

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

1. Company Final Accounts including a Manufacturing Account

Blenheim Ltd, a manufacturing firm, has an Authorised Capital of €800,000 divided into 500,000 Ordinary Shares at €1 each and 300,000 6% Preference Shares at €1 each.

The following Trial Balance was extracted from its books at 31/12/2008:

| | € | € |
|--|------------------|------------------|
| Factory Buildings (cost €25,000) | 480,000 | |
| Plant and Machinery (cost €80,000) | 150,000 | |
| Discount (Net) | | 3,000 |
| Profit and Loss Balance 1/1/2008 | | 75,400 |
| Stocks on hand 1/1/2008 | | |
| Finished Goods | 84,500 | |
| Raw Materials | 45,000 | |
| Work in progress | 21,250 | |
| Sales | | 1,085,000 |
| Patents | 60,000 | |
| Carriage on raw materials | 6,300 | |
| Hire of special equipment | 10,000 | |
| Purchase of Raw Materials | 480,250 | |
| Dividends paid | 40,000 | |
| Sale of scrap material | | 4,500 |
| Debtors and Creditors | 64,500 | 55,600 |
| Bank | | 10,300 |
| Direct Factory wages | 252,460 | |
| Selling Expenses | 105,165 | |
| 9% Debentures (including €60,000 issued on 1/4/2008) | | 90,000 |
| Issued Share Capital – Ordinary Shares | | 350,000 |
| – 6% Preference Shares | | 200,000 |
| General Factory overheads | 60,200 | |
| VAT | | 8,400 |
| Debenture interest paid for the first 3 months | 175 | |
| Administration expenses (including Suspense) | 22,400 | |
| | <u>1,882,200</u> | <u>1,882,200</u> |

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

- (i) Stocks on hand at 31/12/2008:

| | |
|------------------|---------|
| Finished goods | €90,000 |
| Raw Materials | €49,000 |
| Work in Progress | €6,450 |
- (ii) The figure for finished goods includes items which cost €5,000 to produce, but now have a sales value of €3,000.
- (iii) Patents are being written off over 6 years which commenced in 2006.
- (iv) Included in the figure for the sale of scrap materials is €800 received from the sale of an old machine on 1/9/2008. This machine had cost €9,000 on 1/4/2005. The cheque had been entered in the bank account. This was the only entry made in the books.
- (v) The suspense figure arises as a result of discount allowed €200 entered only in the discount account and of the posting of an incorrect figure for the debenture interest paid to the interest account. The correct interest was entered in the bank account.
- (vi) A bad debt of €500 should be written off and a provision for bad debts should be provided at 5% of debtors.
- (vii) It was discovered that goods, which cost the firm €6,500 to produce, were sent to a customer on a sale or return basis. These goods were charged to the customer in error at cost plus 20%.
- (viii) During 2008, Blenheim Ltd, built an extension to the warehouse. The work was carried out by the company's own employees. The cost of their labour €17,000 is included in factory wages. The materials, costing €33,000, were taken from stocks. No entry had been made in the books in respect of this extension.
- (ix) Depreciation is provided on Fixed Assets as follows:
 - Factory Buildings at 2% of cost at 31/12/2008
 - Plant and Machinery at 20% of cost per annum from date of purchase to date of sale.
 At the end of 2008 the company revalued the buildings at €600,000
- (x) The Directors are proposing that:
 1. Provision should be made for Debenture Interest due.
 2. Corporation tax of €8,000 be provided for.

You are required to prepare a:

- (a) Manufacturing, Trading and Profit and Loss Account for the year ended 31/12/2008. (75)
- (b) Balance Sheet as at 31/12/2008. (45)

(120 marks)