



Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE EXAMINATION

ACCOUNTING - HIGHER LEVEL
(400 marks)

TIME ALLOWED 3 HOURS

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.

Candidates should answer either **QUESTION 1 (A or B) only** OR answer 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.
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.
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 B)
OR
TWO other questions

1. Answer (A) OR (B)

(A) Sole Trader – Final Accounts

The following trial balance was extracted from the books of JP Collison on 31/12/2022:

	€	€
Buildings at cost	800,000	
Delivery vans (cost €220,000)	167,000	
Equipment at cost	35,000	
Accumulated depreciation – equipment		15,000
Stocks 01/01/2022	31,500	
Mortgage interest paid for the first 3 months	3,000	
4% Investments acquired on 01/04/2022	220,000	
Purchases and sales	819,400	1,293,150
Discount (net)		3,700
Debtors and creditors	62,300	53,100
Bad debts provision		3,900
Bank		33,500
Salaries and general expenses	155,400	
Patents (incorporating 6 months investment income)	57,200	
Advertising	6,000	
Insurance	20,000	
8% Fixed mortgage (including €100,000 issued on 01/04/2022)		300,000
Rent (including suspense)		8,000
Commission	4,800	
VAT		8,400
PAYE, PRSI & USC		2,850
Drawings	40,000	
Capital	<u> </u>	<u>700,000</u>
	<u>2,421,600</u>	<u>2,421,600</u>

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

- (i) Stock at cost on 31/12/2022 was €66,200. This figure includes damaged stock which cost €2,100 but which now has a net realisable value of €800.
- (ii) The suspense figure arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and a payment of €12,500 for salaries entered only in the bank account.
- (iii) Patents, which incorporate 6 months investment income, are to be written off over a 5 year period commencing in 2022.
- (iv) It was discovered that finished goods had been received from a creditor on 31/12/2022 on a 'sale or return' basis. These goods had been entered in the books as a credit purchase of €19,680. This figure includes VAT at 23%.
- (v) During 2022, stock which cost €18,000 was destroyed by fire. The insurance company has agreed to contribute €15,900 in compensation for the fire damage. No entry had been made in the books in respect of the fire.
- (vi) The cost of delivery vans is to be written off on a straight-line basis over 5 years. A full year's depreciation is to be charged in the year of acquisition and none in the year of disposal. Delivery vans have a 5% scrap value of the original cost.
Note: During the year a delivery van which had cost €30,000 in 2018 was traded in for €14,000 against a new delivery van costing €40,000. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock but the correct entry was made in the bank account. These were the only entries made in respect of these transactions.
- (vii) Goods taken by Collison for his own personal use during the year were not recorded. These goods had a retail value of €6,000 which is cost plus 25%.
- (viii) The figure for bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2022 has arrived showing an overdraft of €29,340. A comparison of the bank account and bank statement has revealed the following discrepancies:
 - 1. A cheque for €1,040, issued to a supplier, had been entered in the books (cash book and ledger) as €1,400.
 - 2. A credit transfer of €600 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 25c in the €1.
 - 3. A cheque for advertising €3,200 had not yet been presented for payment.
- (ix) Provision should be made for the following:
 - 1. Investment income due and mortgage interest due.
 - 2. Provision for bad debts to be adjusted to 5% of debtors.
 - 3. Buildings to be depreciated at a rate of 2% of cost per annum.

Required:

- (a) Prepare a trading and profit and loss account for the year ended 31/12/2022. (75)
- (b) Prepare a balance sheet as at 31/12/2022. (45)

(120 marks)

