

Accounting – Higher Level 2003

QUESTION 1

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(a)

Trading , Profit and Loss Account the year ended 31/12/2002

		€	€	€
Sales				982,000 ②
<u>Less</u> Cost of sales				
Stock 1/1/2002			67,700 ②	
Add Purchases	W 1		<u>640,000 ⑥</u>	
			707,700	
<u>Less</u> Stock 31/12/2002	W 2		<u>(69,800) ⑥</u>	(637,900)
Gross profit				344,100
 <u>Less</u> Expenses				
Administration				
Salaries and general expenses		194,100 ②		
Patents written off	W 3		12,000 ⑥	
Insurance	W 4		9,650 ⑧	
Depreciation - buildings	W 5		<u>19,000 ③</u>	234,750
 Selling and Distribution				
Loss on sale of delivery van	W 7		4,150 ⑥	
Commission			24,000 ②	
Depreciation- delivery vans	W 6		<u>23,175 ⑤</u>	51,325
				(286,075)
				58,025
 <u>Add</u> Operating income				
Reduction in provision for bad debts	W 8			696 ④
Rent				15,000 ②
Discount	W 9			<u>5,300 ⑤</u>
Operating profit				79,021
Investment income				<u>10,500 ③</u>
				89,521
Mortgage interest	W 10			<u>(22,500) ⑥</u>
Net profit for year				<u>67,021 ⑦</u>

QUESTION 1 – (continued)

(b)

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Balance Sheet as at 31 December 2002

		Cost €	Accumulated Depreciation €	Net €	Total €
Intangible Fixed Assets					
Patents (€60,000 - €12,000)					48,000 ④
Tangible Fixed Assets					
Buildings	W 11	1,100,000 ②		1,100,000	
Delivery vans		<u>156,000 ②</u>	<u>74,825 ③</u>	<u>81,175</u>	
		<u>1,256,000</u>	<u>74,825</u>	<u>1,181,175</u>	1,181,175
Financial Assets					
Investments					<u>200,000 ②</u>
					1,429,175
Current assets					
Stock				69,800 ②	
VAT	W 12			24,500 ⑤	
Investment income due				6,000 ③	
Debtors			77,600 ②		
Less provision			<u>3,104 ①</u>	<u>74,496</u>	
				174,796	
Creditors: amounts falling due within one year					
Creditors			86,500 ②		
Mortgage interest due			18,750 ③		
PRSI			2,300 ②		
Bank			<u>70,900 ②</u>	<u>(178,450)</u>	<u>(3,654)</u>
					<u>1,425,521</u>
Financed by					
Creditors: amounts falling due after more than one year					
9% Fixed mortgage					500,000 ②
Capital and reserves					
Capital 1/1/2002				680,000 ①	
Add Net profit				<u>67,021 ①</u>	
				747,021	
Less Drawings				<u>37,500 ②</u>	
				709,521	
Revaluation reserve	W 13			<u>216,000 ④</u>	<u>925,521</u>
Capital employed					<u>1,425,521</u>

QUESTION 1 - Workings

1. Purchases	668,000	
Less Payment for van	<u>(28,000)</u>	640,000
2. Closing stock	74,500	
Less valueless stock	<u>(4,700)</u>	69,800
3. Patents		
(€55,500 + €4,500) ÷ 5		12,000
4. Insurance	8,700	
Add Mortgage interest	250	
Add Discount received	<u>700</u>	9,650
5. Depreciation -buildings		
2 % of €950,000		19,000
6. Depreciation - delivery vans		
(€22,500 + €675) (€5,625 + €17,550) (€16,200 + €1,575 + €5,400)		23,175
7 Loss on sale of van		
(€42,000 - €17,850 - €20,000)		4,150 loss
Provision for Depreciation - vans		
(€69,500 - €17,850 + €23,175)		74,825
8. Provision for bad debts		
(€3,800 - €3,104)		696cr
9 Discount	4,600	
Add Unrecorded Discount	<u>700</u>	5,300
10. Mortgage interest	4,000	
Less Suspense	(250)	
Add Interest due	<u>18,750</u>	22,500
11. Buildings	980,000	
Less VAT	(30,000)	
Add Revaluation	<u>150,000</u>	1,100,000
12. VAT account	5,500	
Less VAT on buildings	<u>(30,000)</u>	24,500
13 Revaluation reserve		
Land and buildings	150,000	
Provision for depreciation (47,000 + 19,000)	<u>66,000</u>	216,000