar	20,100
			<u>41,000</u>
		Bar Sales	41,000
			<u>41,000</u>



**Leaving Certificate Accounting****QUESTION 21.17 (PAGE 203)****(a) Statement of Capital on 1/1/-3**

Assets		Liabilities	
Buildings (net)	564,000	Creditors	2,500
Equipment (net)	28,000	Advances	5,500
Furniture (net)	8,000	Loan	50,000
Investments	25,000	Loan Interest	9,000
Stock at Sport Shop	2,000	Issued Capital	340,000
Stock Oil	800		
Cleaning Prepaid	1,000		
Bank	8,200	<b>Reserves</b>	<b>230,000</b>
	<u>637,000</u>		<u>637,000</u>

**(b) Sports Shop Account**

Opening Stock	2,000	Sales	76,000
Purchases	45,000		
Closing Stock	(1,500)		
	<u>45,500</u>		
Light & Heat	300		
Insurance	800		
Phone	250		
Wages (60%)	12,000		
<b>Profit</b>	<b>17,150</b>		
	<u>76,000</u>		<u>76,000</u>

**(c) Profit and Loss Account**

Wages (91,000 – 12,000)	79,000	Sports Shop Profit	17,150
Insurance (7,200 – 800)	6,400	Interest	750
Light & Heat (3,400 + 800 + 160 – 400 – 300)	3,660	Customers' fees (278,000 + 5,500 + 250 – 3,500)	280,250
Purchases (27,000 + 1,800 – 2,500)	26,300		
Repairs	4,300		
Consultancy fees	30,000		
Cleaning (3,500 + 1,000 – 600)	3,900		
P&T (1,900 – 250)	1,650		
Loan Interest (11,400 – 9,000)	2,400		
Depreciation:			
Buildings	12,000		
Equipment	15,600		
Furniture	4,000		
	<u>189,210</u>		
<b>Net Profit</b>	<b>108,940</b>		
	<u>298,150</u>		<u>298,150</u>

**Solutions**

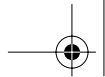
(d) Balance Sheet as at 31/12/-3			
	€	€	€
<u>Fixed Assets</u>	<u>Cost</u>	<u>Depr</u>	<u>Value</u>
Buildings	600,000	48,000	552,000
Equipment (70,000 + 16,000)	86,000	57,600	28,400
Furniture	20,000	16,000	4,000
	706,000	121,600	584,400
Investments			25,000
<u>Current Assets</u>			
Closing Stocks (1,500 + 400)	1,900		
Cleaning Prepaid	600		
Fees due	250		
Bank	72,250	75,000	
<u>Current Liabilities</u>			
Creditors	1,800		
Advances	3,500		
L&H due	160	(5,460)	
			69,540
			<u>€678,940</u>
<u>Share Capital and Reserves</u>			
Ordinary Shares (Authorised 450,000)		340,000	
Profit and Loss (230,000 + 108,940)		338,940	
			<u>€678,940</u>

**QUESTION 23.16 (HIGHER LEVEL) (PAGE 255)****R. Savage**

(b) Trading and Profit and Loss Account for the year ended 31/12/-5			
Sales (Cash Sales €148,000, Credit Sales €300,000)		448,000	(100%)
<u>Less Cost of Sales</u>			
Purchases	366,000		
Closing Stock	(30,000)		
		(336,000)	
<u>Gross Profit</u>		112,000	(25%)
<u>Expenses</u>			
Depreciation	28,000		
Sundry Other Expenses	52,000		
		(80,000)	
<u>Net Profit</u> (From Closing Balance Sheet)		32,000	

**QUESTION 23.17 (HIGHER LEVEL) (PAGE 256)****M. Ryan**

(b) Trading, Profit and Loss Account for the year ended 31/12/-6			
Sales (Cash Sales €38,000, Credit Sales €282,000)		320,000	(100%)
<u>Less Cost of Sales</u>			
Purchases (291,000 – 6,000)	285,000		
Closing Stock	(45,000)		
		(240,000)	
<u>Gross Profit</u>		80,000	(25%)
<u>Expenses</u>			
Depreciation	6,000		
Sundry Other Expenses	19,000		
		(25,000)	
<u>Net Profit</u> (From Closing Balance Sheet)		55,000	