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

- | | | | |
|-----|-------------------------------|------------------|---------|
| (i) | Stocks on hand at 31/12/2022: | Raw materials | €37,800 |
| | | Work in progress | €22,100 |
| | | Finished goods | €72,000 |
- (ii) During the year stock of raw materials which had cost €5,800 were destroyed by fire. The insurance company agreed to pay compensation of 90% of their original value. No entry has been made in the books in respect of the fire.
- (iii) Finished goods were sent to a customer on 31/12/2022 on a 'sale or return' basis. These goods were recorded in the books as a credit sale of €20,400 which is a mark-up on cost of 20%.
- (iv) The suspense figure arises as a result of discount allowed €800 entered only in the debtors account and credit purchases of raw materials €3,000 which were entered on the incorrect side of the creditor account.
- (v) Patents are being written off over 7 years which commenced in 2020.
- (vi) Included in the figure for sale of scrap materials is €8,000 received from the sale of an old machine on 31/03/2022. This machine had cost €40,000 on 30/09/2018. Plant and machinery is to be depreciated at the annual rate of 15% of cost per annum calculated from the date of purchase to the date of sale.
- (vii) Buildings are to be depreciated at 3% of cost per annum. Depreciation on buildings is to be allocated 90% to factory and the remainder to office administration. It was decided to revalue the buildings at €1,100,000 on 31/12/2022 and this is to be reflected in the accounts.
- (viii) The figure for bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2022 shows an overdraft of €300. A comparison of the bank account and the bank statement revealed the following discrepancies:
1. Rent of €6,000 for 4 months ending 28/02/2023 was paid directly into the firm's bank account in relation to spare office space being let out by O'Brien Ltd.
 2. A cheque for €1,500 received from a debtor was dishonoured. This has not been entered in the books.
 3. A cheque for fees of €3,200 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. The creation of a provision for bad debts equal to 6% of debtors.
 3. A transfer of €20,000 should be made from profit to the capital reserve.

Required:

- (a) Prepare a manufacturing, trading and profit and loss account for the year ended 31/12/2022. (75)
- (b) Prepare a balance sheet as at 31/12/2022. (45)

(120 marks)

2. Service Firm

The following were included in the assets and liabilities of T O'Reilly, a dentist, on 01/01/2022:

Clinic at cost €500,000; equipment at cost €70,000; motor car at cost €50,000; stock of dental materials €3,200; fees due from medical card scheme €7,500, creditors for dental materials €2,800; 5% investments €60,000; fees due from private patients €8,200; capital €572,500.

All fixed assets have 3 years accumulated depreciation on 01/01/2022.

The following is a receipts and payments account for the year ended 31/12/2022:

Receipts and Payments Account of T O' Reilly for year ended 31/12/2022

Receipts	€	Payments	€
Balance at bank 01/01/2022	8,600	Purchase of equipment	50,000
Sale of equipment (cost €20,000)	14,000	Sponsorship of prize at local 5km race	3,000
Receipts from private patients	110,300	Dental materials	13,100
Investment income	2,500	Telephone and broadband	800
Receipts from medical card scheme	75,000	Insurance	3,200
		Light and heat	12,100
		Repayment of €40,000 loan on 01/06/2022 with 18 months interest	47,200
		Drawings	4,900
		Salaries and wages	51,000
	_____	Balance at bank 31/12/2022	<u>25,100</u>
	<u>210,400</u>		<u>210,400</u>

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

- (i) Stocks of dental materials on 31/12/2022 were €3,000.
- (ii) Creditors for dental materials on 31/12/2022 were €2,700.
- (iii) Fees due from medical insurance scheme and private patients were €4,600 and €1,800 respectively on 31/12/2022.
- (iv) The figure for bank does not take into account bank charges €80 and a dishonoured cheque €650 received from a private patient in respect of fees and lodged in December.
- (v) The insurance payment is for the year ended 31/03/2023.
- (vi) 50% of both light and heat and telephone and broadband relate to the dental practice with the remainder for personal use.
- (vii) Depreciate fixed assets on 31/12/2022 as follows:
 - Clinic: 2% of cost
 - Motor car: 20% of cost.
 - Equipment: 20% of costDuring the year equipment which cost €20,000 in 2019 was traded in for €14,000. against new equipment costing €50,000.
Note: The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

Required:

- (a) An income and expenditure account for the year ended 31/12/2022. (34)
- (b) A balance sheet as at 31/12/2022. (20)
- (c) Explain the purpose of preparing service firm accounts. (6)

(60 marks)

3. Tabular Statement

The financial position of O'Leary Ltd, a baker, on 01/01/2022 is shown in the following balance sheet:

