

Accounting – Higher Level 2004**75****QUESTION 1 – solution****(a) Trading , Profit and Loss Account for the year ended 31/12/2003**

	€	€	€
Sales			990,000 ②
<u>Less</u> Cost of sales			
Stock 1/1/2003		76,600 ②	
Add Purchases	W 1	<u>558,000 ⑤</u>	
		634,600	
<u>Less</u> Stock 31/12/2003	W 2	<u>(81,800) ⑤</u>	(552,800)
Gross profit			437,200
<u>Less</u> Expenses			
Administration			
Directors fees		80,000 ②	
Salaries & general expenses		176,000 ②	
Patents written off	W 3	12,000 ⑥	
Depreciation - buildings	W 4	<u>13,000 ④</u>	281,000
Selling and Distribution			
Bad debts written off		1,750 ④	
Depreciation- delivery vans	W 5	35,600 ⑥	
Loss on sale of van	W 7	<u>10,000 ⑤</u>	47,350
Operating profit			328,350
Decrease in provision for bad debts	W 6	744 ⑤	108,850
Investment income	W 8	<u>7,200 ④</u>	7,944
			116,794
Debtenture interest			<u>(18,900) ⑤</u>
Net profit for year before taxation			97,894
Less Appropriation			
Preference dividend paid		7,000 ②	
Ordinary dividend paid		33,000 ③	
Preference dividend proposed		7,000 ②	
Ordinary dividend proposed		<u>16,500 ③</u>	(63,500)
Retained profit			34,394
Profit and loss balance 1/1/2003			<u>67,600 ②</u>
Profit and loss balance 31/12/2003			<u>101,994 ⑥</u>

Question 1 - Solution - (continued)Workings

1.	Purchases	620,000	-	62,000	558,000		
2.	Closing stock	85,000	-	3,200	81,800		
3.	Patents written off	(€58,200 + €1,800) x 20%			12,000		
4.	Depreciation -buildings	2 % of (780,000 - 130,000)			13,000		
5.	Depreciation - delivery vans	25,800	+	9,800	35,600		
		34,400	+	1,200	35,600		
		22,400	+	9,000	+	4,200	35,600
6.	Decrease in Provision for bad debts	3,600	-	2,856	744		
7.	Loss on sale of van	60,000 - 22,000 - 28,000			10,000		
8.	Investment Income	1,800	+	2,700	+	2,700	7,200
9.	Land and Buildings at cost	780,000	+	100,000	880,000		
10.	Delivery vans at cost	172,000	+	84,000	-	60,000	196,000
	Accumulated Depreciation D. Vans	78,000	+	35,600	-	28,000	85,600
11.	Debtors	73,900	-	750	-	1,750	71,400
12.	Creditors			81,000	+	90	81,090
13.	Bank overdraft as per Trial Balance					5,500	
	Less Investment income					(2,700)	
	Less Credit transfer received					(750)	
	Less Bank under credited					(90)	(1,960)
	Alternative					(4,040 - 6,000)	(1,960)
14.	Revaluation reserve	100,000	+	39,000	+	13,000)	152,000