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NEW SYLLABUS



FOUNDATION EXAMINATION

SUMMER 2008

FINANCIAL ACCOUNTING I

PAPER, SOLUTIONS

and

EXAMINERS REPORT

NOTES TO USERS ABOUT THESE SOLUTIONS

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NEW SYLLABUS

The Institute of Accounting Technicians in Ireland

Foundation Examination : Summer 2008

PAPER 1 : FINANCIAL ACCOUNTING I

Tuesday 20th May 20087 - 9.30 a.m. to 12.30 p.m.

INSTRUCTIONS TO CANDIDATES

PLEASE READ CAREFULLY

Candidates must indicate clearly whether they are answering the paper in accordance with the law and practice of Northern Ireland or the Republic of Ireland.

In this examination paper the £ symbol may be understood and used by candidates in Northern Ireland to indicate the UK pound sterling and the € symbol by candidates in the Republic of Ireland to indicate the Euro.

Answer ALL THREE questions in Section A and TWO of the three questions in Section B. If more than TWO questions are answered in Section B, then only the first two questions, in the order filed, will be corrected.

Candidates should allocate their time carefully.

All workings should be shown.

All figures should be labelled as appropriate e.g. £s, €s, units, etc.

Answers should be illustrated with examples, where appropriate.

Candidates may ignore any VAT implications to transactions throughout this paper unless the question specifically instructs them to do otherwise.

Question 1 begins next page.

Financial Accounting 1 Summer 2008 Paper

SECTION A

Answer ALL THREE QUESTIONS (Compulsory) in this Section

QUESTION 1 (Compulsory)

John Jones a sole trader provided you with the following information for the month of April 2008:

Date	Transaction
1 st April 2008	Cash balance €/ \pounds 13,800.00 Dr. Bank balance €/ \pounds 69,000.00 Dr
2 nd April 2008	Paid Owen O'Reilly €/ \pounds 115,830.00 after deducting discount of 1% from his account
3 rd April 2008	Cash Sales of €/ \pounds 46,200.00 inclusive of VAT at 10%
9 th April 2008	Received a cheque from John Dunne, a debtor, for €/ \pounds 16,800.00. Discount allowed €/ \pounds 720.00.
10 th April 2008	Purchased goods for resale for €/ \pounds 668,000.00 plus VAT at 10%, paying by cheque
11 th April 2008	Cash sales of €/ \pounds 54,000.00 inclusive of VAT of 10%
15 th April 2008	Paid wages, by cheque, €/ \pounds 9,600.00
16 th April 2008	Paid Owen O'Reilly by cheque €/ \pounds 27,000.00
16 th April 2008	Sold motor vehicle for €/ \pounds 4,500.00 cash
21 st April 2008	Paid John Shine the balance on his account of €/ \pounds 84,000.00 less discount of €/ \pounds 4,200.00, by cheque
22 nd April 2008	Purchases for resale €/ \pounds 25,200.00 plus VAT of 10% paid by cheque
23 rd April 2008	Paid wages by cheque €/ \pounds 3,960.00
30 th April 2008	Lodged all receipts of cash that had not been previously lodged

Requirement

You are required to prepare the following:

- (a) The cheque payments book for April 2008. 6 Marks
- (b) The cash receipts / lodgement book for April 2008. 6 Marks
- (c) The cash and bank ledger accounts for April 2008.

8 Marks
Total 20 Marks

QUESTION 2 (Compulsory)

During the year ended 31st December 2007, John Murray traded as a sole trader. At the end of the year he prepared his trial balance, which did not agree, there being a shortage of €/ \pounds 115,800.00 on the debit side. The difference was placed in a suspense account. The accountant subsequently discovered the following errors, which balanced off the suspense account:

- (1) A payment received from John Lawlor for €/ \pounds 3,750.00 had been posted to the incorrect side of the debtors account.
- (2) A delivery van sold on credit to T. Roy for €/ \pounds 35,000.00 had been entered in the sales book and posted to the incorrect side of the debtors account.
- (3) A cheque for €/ \pounds 25,900.00 paid to K. Lent had been correctly entered in the cheque payments book but had not been entered in K. Lents account.
- (4) The only entry made in respect of goods bought on credit from R. Jones for €/ \pounds 86,300.00 was a debit to S. Jones account.
- (5) Fixture and fittings bought by cheque for €/ \pounds 11,000.00 had been correctly entered in the bank account but not entered in the fixtures and fittings account.
- (6) The sales book total was understated by €/ \pounds 18,300.00.
- (7) The rent expense account had been understated by €/ \pounds 120,000.00.
- (8) Repairs to machinery amounting to €/ \pounds 3,600.00 had been charged to the Machine account.

