

Leaving Certificate Accounting - Higher Level 2006

Question 1

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Trading and Profit and loss Account for the year ended 31/12/2005

		€	€	€
Sales				980,000 (3)
<u>Less</u> Cost of sales				
Stock 1/1/2005			65,700 (3)	
Add Purchases	W1		<u>629,600</u> (6)	
			695,300	
<u>Less</u> Stock 31/12/2005	W2		<u>(78,100)</u> (6)	<u>(617,200)</u>
Gross Profit				362,800
 <u>Less Expenses</u>				
 Administration				
Patent written off	W3	12,600	(5)	
Salaries and General expenses	W4	193,700	(7)	
Insurance		7,800	(3)	
Depreciation – Buildings	W5	<u>17,500</u>	(4)	231,600
 Selling and Distribution				
Commission		20,000	(3)	
Loss on sale of van	W6	6,875	(6)	
Depreciation –Delivery Vans	W7	<u>20,100</u>	(4)	<u>46,975</u>
				<u>(278,575)</u>
				84,225
 <u>Add</u> Operating income				
Discount	W8			4,300 (5)
Rent				12,000 (3)
Reduction in Provision for bad debts	W9			<u>1,605</u> (4)
Operating Profit				102,130
Investment Income	W10			<u>5,600</u> (5)
				107,730
Mortgage Interest	W11			<u>(13,750)</u> (6)
Net Profit for year				<u>93,980</u> (2)

Question 1 continued

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Balance sheet as at 31/12/2005

		Cost €	Accumulated Depreciation €	Net €	Total €
Intangible Fixed assets					
Patents	(63,000 – 12,600)				50,400 (4)
Tangible Fixed Assets					
Buildings	W12	1,200,000 (2)		1,200,000	
Delivery Vans	W13, W 14	<u>136,000 (3)</u>	<u>76,475 (3)</u>	<u>59,525</u>	
		<u>1,336,000</u>	<u>76,475</u>	<u>1,259,525</u>	1,259,525
Financial Assets					
6% Investments					<u>160,000 (1)</u>
					1,469,925
Current Assets					
Stock				78,100 (2)	
Debtors			76,500 (2)		
Less provision			<u>(2,295) (1)</u>	74,205	
VAT	W15			20,700 (5)	
Investment Income due				<u>3,200 (3)</u>	
				176,205	
Creditors: amounts falling due within one year					
Creditors	W16		91,100 (3)		
Bank			60,800 (2)		
PRSI			2,500 (2)		
Mortgage interest due			<u>11,250 (3)</u>	<u>(165,650)</u>	<u>10,555</u>
					<u>1,480,480</u>
Financed by					
Creditors: amounts falling due after more than one year					
5% Fixed mortgage					300,000 (2)
Capital and reserves					
Capital 1/1/2005				735,000 (1)	
Add Net Profit				<u>93,980 (1)</u>	
				828,980	
Less Drawings				<u>36,000 (2)</u>	
				792,980	
Revaluation Reserve	W17			<u>387,500 (3)</u>	
					<u>1,180,480</u>
Capital employed					<u>1,480,480</u>

Question 1 – Workings

1.	Purchases	650,000	
	Add Goods in transit	5,600	
	Less Payment for van	<u>(26,000)</u>	629,600
2.	Closing stock	72,500	
	Add Goods in transit	<u>5,600</u>	78,100
3.	Patent $(60,600+2,400) \times 20\%$		12,600
4.	Salaries and General expenses	192,500	
	Add Mortgage interest	500	
	Add Discount	<u>700</u>	193,700
5.	Depreciation on Buildings (875,000 x 2%)		17,500
6.	Loss on sale of van (35,000 – 15,000 – 13,125)		6,875
7.	Depreciation – Delivery Vans (14,250 + 1,750 +4,100) (19,500 + 600) (6,500 + 13,600)		20,100
8.	Discount	3,600	
	Add Unrecorded discount	<u>700</u>	4,300
9.	Provision for bad debts (3,900 – 2,295)		1,605 cr
10.	Investment income (2,400 + 3,200)		5,600
11.	Mortgage interest (3,000 – 500 + 11,250)		13,750
12.	Buildings	900,000	
	Less VAT	(25,000)	
	Add Revaluation	<u>325,000</u>	1,200,000
13.	Provision for depreciation - Vans (69,500 + 20,100 – 13,125)		76,475
14.	Delivery Vans (130,000 - 35,000 + 41,000)		136,000
15.	VAT Account	4,300	
	Less VAT on buildings	<u>(25,000)</u>	20,700
16.	Creditors	85,500	
	Add Goods in transit	<u>5,600</u>	91,100
17.	Revaluation Reserve		
	Land and Buildings	325,000	
	Add Provision for depreciation (45,000 + 17,500)	<u>62,500</u>	387,500