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

1. Sole Trader - Final Accounts

The following trial balance was extracted from the books of M. O'Brien on 31/12/2002.

	€	€
9% Investments 1/6/2002	200,000	
Buildings (cost €980,000)	933,000	
Delivery vans (cost €150,000)	80,500	
5% Fixed Mortgage (including increase of €200,000 5% mortgage received on 1/4/2002)		500,000
Patents (incorporating 3 months investment income)	55,500	
Debtors and Creditors	77,600	86,500
Purchases and Sales	668,000	982,000
Stocks 1/1/2002	67,700	
Commission	24,000	
Provision for Bad Debts		3,800
Salaries and General Expenses	194,100	
Discount (net)		4,600
Rent		15,000
Mortgage Interest paid for first 3 months	4,000	
Insurance (incorporating suspense)	8,700	
V.A.T		5,500
PRSI		2,300
Bank		70,900
Drawings	37,500	
Capital		680,000
	2,350,600	2,350,600

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

(i) Stock at 31/12/2002 at cost was €74,500. This figure includes damaged stock which cost €6,600 but which now has a net realisable value of €1,900.

(ii) Provide for depreciation on vans at the annual rate of 15% of cost from the date of purchase to the date of sale.
NOTE: On 31/3/2002 a delivery van which had cost €42,000 on 31/5/1999 was traded against a new van which cost €48,000. An allowance of €20,000 was made on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction.

(iii) Patents, which incorporate 3 months investment income, are to be written off over a 5 year period commencing in 2002.

(iv) The suspense figure arises as a result of the posting of an incorrect figure for mortgage interest to the mortgage interest account and discount received €700 entered only in the creditors account. The correct interest was entered in the bank account.

(v) Provision to be made for mortgage interest due.

(vi) A new warehouse was purchased during the year for €240,000 plus VAT 12.5%. The amount paid to the vendor was entered in the Buildings account. No entry was made in the VAT account.

(vii) Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to re-value the buildings at €1,100,000 on 31/12/2002.

(viii) Provision for bad debts to be adjusted to 4% of debtors.

You are required to prepare a:

(a) Trading and profit and loss account for the year ended 31/12/2002. (75)

(b) Balance sheet as at 31/12/2002. (45)

(120 marks)