

**SECTION 1 (120 marks)**  
Answer **Question 1** OR any **TWO** other questions

**1. Company Final Accounts**

Amber Ltd., has an Authorised Capital of €1,800,000 divided into 1,200,000 Ordinary Shares at €1 each and 600,000 10% Preference Shares at €1 each.

The following Trial Balance was extracted from its books at 31/12/2006:

	€	€
Buildings at cost	902,000	
Delivery Vans (cost €280,000)	190,000	
Discount (Net)		10,800
Profit and Loss Balance 1/1/2006	17,200	
Stocks on hand 1/1/2006	75,200	
Debenture interest for the first four months	5,000	
9% Investments 1/1/06	320,000	
Patents (incorporating 3 months investment income)	24,800	
Purchase and Sales	1,320,000	1,760,000
Interim dividends for the first 6 months	48,000	
Bad Debts Provision		3,200
Debtors and Creditors	100,400	86,600
Bank		44,000
Salaries and general expenses	199,600	
8% Debentures		180,000
Issued Share Capital – Ordinary Shares		800,000
– 10% Preference Shares		400,000
Directors fees	48,000	
Rent	19,600	
Advertising (including Suspense)	14,800	
	<u>3,284,600</u>	<u>3,284,600</u>

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

- (i) Stocks at 31/12/2006 at cost was €85,200 – this figure includes damaged stock which cost 6,600 but which now has a net realisable value of €2,600.
- (ii) Patents, which incorporated 3 months investment income, are to be written off over a 5 year period commencing in 2006.
- (iii) Provide for depreciation on delivery vans at the annual rate of 12 ½ % of cost from the date of purchase to the date of sale.  
NOTE: On 31/3/06 a delivery van which had cost €24,000 on 30/6/00 was traded in against a new van which cost €56,000. An allowance of €10,000 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) The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount received €700 entered only in the creditors account.
- (v) During 2006 a store room which cost €40,000 and stock which cost €2,000 were destroyed by fire. A new store was built by the firms own workers. The cost of their labour €9,000 had been treated as a business expense and the materials costing €1,000 were taken from the firms stocks. The insurance company has agreed to contribute €2,000 in compensation for the fire damage. No adjustment had been made in the books in respect of the old or new store.
- (vi) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/06 has arrived showing an overdraft of ~~€43,560~~. [Correction €42,760] A comparison of the bank account and the bank statement has revealed the following discrepancies:
  1. A cheque for €670 issued to a supplier had been entered in the books (cash book and ledger) as €760.
  2. A credit transfer of €750 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
  3. A cheque for fees €400 issued to a director had not yet been presented for payment.
- (vii) The Directors recommend that:
  - a) The Preference dividend due be paid.
  - b) A final dividend on ordinary shares be provided bringing the total dividend up to 11 cent per share.
  - c) Provision be made for both Investment income and Debenture Interest due.
  - d) Provision for bad debts be adjusted to 4% of debtors.
  - e) Buildings to be depreciated by 2% of cost.

**You are required to prepare a:**

- (a) Trading and Profit and Loss Account for the year ended 31/12/2006. (75)
- (b) Balance Sheet as at 31/12/2006. (45)

**(120 marks)**