Balance Sheet as at 01/01/2022			
	Cost	Dep to Date	Net
	€	€	€
Fixed Assets			
Land and buildings	600,000	(85,000)	515,000
Vehicles	<u>73,000</u>	<u>(38,000)</u>	<u>35,000</u>
	673,000	(123,000)	550,000
Financial Assets			
5% Investments			70,000
Current Assets			
Stock	42,000		
Rent prepaid	2,200		
Debtors (less provision 4%)	<u>86,400</u>	130,600	
Less Creditors: amounts falling due within 1 year			
Creditors	33,100		
Bank	62,000		
VAT	4,500		
Wages due	<u>3,500</u>	<u>(103,100)</u>	<u>27,500</u>
			<u>647,500</u>
Financed By:			
Capital and Reserves			
Authorised – 700,000 ordinary shares of €1 each			
Issued – 450,000 ordinary shares of €1 each		450,000	
Share premium		90,000	
Profit and loss balance		<u>107,500</u>	<u>647,500</u>
			647,500

The following transactions took place during 2022:

- Jan O'Leary Ltd decided to revalue land and buildings on 01/01/2022 at €800,000. The land element of the new value is €140,000.
- Feb O'Leary Ltd bought an adjoining business on 01/02/2022 which included buildings €120,000, vehicle €60,000, debtors €24,000 and creditors €18,000. The purchase price was discharged by granting the seller 200,000 shares in O'Leary Ltd at a premium of 20c per share.
- Mar (i) All outstanding wages owed to employees on 01/01/2022 were paid by cheque.
(ii) Management decided that the provision for bad debts should be adjusted to 5% of outstanding debtors.
- April Received €60,000 for the issue of remaining shares.
- May Received a bank statement showing a direct debit for €7,200 rent payable for the year ending 30/04/2023 and a credit transfer received of €1,500 investment income for the year 2022.
- Sept A payment of €2,100 was received from Doherty Ltd, a debtor, whose debt had been previously written off. This represents 70% of the original debt and Doherty Ltd has undertaken to pay the remainder of the debt before the end of January 2023.
On the same day goods to the value of €615 were sold to Doherty Ltd. This figure includes 23% VAT and a mark-up on cost of 25%.
- Dec The depreciation charge on buildings is to be 2% of book value. The depreciation charge is calculated from date of revaluation or date of purchase as appropriate.
The total depreciation charge on vehicles for the year is €20,500.

Required:

Record on a tabular statement the effect each of the above transactions had on the relevant asset and liability and ascertain the total assets and liabilities on 31/12/2022.

(60 marks)

4. Debtors Control Account

The debtor's ledger control account of T. Ryan showed the following balances: €23,080 dr and €980 cr on 31/12/2022. These figures did not agree with the schedule (list) of debtors balances extracted on the same date. An examination of the books revealed the following:

- (i) Discount allowed to a customer of €80 had been treated as a discount disallowed €800 in the general ledger. No entry was made to the customer's account.
- (ii) Interest amounting to €82, charged to a customer's overdue account, had been correctly entered in the customer's account and entered as €28 in the interest account. Following a complaint by the customer the charge was reduced to €70. This reduction had not been entered in the books.
- (iii) Sales of €1,260 had been entered on the credit side of a customer's account. This included cash sales of €650.
- (iv) A contra entry of €280 had been entered on the incorrect side of the control account. When making the entry in the customer's account the item was entered as €380 on the incorrect side.
- (v) Bills receivable of €680 had been entered on the incorrect side of a customer's account.
- (vi) Ryan accepted returns of €400 from a customer and this was entered correctly in the books. However, a credit note was sent to the customer showing a restocking charge of 10% of the sales price. The accounts clerk only made the necessary adjustment in the customer's account. Later this charge was reduced to 2.5% but this reduction was not reflected in the accounts.

