

## Accounting Higher Level – Marking Scheme

**80**

### Question 1

#### Trading and Profit and Loss Account for the year ending 31/12/2007 [1]

		€	€	€
Sales				729,000 [3]
<u>Less</u> Cost of Sales				
Stock			65,600 [3]	
<u>Add</u> Purchases	W1		490,400 [10]	
			556,000	
<u>Less</u> Stock 31/12/2007	W2		(79,800) [6]	(476,200)
Gross Profit				252,800
<b>Less Expenses</b>				
<b>Administration</b>				
Patent written off	W3	11,000 [5]		
Salaries and General expenses		85,000 [3]		
Discount	W4	1,700 [6]		
Rent		9,000 [3]		
Insurance	W5	6,100 [7]		
Depreciation – Buildings		11,600 [4]	124,400	
<b>Selling and Distribution</b>				
Commission		4,200 [3]		
Depreciation –Delivery van	W6	13,425 [5]		
Loss on sale of van	W7	8,750 [5]	26,375	(150,775)
				102,025
<u>Add</u> Operating Income				
Bad debt recovered				1,000 [3]
Operating Profit				103,025
<u>Add</u> Investment Income	W8			7,800 [4]
				110,825
<u>Less</u> Mortgage Interest	W9			(6,600) [5]
<b>Net Profit</b>				<u>104,225</u> [4]

**Question 1 - continued****40****Balance Sheet as at 31/12/2007**

		Cost €	Acc.Dep €	Net €	Total €
<b>Intangible Fixed Assets</b>					
Patents (55,000 – 11,000)					44,000 [4]
<b>Tangible Fixed Assets</b>					
Buildings	W10	800,000 [1]		800,000	
Delivery Vans	W11 & 12	<u>91,000</u> [2]	<u>14,175</u> [3]	<u>76,825</u>	
		<u>891,000</u>	<u>14,175</u>	<u>876,825</u>	876,825
<b>Financial Assets</b>					
8% Investments					<u>130,000</u> [2]
					1,050,825
<b>Current Assets</b>					
Stock			79,800 [2]		
Debtors	W13	40,400 [2]			
<u>Less provision</u>		<u>(1,200)</u> [2]	39,200		
Investment income due	W8		<u>5,200</u> [2]	124,200	
<b>Creditors: Amounts falling due within one year</b>					
Creditors	W14		118,600 [2]		
Bank	W15		15,300 [2]		
VAT			4,100 [2]		
PRSI			3,900 [2]		
Mortgage interest due			<u>6,750</u> [2]	<u>(148,650)</u>	<u>(24,450)</u>
					<u>1,026,375</u>
<b>Financed by</b>					
<b>Creditors: amounts falling due after more than one year</b>					
6% Mortgage					150,000 [2]
Capital				485,000 [2]	
<u>Add Net Profit</u>				<u>104,225</u> [1]	
				589,225	
<u>Less Drawings</u>	W16			<u>(39,450)</u> [3]	549,775
Revaluation Reserve	W17				<u>326,600</u> [2]
<b>Capital Employed</b>					<u>1,026,375</u>

### Question 1 workings

1.	Purchases	$512,400 + 4,800 - 26,000 + 800 - 1,600$	490,400
2.	Closing stock	$75,000 + 4,800$	79,800
3.	Patents written off	$(52,400 + 2,600) \div 5$	11,000
4.	Discount	$1,900 - 200$	1,700
5.	Insurance	$6,150 - 250 + 200$	6,100
6.	Depreciation Delivery van	$8,250 + 1,125 + 4,050$ $12,750 + 675$ $3,188 + 10,237$	13,425
7.	Loss on sale of van	$30,000 - 11,250 - 10,000$	8,750
8.	Investment Income	$2,600 - 5,200$	7,800
9.	Mortgage Interest	$8,250 - 1650 [1,250 + 250 + 6,750] \times 80\%$ $[6,000 + 2,250 - 1,650]$	6,600
10.	Buildings	$580,000 + 220,000$	800,000
11.	Delivery vans at cost	$85,000 + 36,000 - 30,000$	91,000
12.	Provision for Dep – vans	$12,000 + 13,425 - 11,250$	14,175
13.	Debtors	$40,000 + 400$	40,400
14.	Creditors	$113,000 + 4,800 + 800$	118,600
15.	Bank	$15,900 - 600$	15,300
16.	Drawings	$36,200 + 1,650 + 1,600$	39,450
17.	Revaluation Reserve	$220,000 + 95,000 + 11,600$	326,600

Penalty of I mark each for omission of two headings in Profit and Loss Account