

**WARNING**

You must return this section with your answer book otherwise marks will be lost.

Candidate's Examination Number



# Coimisiún na Scrúduithe Stáit State Examinations Commission

JUNIOR CERTIFICATE EXAMINATION, 2004

## BUSINESS STUDIES – HIGHER LEVEL – PAPER I SECTION A (80 Marks)

WEDNESDAY, 16 JUNE 2004 – MORNING, 9.30 to 12.00

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

1. Tick (✓) the appropriate box.

The share of profit which each shareholder in a company receives is called a:

Bonus

☐

Dividend

☐

Commission

☐

Premium

☐

2. Tick (✓) the most suitable activity for each of the following people at work in a large manufacturing firm.

PEOPLE AT WORK	ACTIVITY			
	Recruits union members	Hires new staff	Makes the product	Makes sure work is on time
Personnel Manager				
Shop Steward				
Supervisor				
Worker				

**3. Answer A or B.**

- A** A firm is selling a product for €200. The product costs €150. Calculate the percentage mark-up.

**Answer**

	%
--	---

**Workings**

--

**OR**

- B** Summary Trading, Profit and Loss Account for the year ending 31-12-2003.

	€	
Sales	360,000	
Cost of Sales	?	
	_____	
Gross Profit	?	
Total Expenses	80,000	
	_____	
Net Profit	30,000	
	=====	

Calculate the figures for:

- (i)** Gross Profit

**Answer**

€

--

**Workings**

**(i)**

--

- (ii)** Cost of Sales

**Answer**

€

--

**Workings**

**(ii)**

--

- 4.** Name **two** documents required to be completed in forming a limited company.

**(i)**

\_\_\_\_\_

**(ii)**

\_\_\_\_\_

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

COUNTRY	CURRENCY
Italy	
United Kingdom	
United States	
Denmark	

6. Answer A or B.

Write a brief note on:

A Collateral \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

OR

B Hire Purchase \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

7. The following entries appeared in the bank columns of B. Brosnan's cash book.

DR				Cash Book				CR			
Date	Details	F	Bank	Date	Details	F	Bank	Date	Details	F	Bank
2004 May 10	T. Cronin	DL	€ 940	2004 May 1	Balance	b/d	€ 500				

Complete the sentences below to explain the entries in the Cash Book.

On May 1, B. Brosnan \_\_\_\_\_  
 \_\_\_\_\_

On May 10, B. Brosnan \_\_\_\_\_  
 \_\_\_\_\_

8. Tick (✓) the correct box to show whether the following statements are True or False.

	True	False
(i) Money is anything which is acceptable by people in exchange for goods and services.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Legal tender is the official currency of a country.	<input type="checkbox"/>	<input type="checkbox"/>

9. A debtor owed a business €1,000. The debtor was declared bankrupt and paid 25 cent in the euro. The balance was written off as a bad debt. Calculate the amount written off as a bad debt.

Answer

€

**Workings**

10. Outline **two** ways a business could check the credit worthiness of a new customer.

(i) \_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

\_\_\_\_\_

11. Show how the following transaction would be recorded in the accounts of Dolan Ltd., a retail grocer.

*Dolan Ltd purchased goods on credit from B. Giles*

Debit \_\_\_\_\_ Account.

Credit \_\_\_\_\_ Account.

12. **Answer A or B.**

**A** What do the following initials stand for?

(i) DIRT \_\_\_\_\_

(ii) APR \_\_\_\_\_

(iii) CAR \_\_\_\_\_

(iv) VAT \_\_\_\_\_

**OR**

**B** List **four** different **types** of financial institutions where a person can save money.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

(iii) \_\_\_\_\_

(iv) \_\_\_\_\_

13. Tick (✓) the appropriate box.

In which of the following Books of First Entry would a firm record the purchase of Fixed Assets on credit.

Cash Book	<input type="checkbox"/>
Purchases Book	<input type="checkbox"/>
General Journal	<input type="checkbox"/>
Sales Book	<input type="checkbox"/>

14. Tick (✓) the appropriate box.

What is the name given to the difference between a company's current assets and current liabilities?