Financial Accounting 1 Summer 2008 Paper

QUESTION 2 (Cont'd.)

- (9) €800.00 included in the wages account was paid to workmen for building a garden shed in John Murray's private residence.
- (10) A debit balance on the account of R. Ryan, a customer was carried forward €1,000.00 short.

Requirement

You are required to:

- (a) Complete the journal entries (with narrative) required to rectify the errors.
- (b) Prepare the suspense account.

12 Marks

8 Marks

Total 20 Marks

QUESTION 3 (Compulsory)

Peadar O'Neill's bank account showed the following entries for December 2007.

Bank Account

Date	Description	Amount €	Date	Description	Amount €
1 st December	Balance b/d	50,140	3 rd December	Andy Pint 081	1,280
3 rd December	Michael Jones	12,060	5 th December	Mark O'Dea 082	6,720
9 th December	John Peters	21,750	13 th December	Tom Byrne 083	4,375
16 th December	Cash Sales	6,250	18 th December	Noel Smith 084	5,625
18 th December	Caln Woods	3,950	28 th December	Alan Webb 086	1,250
24 th December	Cash Sales	6,050	30 th December	Salaries 087	33,750
		100,200	31 st December	Balance b/d	47,200
31 st December	Balance b/d	47,200			100,200

His bank statement on the 31st December was as follows:

Date	Particulars	Debit €	Credit €	Balance €
1st December	Balance			43,140
2nd December	Lodgement (30 th November)		12,000	55,140
3rd December	Lodgement		12,060	67,200
3rd December	Cheque 080	5,000		62,200
4th December	Cheque 081	1,280		60,920
10th December	Lodgement		21,750	82,670
10th December	Bank Charges	750		81,920
11th December	Dishonoured Cheque	12,060		69,860
11th December	Cheque 082	6,270		63,590
14th December	Cheque 083	4,375		59,215
16th December	Direct Debit Electricity	1,250		57,965
16th December	Lodgement		6,250	64,215
17th December	Credit Transfer (Saving Account)		12,500	76,715
18th December	Lodgement		3,900	80,615
20th December	Cheque 085	5,400		75,215

Requirement

You are required to:

- (a) Adjust the bank account as necessary.
- (b) Prepare the bank reconciliation statement as at 31st December 2007.

10 Marks

10 Marks

Total 20 Marks

SECTION B

Answer any TWO of the three questions in this Section

QUESTION 4

John Lime is a sole trader who has been in business for a number of years. The following trial balance was extracted from his books for the year ended 31st December 2007:

	€/ £ Dr	€/ £ Cr
Buildings Cost	140,000	
Accumulated Depreciation: Buildings		36,000
Motor Vehicles Cost	46,000	
Accumulated Depreciation: Motor Vehicles		13,000
Fixtures & Fittings Cost	300,000	
Accumulated Depreciation: Fixtures & Fittings		60,000
Debtors/Creditors	96,000	139,000
Stock 1 st January 2007	35,000	
Carriage Inwards	3,400	
Carriage Outwards	5,800	
Insurance	8,400	
Purchases/Sales	290,000	420,000
Cleaning & Repairs	1,500	
Stationery stock 1st January 2007	1,200	
Light & Heat	1,200	
Telephone	1,300	
Bank Interest	2,500	
Bank Charges	150	
Bank		14,900
Long term Loan		60,000
Advertising	2,700	
Capital Account		186,450
Provision for bad debts		8,000
Motor repairs	2,200	
	<u>937,350</u>	<u>937,350</u>

You are given the following information:

- (i) The closing stock at 31st December was €/£45,000.
- (ii) Stock of stationery at 31st December 2007 was €/£400. No purchases were made during this year.
- (iii) The provision for bad debts is to be 5% of Debtors.
- (iv) Light and heat accrued at 31st December 2007 was €/£1,300.
- (v) Depreciation is to be provided as follows:

Buildings:	2% Straight Line
Fixtures & Fittings:	12 % Straight Line
Motor Vehicles:	10% reducing balance

- (vi) Insurance was prepaid by €/£400 as at 31st December 2007.
- (vii) When reviewing the purchases account it was noted that €/£1,200 for motor repairs had been debited to it in error.