Required:

- (a) Prepare the adjusted debtors' ledger control account. (22)
- (b) Prepare the adjusted schedule of debtors showing the original balance. (30)
- (c)
 - (i) Give reasons for preparing debtors' control accounts.
 - (ii) Explain **one** limitation of using control accounts. (8)

(60 marks)

Section 2 begins on page 12

SECTION 2 (200 marks)Answer **TWO** questions**5. Interpretation of Accounts**

The following figures have been taken from the final accounts of Desmond plc, a company in the Cyber security sector, for the year ended 31/12/2022. The company has an authorised capital of €1,000,000 made up of 800,000 ordinary shares of €1 each and 200,000 4% preference shares of €1 each. The firm has already issued 650,000 ordinary shares and 170,000 of the 4% preference shares.

Trading and Profit and Loss Account for the year ended 31/12/2022	
	€
Sales	580,000
Cost of goods sold	(286,000)
Operating expenses for the year	(184,100)
Interest for year	(22,400)
Net profit for year	87,500
Dividends paid	(35,000)
Retained profit	52,500
Profit and loss balance 01/01/2022	28,000
Profit and loss balance 31/12/2022	80,500

Ratios and information for the year ended 31/12/2021	
Dividend per ordinary share	5.11c
Market value of an ord. share	€1.40
Return on capital employed	9.31%
Earnings per ordinary share	12.42c
Gearing	35%
Interest cover	6 times
Acid test ratio	0.96:1
Dividend cover	2.43 times
Dividend yield	3.65%

Balance Sheet of Desmond plc as at 31/12/2022			
	€	€	€
Fixed Assets			970,500
Investments (market value 31/12/2022- €180,000)			<u>220,000</u>
			1,190,500
Current Assets (including stock €32,000 ,debtors €42,000)		110,000	
Less Creditors: amounts falling due within 1 year			
Trade creditors	97,500		
Bank overdraft	<u>22,500</u>	<u>(120,000)</u>	<u>(10,000)</u>
			<u>1,180,500</u>
Financed By			
8% Debentures (2029 secured)			280,000
Capital and Reserves			
Ordinary shares of €1 each		650,000	
4% Preference shares of €1 each		170,000	
Profit and loss balance		<u>80,500</u>	<u>900,500</u>
			<u>1,180,500</u>

Market value of one ordinary share on 31/12/2022 is **€1.35**

- (a) You are required to calculate the following for 2022**
(where appropriate calculations should be made to **two** decimal places):
- (i) Cash sales if the average period of credit given to debtors is 1.5 months
 - (ii) Return on capital employed
 - (iii) Dividend yield
 - (iv) Price earnings ratio
 - (v) Interest cover. (50)
- (b)** An investor, Gavin Grogan, is considering purchasing ordinary shares in Desmond plc. Gavin has contacted you, Sarah Murphy, (Financial Consultant) for advice. Write a report to Gavin Grogan with your recommendations. You should include relevant ratios and other information in your report. (40)
- (c)**
- (i) Employees are users of financial information. If you were an employee of Desmond plc explain why the financial information of the company would be of interest to you.
 - (ii) Identify **two** other users of financial information. (10)

(100 marks)

6. Published Accounts

Jordan plc has an authorised capital of €800,000 divided into 600,000 ordinary shares of €1 each and 200,000 4% preference shares of €1 each. The following trial balance was extracted from the books on 31/12/2022.

	€	€
Vehicles at cost	360,000	
Vehicles – accumulated depreciation on 01/01/2022		37,000
Investment income		6,500
Buildings at cost	450,000	
Buildings – accumulated depreciation on 01/01/2022		78,000
Rental income		12,000
10% Debentures (secured 2030)		200,000
Profit on sale of land		65,000
Bank	32,000	
Stock 01/01/2022	80,500	
Dividends paid	36,000	
Profit and loss account 01/01/2022		13,500
Issued Capital		
Ordinary Shares		200,000
4% Preference shares		150,000
Provision for bad debts		18,000
Debenture interest paid	16,000	
Debtors and creditors	89,000	75,500
3% Investments	200,000	
VAT		15,500
Patent 01/01/2022	66,000	
Administration expenses	241,000	
Distribution costs	202,000	
Purchases and sales	698,900	1,586,900
Commission		<u>13,500</u>
	<u>2,471,400</u>	<u>2,471,400</u>

The following information is relevant:

- (i) Stock on 31/12/2022 is €55,000.
- (ii) The patent was acquired on 01/01/2018 for €110,000. It is being amortised over 10 years in equal instalments. The amortisation is to be included in the cost of sales.
- (iii) During the year the land adjacent to the company's premises, which had cost €95,000 was sold for €160,000.
- (iv) Depreciation is to be provided for on buildings, at a rate of 2% of cost per annum, and is to be allocated 30% to distribution costs and 70% to administrative expenses. There was no purchase or sale of buildings during the year.

