

SECTION 1 (120 marks)Answer **Question 1** OR any **TWO** other questions**1. Company Final Accounts including a Manufacturing Account**

James Ltd., a manufacturing firm, has an Authorised Capital of €800,000 divided into 550,000 Ordinary Shares at €1 each and 250,000 8% Preference Shares at €1 each.

The following Trial Balance was extracted from its books at 31/12/2004:

	€	€
Factory Buildings (Cost €450,000)	405,000	
Plant and Machinery (Cost €260,000)	156,000	
Discount (Net)		4,000
Profit and Loss Balance 1/1/2004		82,300
Stocks on hand 1/1/2004		
Finished Goods	85,500	
Raw Materials	48,000	
Work in Progress	24,150	
Sales		935,000
General Factory Overheads	50,300	
Patents	70,000	
Purchase of Raw Materials	450,280	
Sale of Scrap Materials		5,500
Hire of Special Equipment	12,000	
Debtors and Creditors	94,400	57,700
Interim Dividends (6 months)	17,000	
Bank		11,450
Direct Factory Wages	198,220	
9% Debentures (including €30,000 issued on 1/4/2004)		100,000
VAT		12,730
Issued Share Capital – Ordinary Shares		300,000
– Preference Shares		200,000
Carriage on Raw Materials	5,510	
Selling Expenses	68,420	
Administration Expenses (including Suspense)	23,900	
	<u>1,708,680</u>	<u>1,708,680</u>

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

- (i) Stocks on hand at 31/12/2004: €
- | | |
|------------------|--------|
| Finished goods | 92,000 |
| Raw Materials | 51,000 |
| Work in Progress | 28,550 |
- The figure for Finished goods includes items which cost €7,000 to produce, but now have a sales value of €4,500.
- (ii) Included in the figure for Sale of Scrap Materials is €1,800 received from the sale of an old machine on 30/6/2004. This machine had cost €22,000 on 1/4/2000. The cheque had been entered in the bank account. This was the only entry made in the books.
- (iii) The Suspense figure arises as a result of discount allowed €1,000 entered only in the Debtors account.
- (iv) It was discovered that Finished Goods, which cost €8,000 to produce, were invoiced to a customer on a “sale or return basis”. These goods had been entered in the books as a credit sale at cost plus 20%.
- (v) During 2004 James Ltd. built an extension to the factory. The work was carried out by the company’s own employees. The cost of their labour €40,000 was included in factory wages. The cost of materials used €8,000 is included in purchases. No entry was made in the books in respect of this extension.
- (vi) Depreciation is provided on Fixed Assets as follows:
- | | |
|---------------------|--|
| Plant and Machinery | – 20% of cost per annum from date of purchase to date of sale. |
| Factory Buildings | – 2% of cost at 31/12/2004. |
- (vii) The Directors are proposing that:
- The Preference dividend due be paid.
 - The total Ordinary dividend for the year should be 9c per share.
 - Provision should be made for Debenture Interest.
 - Corporation Tax of €10,000 be provided for.
- (viii) Goods should be transferred from factory at Current Market Value €800,000.

You are required to prepare a:

- (a) Manufacturing, Trading and Profit and Loss Account for the year ended 31/12/2004. (75)
- (b) Balance Sheet as at 31/12/2004. (45)

(120 marks)