SECTION 1 (120 marks)

Answer **Question 1** OR any **TWO** other questions.

1. **Company - Final Accounts**

Robinson Ltd. has an Authorised Capital of £960,000 divided into 600,000 Ordinary Shares at £1 each and 360,000 8% Preference Shares at £1 each. The following Trial Balance was extracted from its books on 31/12/1999.

	£	£
Land and Building at cost	840,000	
Accumulated depreciation — Land and buildings		42,000
Delivery vans at cost	273,000	
Accumulated depreciation — Delivery vans		70,000
Patents (incorporating 3 months investment income)	57,500	
8% Investments 1/4/1999	125,000	
Stocks 1/1/1999	54,000	
Purchases and Sales	520,000	860,000
Directors' fees	40,000	
Salaries and General Expenses	145,000	
Debenture interest paid for first 3 months	5,000	
Debtors and Creditors	61,000	54,000
Provision for Bad Debts		2,700
Interim dividends for first 3 months	25,000	
Profit and loss balance 1/1/1999		82,000
8% Debentures (including 100,000 8% debentures issued at par on 31/3/1999)		350,000
VAT		18,000
Bank		16,800
Issued capital		
400,000 Ordinary shares at £1 each		400,000
250,000 8% Preference shares		250,000
	2,145,500	2,145,500

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

(i) Stock at 31/12/1999 at cost was £57,000 — this figure includes old stock which cost £10,000 but has a net realisable value of 60% of cost.

(ii) Patents, which incorporated 3 months investment income, are to be written off over a 4 year period commencing in 1999.

(iii) The figure for bank in the trial balance has been taken from the firm's bank account. However, a bank statement dated 31/12/99 has arrived showing an overdraft of £10,630. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. Investment income £2,500 had been paid direct to the firm's bank account.
2. A direct debit to ESB of £750 had not been recorded in the firm's books.
3. A cheque for £860, issued to a supplier, had been entered in the books **(cash book and ledger)** as £680.
4. A credit transfer of £600 had been paid direct to the firm's bank account on behalf of a bankrupt debtor. This represents a first and final payment of 30p in the £1.
5. A cheque issued for £4,000 to a director had not yet been presented for payment.

(iv) Provide for depreciation on delivery vans at the annual rate of 20% of cost from the date of purchase to the date of sale. NOTE: On 31/5/1999 a delivery van which had cost £54,000 on 1/6/1997, was traded in against a new van which cost £72,000. An allowance of £30,000 was made on the old van. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction.

(v) Buildings are to be depreciated at the rate of 2% of cost per annum (Land at cost was £140,000). At the end of 1999 the company re-valued the land and buildings at £960,000.

(vi) The directors recommend that:

1. The preference dividend due be paid.
2. A final dividend on ordinary shares be provided bringing the total dividend up to 9%.
3. Provision be made for both investment income and debenture interest due.
4. Provision for bad debts be adjusted to 5% of debtors.

You are required to prepare:

(*a*) A Trading and Profit and Loss account for the year ended 31/12/1999 (75)

(*b*) A Balance sheet as at 31/12/1999. (45)

(120 marks)