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

1. Company Final Accounts

West Ltd, has an Authorised Capital of €1,600,000 divided into 1,100,000 Ordinary Shares at €1 each and 500,000 4% Preference Shares at €1 each.

The following Trial Balance was extracted from its books at 31/12/2011:

	€	€
Buildings at cost	800,000	
Delivery Vans (cost €260,000)	180,000	
Discount (Net)		10,400
Profit and Loss Balance 01/01/2011	25,100	
Stocks on hand 01/01/2011	71,200	
Debenture interest for the first four months	5,600	
4% Investments 01/01/2011	300,000	
Patents (incorporating 3 months investment income)	20,400	
Purchases and Sales	1,140,000	1,444,700
Dividends paid	23,300	
Bad Debts Provision		3,000
Debtors and Creditors	98,400	82,200
Bank		33,000
Salaries and general expenses (including Suspense)	194,300	
9% Debentures		180,000
Issued Share Capital – Ordinary Shares		700,000
– 4% Preference Shares		400,000
Directors fees	40,200	
Advertising	4,800	
Capital Reserve		50,000
	2,903,300	2,903,300

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

(i) Stocks at 31/12/2011 at cost were €81,200 – this figure includes damaged stock which cost €5,400 but which now has a net realisable value of €2,300.

(ii) Patents, which incorporated 3 months investment income, are to be written off over a 4 year period commencing in 2011.

(iii) 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 allowed €450 entered only in the discount account.

(iv) During the year, stock which had cost €5,000 was destroyed by fire. The Insurance Company agreed to pay compensation of €4,000. The loss is to be treated as a separate item in the profit and loss account.

(v) Provide for depreciation on delivery vans at the annual rate of 10% of cost from the date of purchase to the date of sale. NOTE: On 31/3/2011 a delivery van which had cost €28,000 on 30/6/2005 was traded in against a new van which cost €54,000. An allowance of €6,000 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.

(vi) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2011 has arrived showing an overdraft of €31,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:
   1. A cheque for €640 issued to a supplier had been entered in the books (cash book and ledger) as €460.
   2. A credit transfer of €900 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 €1,000 issued to a director had not yet been presented for payment.

(vii) The advertising payment is for an 18 month campaign which began on 01/10/2011.

(viii) The Directors recommend that:
   1. Provision be made for both Investment Income and Debenture Interest due.
   2. Provision for bad debts to be adjusted to 4% of debtors.
   3. 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 31/12/2011. (75)
(b) Balance Sheet as at 31/12/2011. (45)

(120 marks)