

Accounting – Higher Level 2012

Question 1

75

Trading and Profit and Loss Account for the year ending 31/12/2011 [1]

		€	€	€
Sales				1,444,700 [3]
Less Cost of Sales				
Stock 01/01/2011			71,200 [3]	
Add Purchases	W1		<u>1,087,000</u> [8]	
			1,158,200	
Less Stock 31/12/2011	W2		<u>(78,100)</u> [5]	(1,080,100)
Gross Profit				364,600
Less Expenses				
Administration				
Patent written off	W3	5,850 [4]		
Salaries and General expenses	W4	194,950 [7]		
Directors fees		40,200 [2]		
Depreciation – Buildings	W5	<u>16,000</u> [3]	257,000	
Selling and Distribution				
Bad debts	W 14	2,100 [3]		
Depreciation –Delivery van	W6	27,950 [4]		
Increase in Provision for Bad Debts	W7	798 [5]		
Loss on sale of van	W8	5,900 [5]		
Loss on insured stock		1,000 [3]		
Advertising	W9	<u>800</u> [4]	<u>38,548</u>	<u>(295,548)</u>
				69,052
Add Operating Income				
Discount				<u>10,400</u> [2]
Operating profit				79,452
Investment Income	W10			<u>12,000</u> [3]
				91,452
Less Debenture Interest	W11			<u>(16,200)</u> [3]
Net Profit				75,252
Less Appropriation				
Dividend paid				<u>(23,300)</u> [2]
Retained Profit				51,952
Profit and Loss Balance 01/01/2011				<u>(25,100)</u> [2]
Profit and Loss Balance 31/12/2011				<u>26,852</u> [3]

Balance Sheet as at 31/12/2011

		Cost €	Accumulated Depreciation €	Net €	Total €
Intangible Fixed Assets					
Patents					17,550 [3]
Tangible Fixed Assets					
Buildings	W 5	800,000 [2]	16,000 [1]	784,000	
Delivery Vans	W12 & 13	<u>286,000 [3]</u>	<u>91,850 [3]</u>	<u>194,150</u>	
		<u>1,086,000</u>	<u>107,850</u>	<u>978,150</u>	978,150
Financial Assets					
9% Investments					<u>300,000 [2]</u>
					1,295,700
Current Assets					
Stock			78,100 [2]		
Insurance Company			4,000 [3]		
Debtors	W14	94,950 [4]			
Less provision		<u>(3,798) [1]</u>	91,152		
Advertising prepaid			4,000 [2]		
Investment income due			<u>9,000 [2]</u>	186,252	
Creditors: Amounts falling due within one year					
Creditors	W15		82,020 [3]		
Bank	W16		32,280 [4]		
Debenture interest due			<u>10,800 [2]</u>	<u>(125,100)</u>	<u>61,152</u>
					<u>1,356,852</u>
Financed by					
Creditors: amounts falling due after more than one year					
9% Debentures					180,000 [2]
Capital and Reserves			Authorised	Issued	
Ordinary shares @ €1 each			1,100,000 [1]	700,000 [1]	
11% Preference shares @ €1 each			<u>500,000 [1]</u>	<u>400,000 [1]</u>	
			<u>1,600,000</u>	1,100,000	
Capital Reserve				50,000 [2]	
Profit and Loss Balance				<u>26,852</u>	<u>1,176,852</u>
Capital Employed					<u>1,356,852</u>

Question 1 workings

1. Purchases	$1,140,000 - 5,000 - 48,000$	1,087,000
2. Closing stock	$81,200 - 3,100$	78,100
3. Patent	$(20,400 + 3,000) * 4$	5,850
4. Salaries and general expenses	$194,300 + 650$ $[450 + 200]$	194,950
5. Depreciation Buildings	$2\% \times 800,000$	16,000
6. Depreciation Delivery van	$6,500 + 21,450$ $26,000 + 1,950$ $23,200 + 700 + 4,050$ $5,800 + 700 + 21,450$	27,950
7. Provision for bad debts	$3,798 - 3,000$	798
8. Loss on sale of van	$28,000 - 6,000 - 16,100$	5,900
9 Advertising	$4,800 - 4,000$	800
10. Investment Income	$9,000 + 3,000$	12,000
11. Debenture Interest	$5,600 + 10,800 - 200$	16,200
12. Delivery vans at cost	$260,000 + 54,000 - 28,000$	286,000
13. Provision for Dep – vans	$80,000 + 27,950 - 16,100$	91,850
14. Debtors	$98,400 - 3,000 - 450$	94,950
Bad Debts	$3,000 - 900$	2,100
15. Creditors	$82,200 - 180$	82,020
16. Bank Overdraft	$33,000 + 180 - 900$	32,280

Penalties: Deduction of 2 x 1 mark for the omission of two expense headings in Profit & Loss Account.