SECTION 1 (120 Marks)
Answer **Question 1** OR any **TWO** other questions

1. Company Final Accounts including a Manufacturing Account

Quinn Ltd., a manufacturing firm, has an authorised capital of £950,000, divided into 650,000 Ordinary Shares at £1 each and 300,000 6% Preference Shares £1each. The following Trial Balance was extracted from its books on 31/12/2000.

	£	£
Factory Land and buildings (cost £550,000)	506,000	
Plant and machinery (cost £260,000)	180,000	
Profit and Loss balance 1/1/2000		45,500
Bank		9,400
Debtors and Creditors	84,500	58,200
Purchases of raw materials	461,900	
Sales		821,500
Sale of scrap materials		3,500
Direct factory wages	149,200	
General factory overheads (incorporating suspense)	62,500	
Selling and distribution expenses	29,400	
Administration expenses	43,000	
8% Debentures (including £45,000 issued on 1/5/2000)		150,000
Stocks on hand at 1/1/2000		
Finished goods	64,500	
Raw materials	41,000	
Work in progress	36,000	
Interim dividends for 6 months	26,500	
Issued share capital - Ordinary shares		380,000
- 6% Preference shares		200,000
VAT		16,400
	1,684,500	1,684,500

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

(i) Stocks on hand at 31/12/2000:

	£
Finished goods.	82,000
Raw materials;	49,000
Work-in-progress;	42,000

(ii) No record has been made in the books for raw materials costing £11,000 which were in transit on 31/12/2000. The invoice for these goods had been received.

(iii) Included in the figure for sales is £2,000 received from the sale of old machinery. This machinery had cost £25,000 on 1/10/1995 and was sold on 30/6/2000. The cheque received had been entered in the bank account. These were the only entries in the books.

(iv) It was discovered that goods, which cost the firm £7,200 to produce, were sent to a customer on a sale or return basis. These goods were charged in error to the customer at cost plus 25%.

(v) The suspense figure arises as a result of discount allowed £600 entered only in the discount account.

(vi) During 2000, Quinn Ltd., built an extension to the warehouse. The work was carried out by the company's own employees. The cost of their labour £22,000 is included in factory wages. The materials, costing £28,000, were taken from stocks. No entry had been made in the books in respect of this extension.

(vii) Depreciation is to be provided on fixed assets as follows:
Plant and machinery - 20% of cost per annum, from date of purchase to date of sale.
Buildings - 2% of cost per annum for a full year (land at cost on 1/1/2000 was £60,000)
At the end of 2000 the company re-valued the land and buildings at £660,000

(viii) The directors are proposing that:
1. the preference dividend due be paid
2. the total ordinary dividend for the year should be 10p per share.
3. provision should be made for debenture interest due and corporation tax of £24,000.

You are required to

(a) Prepare manufacturing, trading and profit and loss accounts for the year ended 31/12/2000. (75)

(b) Prepare a balance sheet as at 31/12/2000. (45)

(120 marks)