Capital Employed	<input type="checkbox"/>
Working Capital	<input type="checkbox"/>
Total Net Assets	<input type="checkbox"/>

15. Complete the extract from the invoice below, using the following data:

*Total (Ex. VAT) €1,000; VAT 21%; Trade Discount 20%.*

Total (Ex. VAT)	€
Trade Discount	€
	€
VAT	€
Total (Incl. VAT)	€

16. The following is an extract from a Profit and Loss account of a firm for the year ending 31/12/2003.

Profit & Loss Account		
	€	€
Insurance	1,500	
Less insurance pre-paid	500	1,000

- (i) What is the figure for insurance **used** during the year? **Answer**
- (ii) What is the figure for insurance **paid** during the year? **Answer**

17. Dylan had €1 pocket money and was undecided whether to spend it on a bar of chocolate or a can of orange. He eventually bought the bar of chocolate.
- (i) What was the opportunity cost involved? \_\_\_\_\_
- (ii) What was the financial cost involved? \_\_\_\_\_

18. Explain why a company may retain profits at the end of a financial year.

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19. Complete the sentences (i) and (ii) below by selecting the correct terms from the following list.

<b>Hardcopy, Software, Print Out, Bar Code, Scanner.</b>
--

- (i) Computer programs are also known as \_\_\_\_\_.
- (ii) The computer input device which can read a special printed code is known as a  
\_\_\_\_\_.

20. The following rent account is prepared using a continuous balance presentation.

Record the payment of €200 rent by cheque on April 5 2004.

**Rent Account**

Date	Details	F.	Dr	Cr	Balance
2004			€	€	€
April 1	Balance	b/d.	40		40
April 5					

For use in answering Section B Question 1(A).

	ORIGINAL BUDGET				REVISED BUDGET			
	JULY	AUG	SEPT	TOTAL	JULY	AUG	SEPT	TOTAL
<b>INCOME</b>								
Mr. O'Mahony Salary	1,700	1,700	1,700	5,100				
Ms. O'Mahony Salary	800	800	800	2,400				
Child Benefit	40	40	40	120				
<b>Total Income</b>	<b>2,540</b>	<b>2,540</b>	<b>2,540</b>	<b>7,620</b>				
<b>EXPENDITURE</b>								
<b>Fixed</b>								
House Mortgage	500	500	500	1,500				
Car Loan	230	230	230	690				
Car Insurance		510		510				
House Insurance			190	190				
<b>Sub Total</b>	<b>730</b>	<b>1,240</b>	<b>920</b>	<b>2,890</b>				
<b>Irregular</b>								
Household Costs	920	920	920	2,760				
Car Running Costs	115	115	115	345				
Light & Heat		60		60				
Telephone	75		75	150				
<b>Sub Total</b>	<b>1,110</b>	<b>1,095</b>	<b>1,110</b>	<b>3,315</b>				
<b>Discretionary</b>								
Holidays								
Entertainment	200	200	200	600				
Birthdays & Presents	40		40	80				
Household Decoration		175		175				
<b>Sub Total</b>	<b>240</b>	<b>375</b>	<b>240</b>	<b>855</b>				
<b>Total Expenditure</b>	<b>2,080</b>	<b>2,710</b>	<b>2,270</b>	<b>7,060</b>				
<b>Net Cash</b>	<b>460</b>	<b>-170</b>	<b>270</b>	<b>560</b>				
Opening Cash	-100	360	190	-100				
<b>Closing Cash</b>	<b>360</b>	<b>190</b>	<b>460</b>	<b>460</b>				

For use in answering Section B Question 1(B).

- (i) In the original budget name a month in which planned income is greater than planned expenditure.

Answer \_\_\_\_\_

- (ii) Comment on the O'Mahony's finances before July.

Answer \_\_\_\_\_

- (iii) Is their revised budget a good one for their new circumstances? Give reasons for your answer.

Answer \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Use this space for workings**

<b>LODGMNT/BANK GIRO</b> CREDIT TRANSFER		<b>ONLY</b>		<b>LODGMNT/BANK GIRO</b> CREDIT TRANSFER		<b>Bank of Ireland</b>																									
To Bank of Ireland	To Bank of Ireland			Date		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 20%;">Notes</td><td style="width: 10%;">€</td><td style="width: 10%;"></td><td style="width: 10%;"></td></tr> <tr><td>Coin</td><td>€</td><td></td><td></td></tr> <tr><td><b>Total Cash</b></td><td>€</td><td></td><td></td></tr> <tr><td>€ Chq. Total</td><td></td><td></td><td></td></tr> <tr><td></td><td>€</td><td></td><td></td></tr> <tr><td><b>Total</b></td><td>€</td><td></td><td></td></tr> </table>		Notes	€			Coin	€			<b>Total Cash</b>	€			€ Chq. Total					€			<b>Total</b>	€		
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# Coimisiún na Scrúduithe Stáit State Examinations Commission

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JUNIOR CERTIFICATE EXAMINATION, 2004

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## BUSINESS STUDIES – HIGHER LEVEL – PAPER I

### SECTION B

(160 Marks)

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WEDNESDAY, 16 JUNE 2004 – MORNING, 9.30 to 12.00

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- All questions carry equal marks.
- Attempt any **FOUR** questions.
- Marks will be awarded for layout and presentation including, where appropriate, Folios and Dates showing the day, month and year.
- Calculators may be used.