Requirement

You are required to prepare:

- (a) The Trading Profit & Loss Account for the year ended 31st December 2007.
- (b) The balance sheet as at 31st December 2007.

14 Marks

6 Marks

Total 20 Marks

Financial Accounting 1 Summer 2008 Paper

QUESTION 5

NEVER LATE TRANSPORT prepares its financial accounts to 31st December each year. The depreciation policy is to depreciate vehicles at a rate of 20% straight line per annum calculated from the date of purchase to the date of disposal.

On 1st January 2006 NEVER LATE TRANSPORT owned the following vehicles:

Vehicle Number	Date of Purchase	Cost €/ £
One	1 st January 2001	18,000
Two	1 st January 2004	66,000
Three	1 st January 2004	17,500

On 1st September 2006 **Vehicle Number One** was traded in for €/**£**9,000 against a new vehicle costing €/**£**48,000.

On 1st March 2007 **Vehicle Number Three** was crashed and traded in against a new vehicle costing €/**£**84,000, a cheque being paid to the vehicle supplier for €74,000. NEVER LATE TRANSPORT received compensation regarding the accident of €/**£**3,500.

On the 1st May 2007 a new vehicle was purchased for €/**£**50,000.

Requirement

You are required to prepare, with workings, for each of the two years 31st December 2006 and 31st December 2007:

- | | |
|--|------------------------------|
| (a) The vehicle account | 8 Marks |
| (b) The provision for depreciation account | 6 Marks |
| (c) The vehicle disposal account | 6 Marks |
| | Total <u>20</u> Marks |

QUESTION 6

You are required to write a letter to a client explaining the following:

- | | |
|---|------------------------------|
| (i) Trade receivables (debtors) and trade payables (creditors). | 4 Marks |
| (ii) Double entry bookkeeping. | 4 Marks |
| (iii) Who are the users of accounting information and what are their information needs. | 4 Marks |
| (iv) Drawings. | 4 Marks |
| (v) The Accountant's role and function in an organisation. | 4 Marks |
| | Total <u>20</u> Marks |

N. B. Marks awarded for presentation.





NEW SYLLABUS

The Institute of Accounting Technicians in Ireland

Foundation Examination : Summer 2008

SOLUTIONS TO PAPER 1 :

FINANCIAL ACCOUNTING I

Author : G. Perry

Solution to question 1

Cash Receipts / lodgements	Bank	Cash	Debtors	Discount	Sales	Vat	Other
	€	€	€	€	€	€	€
03/04/2008 Cash Sales		46,200			42,000	4,200	
09/04/2008 Debtors	16,800		17,520	720			
11/04/2008 Cash Sales		59,400			54,000	5,400	
16/04/2008 Sale of Motor Vehicle		4,500					4,500
30/04/2008	110,100	(110,100)					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	126,900	0	17,520	720	96,000	9,600	4,500

Cheque payments	Amount	Creditors	Discount	Vat	Wages	Purchases
	€	€	€	€	€	€
02/04/2008 Owen O'Reilly	115,830	117,000	1,170			
10/04/2008 Purchases	734,800			66,800		668,000
15/04/2008 Wages	9,600				9,600	
16/04/2008 Owen O'Reilly	27,000	27,000				
21/04/2008 John Shine	79,800	84,000	4,200			
22/04/2008 Purchases	27,720			2,520		25,200
23/04/2008 Wages	3,960				3,960	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	998,710	228,000	5,370	69,320	13,560	693,200

Solution to question 1 continued on next page

Financial Accounting 1 Summer 2008 Solution

Solution to question 1 (Cont'd)

Ledger

Cash

		€			€
01/04/2008	Balance b/d	13,800	30/04/2008	Lodgements	110,100
30/04/2008	Receipts	110,100	30/04/2008	Balance c/d	13,800
		<u>123,900</u>			<u>123,900</u>
30/04/2008	Balance	13,800			

Bank

		€			€
01/04/2008	Balance b/d	69,000	30/04/2008	Payments	998,710
09/04/2008	Lodgements	16,800			
30/04/2008	Lodgements	110,100			
30/04/2008	Balance c/d	802,810			
		<u>998,710</u>			<u>998,710</u>
			30/04/2008	Balance b/d	802,810

