



Accounting Leaving Certificate Higher Level

Past Exam Questions on:

Service Firms

2012

6. Service Firm

The following were included in the assets and liabilities of the New Era Gym and Health Centre Ltd, on 01/01/2011:

Buildings and Grounds €520,000; Equipment €75,000; Vehicles at cost €60,000; Stock in shop €3,600; Stock of heating oil €1,800; Creditors for supplies to Gym and Health Centre €1,500; 5% Investments €40,000; Contract cleaning prepaid €300; Clients deposits paid in advance €5,000. The Authorised Capital of the company was €400,000 and the Issued Capital was €350,000.

All fixed assets have 3 years accumulated depreciation on 01/01/2011.

The following is a Receipts and Payments Account for the year ended 31/12/2011:

Receipts and Payments Account of New Era Gym & Health Centre Ltd for year ended 31/12/2011

	€		€
Balance at Bank 01/01/2011	6,500	Laundry	3,000
Clients fees	320,000	Telephone	1,400
Investment Income	1,100	Wages & Salaries	84,300
Shop receipts	42,000	Repayment of €30,000 loan on 01/04/2011	
Balance 31/12/2011	108,600	with 15 months interest	36,000
		Equipment	20,000
		New extension	220,000
		New vehicle	40,000
		Contract cleaning	3,400
		Light and heat	3,300
		Insurance	6,200
		Purchases – shop	26,000
		Purchases – supplies	34,600
	<u>478,200</u>		<u>478,200</u>

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

- (i) Closing stock at 31/12/2011: Shop €1,600, Heating oil €400.
- (ii) Cleaning is done under contract payable monthly in advance and includes a payment of €700 for January 2012.
- (iii) Clients fees includes fees for 2012 of €5,500. Clients fees in arrears at 31/12/2011 €600.
- (iv) Wages and Salaries include €20,000 per annum paid to the secretary, who also runs the shop. It is estimated that 40% of this salary and €300 of the light and heat, €900 of the insurance and €400 of the telephone is attributable to the shop.
- (v) Creditors for supplies to the Gym & Health Centre at 31/12/2011 are €2,000.
- (vi) Electricity due on 31/12/2011 €340.
- (vii) Depreciation to be provided as follows:
 - Buildings 2% of cost for the full year
 - Equipment 10% of cost for the full year
 - Vehicles 20% of cost per annum from date of purchase to date of sale.
 - The vehicle held on 01/01/2011 was purchased on 01/01/2008 and was traded in on 01/07/2011 against a new vehicle. The trade in allowance was €8,000 against a new vehicle valued at €48,000.
- (viii) On 31/12/2011 the New Era Gym and Health Centre Ltd decided to re-value buildings at €850,000.

Required:

- (a) Calculate the company's reserves (profit and loss balance) on 01/01/2011. (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2011. (10)
- (c) Prepare a Profit and Loss Account of New Era Gym and Health Centre Ltd for the year ended 31/12/2011. (36)
- (d) Prepare a Balance Sheet on 31/12/2011. (30)
- (e) The company now wishes to purchase equipment for the new extension. Advise the company on how to fund the expected cost of €150,000. (6)

(100 marks)

Q2010

6. Service Firm

The following were included in the assets and liabilities of the Elms Nursing Home Ltd, on 01/01/2009: Buildings and Grounds €550,000; Equipment €45,000; Mini Bus at cost €50,000; Stock in shop €3,300; Stock of Heating oil €1,600; Creditors for supplies to Nursing Home €1,000; 5% Investments €30,000; Contract cleaning prepaid €200; Clients deposits paid in advance €4,000; Authorised Capital €450,000; Issued Capital €320,000.