## SECTION B (160 marks)

All questions carry equal marks.

Attempt any **FOUR** questions.

Marks will be awarded for layout and presentation including, where appropriate, Folios and Dates showing the day, month and year. Calculators may be used.

1. **Answer ALL sections. This is a Household Budget Question.**

- A. At the end of **Section A page 7** is an original Budget and a revised Budget form for the O'Mahony family from July to September 2003. After preparing the Budget for July to September 2003 Mr. O'Mahony was informed that he would be getting a promotion in his job. This would result in an increase in the family income starting in July. The O'Mahony family decided to revise their Budget in view of the changed circumstances.

You are required to complete the revised Budget form, taking the following into account:

- Mr. O'Mahony's annual salary will be €28,560 net payable monthly.
- Ms. O'Mahony decided to go job sharing which would result in a 30% reduction in her net salary from the beginning of July.
- The O'Mahony family decided to buy a second car by getting another loan. The total cost of this new loan including interest will be €12,000 repayable monthly over 4 years beginning in August.
- The insurance on the new car will cost €450 for the year payable in full in July.
- Household costs will be reduced by €80 per month immediately.
- Car running costs will increase by 40% per month beginning in July.
- They decided to take a holiday in July at a cost of €1,600.
- They intend to postpone the house decorating until November.
- All other income and expenses are to remain the same.

(30)

- B. Answer the following questions in the space provided at the end of **Section A, page 7**.

- (i) In the original Budget name a month in which planned income is greater than planned expenditure.
- (ii) Comment on the O'Mahony's finances before July.
- (iii) Is their revised budget a good one for their new circumstances? Give reasons for your answer.

(10)

(40 marks)

2. **Answer ALL sections. This is a Banking Document and Club Account Question.**

The Rovers Football Club, Park Road, Cork have a bank current account number 91327566 at the Bank of Ireland, Wilton, Cork. On the 13 May 2004 William Smith lodged to the club's account the proceeds of a game held in the club's grounds.

The lodgment consisted of the following amounts:

Cheque valued €75.50	13 notes of €20 each
24 notes of €10 each	20 notes of €5 each
81 coins of €2 each	143 coins of €1 each
90 coins of 50 cent each	

- A. Assume you are William Smith, complete a lodgment form from the information supplied above. Use the blank document supplied at the end of **Section A page 8**, and show your workings in the space provided. (13)
- B. The Treasurer has prepared the following Receipts and Payments Account for the year ending 31/12/2003.

Receipts and Payments Account for year ending 31/12/2003					
		€		€	
1/1/03	Balance b/d	2,000	Telephone	464	
	Membership fees	2,400	Rent	5,800	
	Raffle Receipts	10,394	Purchase of Equipment	11,750	
	Match Receipts	4,759	Insurance	2,877	
31/12/03	Balance c/d	3,822	Coaching Expenses	1,860	
			Travel Expenses	624	
		23,375		23,375	
			1/1/04	Balance b/d	3,822

The following additional information is available on 31/12/2003:

- (a) Insurance prepaid €150
- (b) Travel Expenses due €200
- (c) Membership fees due €85
- (d) Depreciation of Equipment 10% per annum.

You are asked to assist the treasurer in finalising the accounts for the AGM.

- (i) Prepare the Income and Expenditure Account for the year ending 31/12/2003.
- (ii) What is the club's financial position in the Bank on 31/12/2003?

(27)

(40 marks)

OVER →

3. **Answer ALL sections. This is a National Budget, Factors of Production and Trade Question.**

A. The Minister for Finance in his recent budget decided to:

- increase spending on **roads**;
- sell part of **Aer Lingus**;
- increase spending on **social welfare**;
- increase **income tax** rates.

From the above decisions identify **one** example in each case of:

- (i) Government Current Expenditure;
- (ii) Government Capital Income;
- (iii) Government Capital Expenditure.

(6)

B. Study the following newspaper report and answer the questions that follow:

**Shock Closure of Eurocom Ltd**

Eurocom Ltd, the large electronic company which employs in Ireland a skilled workforce of two thousand people announced its intention to close its plant in Ireland and to relocate its production in Poland. It is the only manufacturer of high-grade computer chips which are used by Irish and European computer manufacturers. The redundant workforce will find it difficult to secure alternative employment in the immediate future.

