

Cork Institute of Technology

Bachelor of Science (Honours) in Herbal Science – Stage 2

(SHERB_8_Y2)

Autumn 2008

Business and Industrial Studies

(Time: 3 Hours)

Answer four questions only.

Question 1 is compulsory.

Answer one other question from Section A.

Answer one question from Section B and one question from Section C.

Examiners: Dr. D. Corrigan

Dr. D. Clare

Philip Brennan

SECTION A

Q.1 Compulsory Financial Statements

Herbal World

Trial Balance as at 31 December 2007

| | Dr | Cr | |
|--|------------------|----|------------------|
| | | € | € |
| Sales | | | 913,890 |
| Purchases | 578,400 | | |
| Rent paid | 9,800 | | |
| Sales returns | 4,800 | | |
| Premises | 710,500 | | |
| Purchase returns | | | 5,300 |
| Motor expenses | 2,380 | | |
| Stock (1.1.07) | 45,680 | | |
| Bad debts | 1,450 | | |
| Provision for doubtful debts (1.1.07) | | | 1,200 |
| Wages & salaries | 87,560 | | |
| Rates | 5,832 | | |
| Telephone | 1,315 | | |
| Electricity | 5,800 | | |
| Shop fittings (at cost) | 54,000 | | |
| Vans (at cost) | 27,500 | | |
| Debtors & Creditors | 49,500 | | 36,000 |
| Capital | | | 665,127 |
| Bank | 12,500 | | |
| Accumulated depreciation at 1.1.07 : Shop fittings | | | 7,000 |
| : Vans | | | 4,500 |
| Drawings | 36,000 | | |
| | <u>1,633,017</u> | | <u>1,633,017</u> |

Notes (all relative to 31 December 2007)

1. Stock €55,000
2. Wages accrued €5,500
3. Rates prepaid €470
4. The provision for doubtful debts is to be increased to €1,400.
5. €220 was due on the telephone bill.
6. Depreciate shop fittings at 10% and vans at 20% per annum straight line.

Requirements:

- a. Prepare a trading and profit and loss account for the year ended 31 December 2007 [13 marks]
 - b. Prepare a balance sheet as at that date, [12 marks]
- [Total 25 Marks]**

Q.2 Control Accounts

| 2008 | | | € |
|-------------|---|------------------------------------|----------|
| Jan | 1 | Sales ledger balances – Debit | 20,040 |
| | | Purchases ledger balances – Credit | 14,860 |

Totals for six months to 30 Jun 2008

| | |
|-------------------------------|---------|
| Payments to trade creditors | 93,685 |
| Cheques from credit customers | 119,930 |
| Purchases on credit | 95,580 |
| Sales on credit | 124,600 |
| Bad debts written off | 204 |
| Discounts allowed | 3,480 |
| Discounts received | 2,850 |
| Returns inwards | 1,063 |
| Returns outwards | 240 |

| | | |
|--------|------------------------------------|--------|
| 30 Jun | Sales ledger balances – Debit | 19,963 |
| | Purchases ledger balances – Credit | 13,665 |

Required:

Prepare the sales ledger control account and the purchases ledger control account for the six-months ended 30 June 2008. **[15 marks]**

Q.3 Bad Debts and Provision for Doubtful Debts

Jean McCarthy started trading on the 1 Jan 2005 and adjusts her provision for doubtful debts at the end of each year on a percentage of debtors basis. Each year the percentage rate is adjusted in line with the advice from her business consultant. Her year-end is the 31 December and the following details are available for the last three years.

| Year | Bad debts written off | Debtors at 31 Dec after bad debts written off | Percentage Provision for doubtful debts |
|-------------|------------------------------|--|--|
| | € | € | % |
| 2005 | 2,500 | 56,800 | 3 |
| 2006 | 4,790 | 81,300 | 5 |
| 2007 | 3,618 | 89,400 | 4 |

You are required to show in respect of 2005, 2006 and 2007:

- The Bad debts Account. **[4 marks]**
- The Provision for Doubtful Debts Account. **[4 marks]**
- The Profit & Loss Account extracts in respect of a. and b. **[5 marks]**
- The debtor extracts in the year-end Balance Sheet. **[2 marks]**

[Total 15 marks]

SECTION B

Q.4 Contract Law

- a. Explain the term 'Invitation to treat'. Give three examples and explain its significance in contract law [10 marks]
 - b. What are the essentials of a valid acceptance? [10 marks]
 - c. Distinguish between Conditions, Warranties and Exemptions in contract law. [10 marks]
- [Total 30 marks]**

Q.5 Tort

- a. What is an Injunction? Explain the different types of injunctions and when will an injunction not be granted by the courts. [10 marks]
 - b. Explain the principles of Occupiers' Liability under common law and under the Occupiers' Liability Act 1995 [10 marks]
 - c. There are two forms of defamation recognised by law. Explain each one and show how they differ from each other [10 marks]
- [Total 30 marks]**

SECTION C

Q.6 Marketing Mix and Product Life-Cycle

- a. Explain what is meant by the description of marketing as an 'exchange process' [10 marks]
 - b. List the main elements of a company's micro-environment that can influence how it operates. [10 marks]
 - c. Explain briefly the elements of the Product Life-Cycle [10 marks]
- [Total 30 marks]**

Q.7 Promotion and Distribution

- a. List the elements of the marketing communication process. [10 marks]
 - b. To communicate with consumers, a company may use one or more of four communication tools. List those tools and explain in detail one of them. [10 marks]
 - c. Explain the main concerns in establishing a distribution network. [10 marks]
- [Total 30 marks]**