Solution to question 2

Journals

			€	€
1	Dr Suspense CR Debtors		7,500	7,500
	Adjustment required to correct a posting to the incorrect side of the debtors account			
2	Dr Sales Cr Motor vehicle		35,000	35,000
	Dr Debtors Cr Suspense		70,000	70,000
	Adjustment required to correct the posting of a vehicle sale to the sales account and the incorrect posting to wrong side of the debtors account			
3	Dr K Lent Cr Suspense		25,900	25,900
	Adjustment required to post an entry omitted from the books			
4	Dr Suspense Cr S Jones		86,300	86,300
	Dr Purchases Cr R Jones		86,300	86,300
	Adjustments required to correct the incorrect entry to S Jones account and the posting of the correct entry of the transaction to R Jones			
5	Dr Fixtures & Fittings Cr Suspense		11,000	11,000
	Adjustment required to enter the purchase of fixtures and fittings in the appropriate asset account			
6	Dr Suspense Cr Sales		18,300	18,300
	The adjustment required to rectify the understatement of the sales figure			
7	Dr Rent Cr Suspense		120,000	120,000
	The adjustment required to rectify the understatement of the rent figure			
8	Dr Repairs Cr Machinery		3,600	3,600
	The adjustment required to move the transaction from the machinery account to the repairs account due to an incorrect original posting			
9	Dr Drawings Cr Wages		800	800
	The adjustment required to transfer costs included in the wages account to the drawings account.			
10	Dr R Ryan Cr Suspense		1,000	1,000
	The adjustment required to rectify the understatement of a debtors balance brought forward.			

Solution to question 2 continued on next page

Solution to question 2 (Cont'd)

Suspense Account

€		€	
Opening balance	115,800	Debtors	70,000
Debtors	7,500	K Lent	25,900
Sales	18,300	Fixtures & Fittings	11,000
S Jones	86,300	Rent	120,000
		R Ryan	1,000
	<u>227,900</u>		<u>227,900</u>

Solution to question 3

Bank Account

€		€	
Balance B/D	47,200	Cheque 85	5,400
Credit Transfer	12,500	Direct Debit	1,250
Cheque Over Stated	450	Dishonoured Cheque	12,060
		Bank Charges	750
		Overlodged	50
		Balance c/d	40,640
	<u>60,150</u>		<u>60,150</u>
Balance b/d	40,640		

Bank Reconciliation

Balance per bank	€ 75,215	€ 81,265
Add O/S Lodgements	<u>6,050</u>	
less O/S Cheques	84 5,625	
	86 1,250	
	87 <u>33,750</u>	40,625
Balance		<u>40,640</u>

Solution to question 4

Trading Profit & Loss Account for the year ended 31/12/07

	€	€
Sales		420,000
Opening Stock	35,000	
Purchases <i>Note 5</i>	288,800	
Carriage in	3,400	
Less Closing Stock	<u>(45,000)</u>	
Cost of Sales		<u>(282,200)</u>
Gross Profit		137,800
Depreciation		
Buildings	2,800	
Motor Vehicles	3,300	
Fixtures	36,000	
Bad Debts Provision <i>Note 2</i>	(3,200)	
Carriage Out	5,800	
Insurance <i>Note 4</i>	8,000	
Cleaning & repairs	1,500	
Light & Heat <i>Note 3</i>	2,500	
Telephone	1,300	
Bank Interest	2,500	
Bank Charges	150	
Advertising	2,700	
Motor Repairs <i>Note 6</i>	3,400	
Stationery <i>Note 1</i>	<u>800</u>	<u>67,550</u>
Net profit		<u><u>70,250</u></u>

Notes

1

Stationery	€	€
Opening Stock		1,200
Closing Stock		<u>(400)</u>
Usage		<u>800</u>

2

Bad Debts Provision

Debtors	96,000
Provision 5%	(4,800)
Old Provision	<u>8,000</u>
Movement	<u>3,200</u>

3

Light & Heat

Light & heat	1,200
Accrual	<u>1,300</u>
	<u>2,500</u>

4

Insurance

Insurance	8,400
Less Prepaid	<u>(400)</u>
	<u>8,000</u>

5

Purchases

Purchases	290,000
Less Motor Repairs	<u>(1,200)</u>
	<u>288,800</u>

6

Motor Repairs

Motor Repairs	2,200
Misposting	<u>1,200</u>
	<u>3,400</u>

Solution to question 4 (*Balance Sheet*) follows on next page

Solution to question 4 (Cont'd)