It was decided to revalue the buildings to €600,000 on 31/12/2022 and this is to be reflected in the accounts.

- (v) Included in the administration expenses is the receipt of €19,100 for patent royalties.
- (vi) Vehicles are to be depreciated at 20% per annum on a reducing balance basis.
- (vii) Provision should be made for debenture interest due, investment income due, auditor's fees €11,500, director's fees €42,000 and corporation tax €37,000.
- (viii) The company is being sued by a former employee who is claiming unfair dismissal. They are seeking damages for €116,000, (i.e. two years' wages). The company's legal advisors have advised that the company is likely to be liable for the full amount. The company has received an invoice for legal fees to the value of €5,000 which must be provided for.

Required:

- (a) Prepare the published profit and loss account for the year ended 31/12/2022 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. Interest payable
 - 4. Tangible fixed assets
 - 5. Contingent liability. (90)
- (b) (i) Explain why it is important that financial statements are properly regulated.
- (ii) State **three** items of information that must be included in a director's report. (10)

(100 marks)

7. Cash Flow Statement

The following are the balance sheets of Gallagher plc as at 31/12/2022 and 31/12/2021:

Balance Sheet as at	31/12/2022		31/12/2021	
	€	€	€	€
Intangible Fixed Assets				
Patents		70,000		80,000
Tangible Fixed Assets				
Land and buildings	560,000		395,000	
Less accumulated depreciation	<u>(113,000)</u>	447,000	<u>(102,000)</u>	293,000
Machinery	150,000		205,000	
Less accumulated depreciation	<u>(100,000)</u>	50,000	<u>(84,000)</u>	121,000
Financial Assets				
3% Investments at cost		<u>190,000</u>		<u>90,000</u>
		757,000		584,000
Current Assets				
Stock	12,000		20,000	
Debtors	31,000		22,000	
Less bad debts provision	<u>(2,500)</u>		<u>(2,000)</u>	
Government securities	40,000		5,000	
Cash	31,300		29,400	
Investment income due	<u>1,300</u>	113,100	<u>1,500</u>	75,900
Less Creditors: amounts falling due within 1 year				
Trade creditors	38,000		49,000	
Interest payable due	15,000		17,000	
Bank	13,500		22,500	
Tax	<u>55,000</u>	<u>(121,500)</u>	<u>59,000</u>	<u>(147,500)</u>
		<u>748,600</u>		<u>512,400</u>
Financed By				
Creditors: amounts falling due after more than 1 year				
8% Debentures		270,000		210,000
Ordinary shares	300,000		140,000	
Share premium	30,000		15,000	
Profit and loss account	<u>148,600</u>	<u>478,600</u>	<u>147,400</u>	<u>302,400</u>
		<u>748,600</u>		<u>512,400</u>

The following information is also available:

- (i) The total depreciation charge for the year in arriving at operating profit was €58,000.
- (ii) Machinery which had cost €60,000 and on which total depreciation of €31,000 was provided, was sold for €20,000.
- (iii) There was no disposal of buildings during the year but an extension was added to one of the existing buildings.
- (iv) The dividend paid for the year 2022 was €38,000.
- (v) Corporation tax due on 31/12/2021 was paid in full.
- (vi) Debentures €60,000 were issued on 01/04/2022.
- (vii) The additional investments were purchased on the 01/01/2022.

