

**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 Orla Dolan on 31/12/2007:

	€	€
Buildings (Cost €80,000)	485,000	
Delivery Vans (Cost €35,000)	73,000	
8% Investments (1/4/2007)	130,000	
6% Fixed Mortgage (including increase of €50,000 received on 1/4/2007)		150,000
Patents	52,400	
Debtors and Creditors	40,000	113,000
Purchases and Sales	512,400	729,000
Stock 1/1/2007	65,600	
Commission	4,200	
Salaries and General Expenses	85,000	
Provision for Bad Debts		1,200
Discount (net)	1,900	
Rent	9,000	
Mortgage interest paid for the first three months	1,250	
Insurance (incorporating Suspense)	6,150	
VAT		4,100
Bank		15,900
PRSI		3,900
Drawings	36,200	
Capital		485,000
	<u>1,502,100</u>	<u>1,502,100</u>

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

- (i) Stock at 31/12/2007 at cost was €75,000. No record has been made **in the books** for goods in transit on 31/12/2007. The invoice for these goods had been received showing the recommended retail selling price of €6,000 which is cost plus 25%.
- (ii) Provide for depreciation on vans at the annual rate of 15% of cost from date of purchase to date of sale.  
NOTE: On 31/3/2007 a delivery van which cost €30,000 on 30/9/2004 was traded against a new van which cost €36,000. An allowance of €10,000 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 in the mortgage interest account and discount received €200 entered only in the creditors account. The correct interest was entered in the bank account.
- (iv) Goods with a retail selling price of €10,000 were returned to a supplier. The selling price was cost plus 25%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry has been made in respect of the restocking charge.
- (v) Provision to be made for mortgage interest due. 20% of the mortgage interest for the year refers to the private section of the building.
- (vi) Patents, which incorporate 3 months investment income received, are to be written off over a five year period, commencing in 2007.
- (vii) Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the Buildings at €800,000 on 31/12/2007.
- (viii) Goods withdrawn by the owner for private use during the year with a retail value of €2,000 which is cost plus 25% were omitted from the books.
- (ix) A cheque for €600 had been received on 31/12/2007 in respect of a debt of €1,000 previously written off as bad. The debtor has agreed to pay the remainder within 1 month. No entry was made in the books to record this transaction.

**You are required to prepare a:**

- (a) Trading and Profit and Loss Account for the year ended 31/12/2007. (80)
- (b) Balance Sheet as at 31/12/2007. (40)

**(120 marks)**