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 K. Kelly on 31/12/2005.

	€	€
Buildings (cost €900,000)	855,000	
Delivery Vans (cost €130,000)	60,500	
6% Investments 1/6/2005	160,000	
Patents (incorporating 3 months investment income)	60,600	
5% Fixed Mortgage (including increase of €100,000 received on 1/4/2005)		300,000
Debtors and Creditors	76,500	85,500
Purchases and Sales	650,000	980,000
Stock 1/1/2005	65,700	
Commission	20,000	
Salaries and general expenses (incorporating suspense)	192,500	
Provision for Bad Debts		3,900
Discount (net)		3,600
Rent		12,000
Mortgage interest paid for the first 3 months	3,000	
Insurance	7,800	
V.A.T.		4,300
P.R.S.I.		2,500
Bank		60,800
Drawings	36,000	
Capital		735,000
	2,187,600	2,187,600

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

(i) Stock at 31/12/2005 at cost was €72,500. No record had been made in the books for 'goods in transit' on 31/12/2005. The invoice for these goods had been received showing the recommended retail selling price of €7,000 which is cost plus 25%.

(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 30/4/2005 a delivery van which cost €35,000 on 31/10/2002 was traded against a new van which cost €41,000. An allowance of €15,000 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) 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.

(iv) Patents, which incorporate 3 months investment income, are to be written off over a 5 year period, commencing in 2005.

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

(vi) A new warehouse was purchased during the year for €200,000 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 revalue the buildings at €1,200,000 on 31/12/2005.

(viii) Provision for bad debts to be adjusted to 3% of debtors.

You are required to prepare a:

(a) Trading and Profit and Loss account, for the year ended 31/12/2005. (75)
(b) Balance sheet as at 31/12/2005. (45)

(120 marks)