You are required to:

- (a)** (i) Prepare an abridged profit and loss account to ascertain the operating profit for the year ending 31/12/2022.
- (ii) Prepare the cash flow statement of Gallagher plc for the year ended 31/12/2022 including reconciliation statements. (90)
- (b)** Outline the benefits of preparing cashflow statements for Gallagher plc. (10)

(100 marks)

SECTION 3 (80 marks)Answer **ONE** question**8. Marginal Costing and Stock Valuation****(a) Marginal Costing**

McDonagh Ltd produces a single product. The company's profit and loss account for the year ended 31/12/2022, during which 90,000 units were produced and sold, was as follows:

	€	€
Sales (90,000 units)		1,080,000
Materials	180,000	
Direct labour	315,000	
Factory overheads	260,000	
Administration expenses	<u>120,000</u>	<u>(875,000)</u>
Net profit		<u>205,000</u>

The materials, direct labour and 50% of the factory overheads are variable costs. €70,000 of the administration expenses are fixed.

Required:

- (i) The break-even point and margin of safety for McDonagh Ltd.
- (ii) Roughly sketch a graph, showing McDonagh's breakeven point and margin of safety as calculated in part (i).
- (iii) The number of units that must be sold in 2023 if the company wishes to increase its net profit by €120,000, assuming the selling price and cost levels and percentages remain unchanged.
- (iv) The selling price that must be charged in 2023, if fixed costs increase by 12% but the volume of sales and profit remains the same.
- (v) The profit the company would make in 2023 if
 - a commission of 5% of sales is given to sales personnel
 - €1 extra per unit is spent on new packaging
 - the volume of sales increase to 95,000 units
 - the selling price increases to €14 per unit.

(b) Stock Valuation

Doherty Ltd is a retail store that buys and sells one product. The following information relates to the purchases and sales of the firm for the year 2022.

Period	Purchases on credit	Credit Sales	Cash Sales
01/01/2022 – 30/04/2022	4,800 @ €9 each	1,400 @ €10 each	1,700 @ €12 each
01/05/2022 – 31/08/2022	3,100 @ €8 each	2,600 @ €11 each	2,500 @ €10 each
01/09/2022 – 31/12/2022	3,500 @ €10 each	1,700 @ €12 each	1,900 @ €11 each

On 01/01/2022 there was an opening stock of 5,500 units @ €8 each.

Required:

- (i) Calculate the value of closing stock using 'First in/First out' (FIFO) method.
- (ii) Prepare a trading account for the year ended 31/12/2022.
- (iii) Outline **two** implications of an incorrect stock valuation.

(80 marks)

9. Cash Budgeting

Duffy Ltd is preparing to set up business on 01/01/2024. Duffy plans to lodge €30,000 cash into the business bank account and has made the following forecast for the first six months of trading.

	Jan	Feb	March	April	May	June	Total
Sales	€120,000	€180,000	€240,000	€168,000	€150,000	€126,000	€984,000
Purchases	€ 68,000	€86,000	€116,000	€82,000	€68,000	€ 60,000	€480,000

- (i) The expected selling price per unit is €30.
(ii) The cash collection pattern from sales is expected to be:

Cash Customers 40% of sales revenue will be for immediate cash and cash discount of 2% will be allowed.

Credit Customers 60% of sales revenue will be from credit customers. These debtors will pay their bills 50% in the month after sale and the remainder in the second month after sale.

- (iii) The cash payments for purchases are expected to be:

Credit Suppliers The purchases will be paid for 50% in the month after purchase when a 5% cash discount will be received. The remaining purchases will be paid for in the second month after purchase.

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

Expected Costs Wages €12,000 plus 5% of sales revenue per month, payable as incurred.

Variable overheads €5 per unit payable as incurred.

Fixed overheads (including depreciation) €23,000 per month payable as incurred.

Capital Costs Equipment costing €144,000 with an estimated useful life of 6 years and no residual value, will be purchased on 01/01/2024.

To finance the purchase a loan of €120,000 will be secured at 6% per annum on 01/01/2024.

The capital sum is to be repaid in 20 equal monthly instalments commencing on 01/02/2024. The interest for each month is to be paid on the last day of each month based on the amount of the loan outstanding at that date.

Required:

- (a) Prepare a cash budget for Duffy Ltd for each of the six months January to June 2024.
(b) Prepare a budgeted profit and loss account for Duffy Ltd for the six months ending 30/06/2024.
(c) (i) Outline how budgeting can help to improve the performance of a business.
(ii) Explain using an example what is meant by controllable costs.

(80 marks)