**Leaving Certificate Accounting****QUESTION 23.19 (HIGHER LEVEL) (PAGE 258)****R. Daly****(b) Trading and Profit and Loss Account for the year ended 31/12/-8**

Sales (All on Credit)	240,000	(100%)
<u>Less Cost of Sales</u>		
Purchases (All on Credit)	175,500	
Closing Stock	(7,500)	
	<u>168,000</u>	
<u>Gross Profit</u>	72,000	(30%)
<u>+ Income</u>		
Rent Received	1,000	
	<u>73,000</u>	
<u>– Expenses</u>		
Depreciation	10,000	
Sundry Other Expenses	23,000	
	<u>(33,000)</u>	
<u>Net Profit</u> (From Closing Balance Sheet)	<u>40,000</u>	

**QUESTION 28.13 (HIGHER LEVEL) (PAGE 287)****(b)****Stores Ledger Card**

<u>Date</u>	<u>Receipts</u>		<u>Issues</u>		<u>Balance</u>	
	<u>Units</u>	<u>Value (€)</u>	<u>Units</u>	<u>Value (€)</u>	<u>Units</u>	<u>Value (€)</u>
1/1/-1					55	990
15/1/-1	200	4,000			255	4,990
8/2/-1			50	900	205	4,090
7/3/-1	500	11,000			705	15,090
22/4/-1			20	390	685	14,700
1/5/-1			300	6,230	385	8,470
21/6/-1	400	8,800			785	17,270
20/7/-1			180	3,960	605	13,310
11/8/-1			40	880	565	12,430
1/9/-1			100	2,200	465	10,230
12/10/-1	500	12,000			965	22,230
19/11/-1			600	13,470	365	8,760
23/12/-1			100	2,400	265	6,360

**Notes:**

$$8/2/-1 - (50 \times 18) = 900$$

$$22/4/-1 - (5 \times 18 + 15 \times 20) = 390$$

$$1/5/-1 - (185 \times 20 + 115 \times 22) = 6,230$$

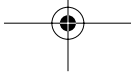
$$20/7/-1 - (180 \times 22) = 3,960$$

$$11/8/-1 - (40 \times 22) = 880$$

$$1/9/-1 - (100 \times 22) = 2,200$$

$$19/11/-1 - (65 \times 22 + 400 \times 22 + 135 \times 24) = 13,470$$

$$23/2/-1 - (100 \times 24) = 2,400$$



**Solutions**

Nu Ltd		
<b>(c) Trading Account for the year ended 31/12/-1 (€)</b>		
Sales – Credit	44,600	
– Cash	8,680	
		53,280
<u>Less Cost of Sales</u>		
Opening Stock	990	
+ Purchases	35,800	
	36,790	
– Closing Stock	6,360	
		(30,430)
Gross Profit		22,850

**QUESTION 29.4 (PAGE 289)**

Arco Ltd				
<b>(f) Marginal Costing Statement</b>	(i) 4,000	(ii) 6,000	(iii) 8,000	(iv) 20,000
Sales	248,000	372,000	496,000	1,240,000
– Variable Costs	156,240	234,360	312,480	781,200
= Contribution	91,760	137,940	183,520	458,800
– Fixed Costs	137,640	137,640	137,640	137,640
= Profits (Losses)	(45,880)	Nil	45,880	321,160

**QUESTION 29.7 (HIGHER LEVEL) (PAGE 291)**

Crescendo Ltd	
<b>(d) Marginal Costing Statement at 18,750 units</b>	
Sales (18,750 x 41.40)	776,250
– Variable Costs (18,750 x 34.50)	646,875
= Contribution	129,375
– Fixed Costs	151,800
= Loss	(22,425)

**QUESTION 30.11 (HIGHER LEVEL) (PAGE 307)**

Martella Ltd			
<b>(d) Raw Materials Purchases Budget</b>	Material G		Material H
Budgeted Usage	18,270		25,596
+ Budgeted Closing Stock	2,400		3,600
– Opening Stock	(2,000)		(3,000)
	18,670	kgs	26,196 kgs
x Expected Prices	€4		€2
= Budgeted Material Purchases	€74,680		€52,392

