Carey Ltd. has an Authorised capital of €990,000 divided into 690,000 Ordinary shares at €1 each and 300,000 7% Preference shares at €1 each. The following Trial Balance was extracted from its books on 31/12/2003.

Land and building at cost	780,000	
Accumulated depreciation - Land and buildings		39,000
Patents (incorporating 2 months investment income received)	58,200	
6 % Investments 1/5/2003	180,000	
Delivery vans at cost	172,000	
Accumulated depreciation - Delivery vans		78,000
Stocks 1/1/2003	76,600	
Purchases and sales	620,000	990,000
Directors' fees	80,000	
Salaries and general expenses	176,000	
Debenture interest paid	4,500	
Profit and loss balance 1/1/2003		67,600
Debtors and Creditors	73,900	81,000
Provision for bad debts		3,600
Interim dividends for first 6 months	40,000	
9% Debentures (including €80,000 9% debentures issued at par on 31/3/2003)		230,000
VAT		16,500
Bank		5,500
Issued capital		
550,000 Ordinary shares at €1each		550,000
200,000 7% Preference shares €1each		200,000
	£2,261,200	£2,261,500

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

(i) Stock at 31/12/2003 at cost was €85,000 - this figure includes old stock which cost €8,000 but has a net realizable value of 60% of cost.

(ii) Patents, which incorporated 2 months investment income, are to be written off over a 5 year period commencing in 2003.

(iii) 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 31/9/2003 a delivery van, which had cost €60,000 on 1/6/2001, was traded in against a new van which cost €84,000. An allowance of €22,000 was given 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.

(iv) Buildings are to be depreciated at the rate of 2% of cost per annum (land at cost was €130,000). At the end of 2003 the company re-valued the Land and buildings at €880,000.

(v) The figure for bank in the trial balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2003 has arrived showing a credit balance of €4,040. A comparison of the bank account and the bank statement has revealed the following discrepancies:
1 Investment income €2,700 had been paid direct to the firm's bank account.
2 A cheque for €780, issued to a supplier, had been entered in the books (cash book and ledger) as €870.
3 A credit transfer of €750 had been paid direct to the firm's bank account on behalf of a debtor who has
4 recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
5 A cheque for fees €6,000 issued to a director had not yet been presented for payment.

(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 9c per share.
3 Provision be made for both Investment income and Debenture interest due.
4 Provision for bad debts be adjusted to 4% of debtors.

You are required to prepare a:

(a) Trading and Profit and loss account, for the year ended 31/12/2003. (75)

(b) Balance sheet as at 31/12/2003. (45)

(120 marks)