Balance Sheet as at 31/12/07

Fixed Assets	Cost	Acc Dep	NBV	
	€	€	€	€
Buildings	140,000	38,800	101,200	
Motors	46,000	16,300	29,700	
Fixtures	300,000	96,000	204,000	334,900
<hr/>				
Current Assets				
Stock		45,000		
Stock Stationery <i>Note 1</i>		400		
Debtors	96,000			
Less Provision <i>Note 2</i>	(4,800)	91,200		
prepayment <i>Note 4</i>		400	137,000	
<hr/>				
Current Liabilities				
Creditors	139,000			
Accruals <i>Note 3</i>	1,300			
Bank o/d	14,900		155,200	
Working Capital				(18,200)
<hr/>				
Long Term Loan				(60,000)
				<u>256,700</u>
<hr/>				
Financed By				
Capital Account			186,450	
Retained Earnings			70,250	<u>256,700</u>

Solution to question 5

Vehicle Account

Vehicle No	Pur Date	COST €	Annual DEP €	DEP to 1/1/06 €	Charge 06 €	Charge 07 €	Disposal €
1	01/01/2001	18,000	3,600	18,000	0		18,000
2	01/01/2004	66,000	13,200	26,400	13,200	13,200	
3	01/01/2004	17,500	3,500	7,000	3,500	583.33	11,083.33
4	01/09/2006	48,000	9,600	0	3,200	9,600	
5	01/03/2007	84,000	16,800	0	0	14,000	
6	01/05/2007	50,000	10,000	0	0	6,666.67	
				51,400	19,900	44,050	

Vehicle Account

€			€		
01/01/2006	Balance b/d	101,500	01/09/2006	Dispose vehicle 1	18,000
01/09/2006	Purchase Vehicle 4	48,000		Balance c/d	131,500
		<u>149,500</u>			<u>149,500</u>
01/01/2007	Balance b/d	131,500	01/03/2007	Dispose vehicle 3	17,500
01/03/2007	Purchase Vehicle 5	84,000		Balance c/d	248,000
01/05/2007	Purchase Vehicle 6	50,000			
		<u>265,500</u>			<u>265,500</u>
31/12/2007	Balance b/d	248,000			

Provision for depreciation

01/09/2008	Disposal	18,000	01/01/2006	Balance b/d	51,400
31/12/2006	Balance c/d	53,300	31/12/2006	Depreciation charge for year	19,900
		<u>71,300</u>			<u>71,300</u>
01/03/2007	Disposal	11,083.33	01/01/2007	Balance b/d	53,300
31/12/2007	Balance c/d	86,266.66	31/12/2007	Depreciation charge for year	44,050
		<u>97,350</u>			<u>97,350</u>

Vehicle Disposal Account 06

01/09/2006	Motor Vehicle 1	18,000	01/09/2007	Provision for depreciation	18,000
01/09/2008	Profit on sale of vehicle	9,000	01/09/2006		9,000
		<u>27,000</u>			<u>27,000</u>

Vehicle Disposal Account 07

01/03/2007	Motor Vehicle 3	17,500	01/03/2007	Depreciation	11,083.33
01/03/2007	Profit on sale of vehicle	7,083.33	01/03/2007	Compensation received	3,500
		<u>24,583.33</u>	01/03/2007	Trade in Allowance vehicle 3	10,000
					<u>24,583.33</u>

Solution to question 6

ABC Accountants
The Square
New Bay
Dublin

Dear Sirs

I am pleased to set out below some explanations to questions raised by you at our recent meeting.

Trade Receivables (Debtors) and Trade Payables (Creditors)

Trade receivables or debtors are people or businesses who owe your company or business money for goods or services supplied by you, your business or company to them.

Trade payables or creditors are people, businesses or companies who are owed money by you, your business or company for goods or services supplied by them to you, your business or company.

Double Entry Bookkeeping

This is an accounting system (a means of keeping your business records) where each transaction is entered twice once on the debit side and once on the credit side.

Every debit must have a corresponding credit.

This method of bookkeeping ensures that all entries / transactions have been entered as the total of the debits will equal the total of the credits.

Who are the users of accounting information and what are there needs?

There are many users of accounting information.

The following list identifies the most probable users but others may exist depending on their needs.

Managers. These are the day to day decision makers in an organisation who need to know how the activities of the company / business are reflected in monetary terms.

In other words they need to know the financial status of the business.