Explain the effects of this closure on:

- (i) Government Current Income;
- (ii) Government Current Expenditure;
- (iii) Ireland's Balance of Trade.

(12)

C. The Government has decided to build more hospitals.

Identify and explain **one** opportunity cost of this decision, for the Government.

(4)

D. Name the **four** factors of production and state **one** example in each case.

(12)

E. Explain **two** of the following terms:

- (i) National Budget;
- (ii) Trade Surplus;
- (iii) Economic Growth.

(6)

**(40 marks)**

4.

**Answer ALL sections. This is an Insurance Question.**

John works as an office manager. He owns a house and a motor car. He has four young children and a large mortgage on his house. He is considering not renewing the insurance on the house and car due to increased insurance costs.

A. (i) What is the term used for the amount paid by John to take out insurance? (3)

(ii) Is John required by law to insure

- His house;
- His car.

Explain your answer in **each** case. (6)

(iii) Outline **two** possible reasons why John's insurance costs have increased. (6)

B. John was advised by his broker to take out adequate insurance cover and to remember the principle of 'utmost good faith' when taking out insurance.

(i) Explain the need for adequate insurance on his car and house. (4)

(ii) Name the document completed by John when taking out insurance. (3)

(iii) When applying for car insurance state **three** pieces of information other than name, address and telephone number which John must supply. (6)

(iv) Explain what is meant by the principle of 'utmost good faith'. (4)

C. John wishes to insure the family house for €160,000 and its contents for €70,000. He received a quotation from his broker of €12 per €10,000 for the house and €8 per €1,000 for the contents. There is a 15% reduction because the home has a house alarm.

Calculate the cost of insurance on the family home. Show your workings. (8)

**(40 marks)**

5. **Answer ALL sections. This is a Banking and Borrowing Question.**

Kitty O'Shea has an account in the Ulster Bank. She received the following bank statement on 2 June 2004.

Statement of Account				
Kitty O'Shea, Main Street, Claremorris, Co. Mayo.		Ulster Bank, Claremorris, Co. Mayo.		Branch Code: 91-05-09
				Account No: 1961218
				Date: 31 May 2004
Date	Details	Debit €	Credit €	Balance €
1 May 2004	Balance Forward			679
3 May 2004	Cheque 73	174		505
15 May 2004	Paypath		1,450	1,955
17 May 2004	DD – ESB	750		1,205
20 May 2004	ATM – Ballina	400		805
24 May 2004	Cheque 72	340		465
28 May 2004	Bank Charges	18		447

Study this Bank Statement and answer the following questions:

- A. (i) Is this a deposit account or a current account? Give a reason for your answer. (4)
- (ii) State **two** advantages of paying a debt by cheque. (4)
- (iii) Explain how the DD system operates. (4)
- (iv) Explain the transactions that occurred on the following dates:  
 • 15 May; • 20 May; • 28 May. (6)
- B. Kitty is considering borrowing €4,000 from the Bank to purchase a second hand car. She is unsure if she should ask for a loan or an overdraft.
- (i) State **two** differences between a loan and an overdraft. (6)
- (ii) Explain **three** factors which the bank would consider before granting a loan to a customer. (9)
- C. (i) If the bank refused Kitty's request for finance, state **one** other suitable source of finance she could choose to obtain the car.
- (ii) State **one** advantage and **one** disadvantage of the source of finance chosen. (7)

**(40 marks)**

6.

**Answer ALL sections. This is a People at Work Question.**

- A.** Joan works for Fresh Fruit Ltd selling and delivering fruit and vegetables to shops and hotels in Leitrim. She is paid a basic wage of €160 per week plus a 5% commission on weekly sales in excess of €3,000. Her sales last week were €8,440.

Calculate Joan's gross pay for the week. (5)

- B.** Joan is considering becoming self employed in the fruit and vegetable business. She will have to recruit one employee.

(i) Explain, with an example, how work differs from employment. (4)

(ii) Outline **two** rewards and **two** risks of being self employed. (8)

(iii) Outline **three** responsibilities of the new employee. (9)

(iv) State **two** statutory deductions taken from an employee's gross wages. (4)

(v) Outline the purpose of each of these statutory deductions. (4)

- C.** Joan estimates that the total annual expenses of her new business would be €150,000.

Calculate the average monthly sales required if Joan is to receive an average monthly profit of €4,500. (6)

**(40 marks)**

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