All fixed assets have 3 years accumulated depreciation on 01/01/2009

The following is a Receipts and Payments Account for the year ended 31/12/2009:

Receipts and Payments Account of Elms Nursing Home Ltd for year ended 31/12/2009

€		€	
Balance at Bank 01/01/2009	8,250	Laundry	2,000
Clients fees	340,000	Telephone	1,600
Investment Income	1,000	Wages & Salaries	85,500
Shop receipts	40,000	Repayment of €40,000 loan on 01/05/2009	
Balance c/d	75,450	with 18 months Interest.	48,100
		Equipment	15,000
		New extension	200,000
		New Mini Bus	35,000
		Contract cleaning	3,500
		Light and heat	3,100
		Insurance	6,400
		Purchases – shop	28,000
		Purchases – supplies	35,900
		Dishonoured cheque – fees	600
	<u>464,700</u>		<u>464,700</u>

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

- (i) Closing stocks at 31/12/2009: Shop €1,500, Heating oil €300.
- (ii) Cleaning is done under contract payable monthly in advance and includes a payment of €400 for January 2010.
- (iii) Clients' fees include fees for 2010 of €5,000. Clients' fees in arrears at 31/12/2009 €500.
- (iv) The dishonoured cheque was not subsequently recovered, and was written off as a bad debt.
- (v) Wages and Salaries include €18,000 per annum paid to the secretary, who also runs the shop. It is estimated that 40% of this salary, €250 of the light and heat, €800 of the insurance and €350 of the telephone is attributable to the shop.
- (vi) Creditors for supplies to the Nursing Home at 31/12/2009 are €1,800.
- (vii) Electricity due on 31/12/2009 €320.
- (viii) Depreciation to be provided as follows:
 - Buildings 2% of cost for the full year
 - Equipment 15% of cost per annum
 - Mini bus at 20% of cost per annum from date of purchase to date of sale
 - The mini bus held on 01/01/2009 was purchased on 01/01/2006 and was traded in on 01/07/2009 against a new mini bus. The trade in allowance was €7,000 against a new bus valued at €42,000.
- (ix) On 31/12/2009 the Elms Nursing Home Ltd decided to re-value buildings at €900,000

Required:

- (a) Calculate the company's reserves (profit and loss balance) on 01/01/2009 (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2009 (10)
- (c) Prepare the Profit and Loss Account of Elms Nursing Home Ltd for the year ended 31/12/2009 (36)
- (d) Prepare the Balance Sheet of Elms Nursing Home Ltd on 31/12/2009 (30)
- (e) The management of the nursing home is considering an increase of 10% in the clients' fees. What advice would you give? Explain your answer. (6)

(100 marks)

6 Service Firm

Q6 2003

6 Service Company Accounts

Included in the assets and liabilities of the Slimline Health Centre Ltd on 1/1/2002 were the following:

Buildings and Grounds at cost €520,000; Equipment at cost €90,000; Furniture at cost €25,000; Stock of health food for sale €1,500; Heating oil €660; Contract cleaning prepaid €300; Creditors for supplies to health centre €1,450; Clients' Fees paid in Advance €5,500, Investments €80,000; Authorised Capital, €450,000; Issued Capital €320,000;

All fixed assets have 3 years accumulated depreciation on 1/1/2002.

Receipts and Payments Account of Slimline Health Centre Ltd for the year ended 31/12/2002

Receipts	€	Payments	€
Current a/c balance	7,560	Wages and salaries	88,240
Client's fees	262,600	Insurance	6,300
Interest	2,160	Light and heat	2,900
Shop receipts	67,000	Purchases - shop	41,300
Balance	9,500	Purchases - supplies	38,600
		Laundry	4,100
		New extension 1/1/2002	80,000
		Contract Cleaning	2,700
		Telephone and postage	1,880
		Equipment	16,000
		Repayment of €60,000 loan on 1/6/2002 with 17 months interest	66,800
	<u>€348,820</u>		<u>€348,820</u>

You are given the following additional information and instructions:

1. Closing stock at 31/12/2002: Shop €1,800; Heating Oil €360; Electricity due 31/12/2002 €290.
2. Cleaning is done by contract payable monthly in advance and includes a payment of €400 for January 2003.
3. Clients' fees include fees for 2003 of €4,000.
4. Clients' fees in arrears at 31/12/2002 €650.
5. Wages and salaries include €16,000 per annum paid to the receptionist who also runs the shop. It is estimated that 60% of this salary and €220 of the light and heat, €600 of the insurance and €360 of the telephone is attributable to the shop.
6. Slimline Health Centre Ltd decided to re-value buildings and grounds at €700,000 on 31/12/2002.
7. Depreciation to be provided as follows:
Buildings - 2% of cost for a full year.
Equipment - 20% of cost per annum.
Furniture - 20% of cost per annum.
8. Creditors for supplies to health centre at 31/12/2002 €1,600.

You are required to:

- (a) Calculate the company's reserves on 1/1/2002. (20)
 - (b) Calculate the Profit/loss from the health shop for the year ended 31/12/2002. (12)
 - (c) Prepare a Profit and Loss Account for the year ended 31/12/2002. (36)
 - (d) Prepare a Balance Sheet on 31/12/2002. (32)
- (100 marks)**

Q6 2007

6 Service Firm

The following were included in the assets and liabilities of the Oak Health Centre Ltd, on 1/1/2006: Buildings €500,000; Equipment €70,000; Furniture at cost €20,000; Stock of health food for sale €1,300; Heating oil €640; Creditors for supplies to Health Centre €1,250; 5% Investments €70,000; Contract cleaning prepaid €250; Clients' fees paid in advance €4,300; Authorised Capital €430,000 and Issued Capital €300,000.

All fixed assets have 2 years accumulated depreciation on 1/1/2006.

The following is the Receipts and Payments Account for the year ended 31/12/2006:

Receipts and Payments Account of Oak Health Centre for year ended 31/12/2006			
	€		€
Balance at Bank 1/1/2006	7,250	Laundry	800
Clients' fees	252,600	Wages & Salaries	86,220
Investment Income	3,000	Repayment of €50,000 loan on	
Shop receipts	65,000	1/5/2006 with 18 months interest	57,200
		Equipment	14,000
		New extension	70,000
		Cleaning	2,600
		Light and heat	2,800
		Insurance	6,200
		Telephone	1,660
		Purchases – shop	42,100
		Purchases – supplies	36,800
		Balance at Bank 31/12/2006	<u>7,470</u>
	<u>327,850</u>		<u>327,850</u>

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

1. Closing stocks at 31/12/2006: Shop €1,600, Heating oil €250.
2. Cleaning is done under contract payable monthly in advance and includes a payment of €300 for January 2007.
3. Clients' fees includes fees for 2007 of €3,000. Clients' fees in arrears at 31/12/2006 €450.
4. The closing figure for bank does not take into account a dishonoured cheque €100 received from a client and lodged in late December.
5. Wages and Salaries include €12,000 per annum paid to the receptionist, who also runs the shop. It is estimated that 70% of this salary, €200 of the light and heat, €500 of the insurance and €340 of the telephone are attributable to the shop.
6. On 31/12/2006 the Oak Health Centre Ltd. decided to re-value Buildings at €680,000.
7. Electricity due 31/12/2006 €270.
8. Creditors for supplies to the Health Centre Ltd. at 31/12/2006 are €1,400
9. Depreciation to be provided as follows:
 - Buildings 2% of cost for the full year.
 - Equipment 15% of cost per annum.
 - Furniture 25% of cost per annum.

You are required to:

- (a) Calculate the company's reserves on 1/1/2006. (20)
- (b) Calculate the Profit/Loss from the shop for the year ended 31/12/2006. (12)
- (c) Prepare a Profit and Loss account for the year ended 31/12/2006. (36)
- (d) Prepare a Balance Sheet on 31/12/2006. (32)

(100 marks)