Owners / Shareholders of the business. This group of interested persons need to know how management have managed their investment. How profitable the business is, what returns are available on their investment.

The bank. In the normal business world banks play a vital role by offering financial services to the business. In order to make an assessment on the risk of doing business with the company the banks will need to see the financial statements / budgets / plans of the organisation.

Government authorities but specifically the revenue commissioners who need to see the accounts in order that they may assess the tax liabilities of the organisation.

Potential investors. These individuals or companies will need to see the financial statements in order to be in a position to assess the viability of investing in the business.

Drawings

Funds or goods or services taken out of the business for personal use.

Any money, goods or services take out of the business for personal; use will reduce the capital account of the owner. Drawings are not expenses of a business.

The drawings account accumulates all the individual transactions of the owner which are then in the financial statements deducted from the capital account.

The accountants role and function in the organisation.

The role of the accountant in an organisation is primarily to record all the financial transactions entered into by the business during the accounting period.

By recording all the transactions an assessment may be made of the performance of the business during the period.

An accountant must comply with accounting conventions when recording financial transactions.



NEW SYLLABUS

EXAMINERS REPORT

FINANCIAL ACCOUNTING I

Summer 2008

Overall comment

This was the first paper, which examined the new syllabus. Each question was set at a manageable level, however, clearly candidates struggled with some of the questions, the vehicle account, the journal entry account and the cheque payments and cash receipts books.

The change in choices had a serious impact as some candidates who clearly ignored the compulsory instruction and did their own thing and answered questions 4, 5, and 6.

The principals of accounting were examined in this paper and candidates should note that this is the focus of the syllabus.

Question 1.

This was a question which asked candidates to write up the cheque payments book, the cash receipts book and then to display the ledger accounts.

Candidates did not score well in this question. There were some difficulties in the following areas:

- Layout of the cheque payments and cash receipts books.
- Some candidates confused the addition of V.A.T and the deduction of the discount figures..
- Layout of cash and bank ledger accounts (for some).
- Several candidates did not total and balance the Ledgers and lost marks accordingly.
- The average mark obtained was 8.3 marks, which is below average.

Question 2

The average mark obtained for this straightforward question, which asked candidates to complete the journal entries with narrative was 12.1 marks. A large number of candidates did not include the narrative, which cost them marks.

A number of candidates presented ledger accounts instead of journal entries again costing them marks, as this was not what was asked for.

The main mistakes made were

- Omitting to deal with the sale of motor vehicle in journal 2
- Not distinguishing the difference between R Jones and S Jones in journal 4,
- Quite a number of candidates got the entries the wrong way around for journals 8 and 9.

Question 3

A bank reconciliation question which should be bread and butter for candidates at foundation level, however I was surprised at the number of candidates who did not perform well in this question. The average mark obtained for this question was 13.3.

The main areas where candidates went wrong was:

- Not recognising that the opening balances Bank and Peadar O'Neills ledger did not agree.
- Candidates missed the point on the 18th December where a lodgement was overstated by £/€50.
- Some candidates represented the full ledger bank account which was not required.

Question 4

This was a standard trading Profit & loss account with a small number of adjustments. Candidates scored an average of 13.4 marks for this question marginally beating question 3 for the best answered question.

The most common errors noted were:

- Treatment of the stationery stock. In many cases it was added to opening stock and the closing stock added to closing stock in the trading account.
- The full provision for bad and doubtful debts was entered as an expense.
- Bank interest was added to gross profit.

Many candidates did not bring the accumulated depreciation for previous years forward to the Balance Sheet.

The bad debt figure was not subtracted from the Debtors figure in the balance sheet.

Question 5

This question when answered displayed a varying degree of knowledge on this topic. Clearly some candidates did not know how to deal with the purchase, depreciation and disposal of an asset. The average mark obtained for this question was 10.4 marks.

Many candidates started preparing the ledger accounts from the original date back in 2001, which was not asked for.

It was surprising the number of candidates who lumped everything into the one account and didn't distinguish between the Vehicle account, the accumulated depreciation account and the vehicle disposal account.

Question 6

Candidates who answered this question generally did well with the average mark of 13 obtained. A lot of information was supplied with some candidates giving example of ledger accounts to show the double entry system.

As stated many times in the past short succinct answers is all that is required.

Candidates failed to get marks in this question for not making more than one point in each section e.g. management are the users of accounts, which is correct but only one group of many users.

Candidates should be aware that if there are 4 marks for each section more than one point is generally required.

