

**Explanatory Notes**

- Black Figures in the workings have been provided by the question itself.
- Green figures have had to be found using calculations.
- ➡ Is the final figure we are looking for in an account
- P & L Is the expense account closing entry to be entered in the Final a/c's.
- P & L Is the Revenue/Income account closing entry to be entered in the Final a/c's.
- C/d A Is the Asset account closing entry to be entered in the Balance Sheet
- C/d L Is a Liability account closing entry to be entered in the Balance Sheet.
- A crossed out Closing Figure means one of the following;
  - The figure may be being changed for Drawings, or
  - The figure may be being changed by being Written Off, (for example Patents), or
  - The figure will be changed again in a latter adjustment

Drawings and Written Off will show the relevant replacement entries in the T account

A later adjustment change will have no explanatory entries to show why it is crossed out.

**(i) Goods in Transit**

120% = 4800 ➡		100% = 4000	
<b>Purchases</b>			
b/d	530,400	➡ P & L	534,400
Creditors	4,000		
<b>Creditors</b>			
➡ c/d L	<del>114,000</del>	b/d L	110,000
		Purchases	4,000
<b>Closing Stock</b>			
Closing Stock		80,000	
Plus goods in transit		4,000	
<b>New Closing Stock</b>		<b>84,000</b>	

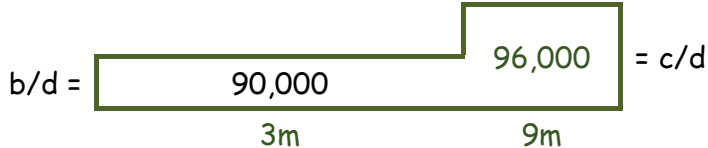
(ii) Van Depreciation and Disposal

**Depreciation for Disposal**

30/09/10 to 31/03/13 = 30 months  
40,000 @ 10% @ 30/12 = 10,000

**Depreciation P & L Expense**

Vans Change on 31/03/13



b/d A = 90,000 @ 10% @ 3/12 2,250  
c/d A = 96,000 @ 10% @ 9/12 7,200  

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9,450 = P & L

Van			
	b/d A	90,000	
46,000	Disposal - Allowance	16,000	
	Purchases - cheque	30,000	
➡			c/d A
			96,000
			Disposal - Old Van
			40,000
Depreciation			
➡	Disposal - Old Van	10,000	b/d L
	c/d L	11,450	12,000
			P & L
			9,450
Disposal			
	Van - Old Van	40,000	Depreciation
			10,000
			Van - New ,
			16,000
			Allowanace
			➡ P & L
			14,000
Purchases			
	b/d	534,400	Van
			30,000
			➡ P & L
			504,400

(iii) + (v) Suspense

<b>Mortgage Details</b>			
Changes on 01/04			
↑ by 60,000			
b/d =	↻ 140000	200,000	= c/d
	3m	9m	
<b>Mortgage Interest P &amp; L</b>			
b/d A	= 140,000 @ 6% @ 3/12		2,100
c/d A	= 200,000 @ 6% @ 9/12		9,000
			11,100 = P & L
3 months Mortgage is		2,100	
The figure given in the question is		1,500	
Need to increase the figure by		600	(On Same Side)
<b>Suspense/Salaries &amp; General Expenses</b>			
b/d	90,000	Mort Int	600
		PAYE, etc	2,000
		↻ P & L	87,400
<b>Mortgage Interest</b>			
3m	b/d	1,500	<del>11,100</del>
	Suspense	600	↻ c/d L 9,000
		75% P & L	8,325
		25% Drawings	2,775
<b>PAYE, PRSI &amp; USC</b>			
	Suspense	2,000	b/d L
↻	c/d L	1,800	3,800
<b>Drawings</b>			
	b/d A	41,250	↻ c/d A
	Mortgage Interest	2,775	44,025

(iii) Restocking Charge

**Purchase Return**

$$120\% = 15,000 \Rightarrow 100\% = 12500$$

**Restocking Charge**

$$10\% \text{ of } 12,500 = 1,250$$

**Purchases**

b/d	504,400	↻	P & L	505,650
Creditors	1,250			

**Creditors**

↻	c/d L	115,250	b/d L	114,000
			Purchases	1,250

(vi) Patents written off, incorporating Investment Income

<b>Investment Details</b>			
Changes on 01/04			
b/d =	0	100,000	= c/d
	3m	9m	
<b>Mortgage Interest P &amp; L</b>			
b/d A	= 0 @ 3% @ 3/12		0
c/d A	= 100,000 @ 3% @ 9/12		2,250
			2,250 = P & L
<b>3 Months Error</b>			
	= 100,000 @ 3% @ 3/12		750
<b>Patents</b>			
b/d A	40,400	→ P & L	41,150
Inv Inc - error	750	20% P & L	8,230
		80% c/d A	32,920
<b>Investment Income</b>			
P & L	2,250	→ c/d A	1,500
		Patents - error	750

(vii) Buildings Depreciation and Revaluation

<b>Depreciation Expense</b>			
b/d A =	640,000 @ 2% @ 12/12 =	12,800	= P & L
<b>Land &amp; Building</b>			
b/d A	640,000	c/d A	720,000
↻ Revaluation	80,000		
<b>Depreciation</b>			
↻ Revaluation	107,800	b/d A	95,000
		P & L	12,800
<b>Revaluation Reserve</b>			
↻ c/d L	187,800	Building	80,000
		Depreciation	107,800

(viii) Drawings of Goods

$\underline{125\%} = 3000 \Rightarrow 100\% = 2,400$ Note 125% this time, not 120% like earlier adjustments (i) and (iv)			
<b>Purchases</b>			
b/d	505,650	↻ Drawing	2,400
		P & L	503,250
<b>Drawings</b>			
b/d A	44,025	↻ c/d A	46,425
Purchases	2,400		

(ix) Bad Debt Recovered

Bank			
	BD Recovered	800	
			b/d L 16,400
➔	c/d L	15,600	
Bad Debts Recovered			
➔	Ⓢ & L	800	Bank 800

<b>Final Accounts of Mike McMahon for y/e 31/12/2013</b>		
Sales		695,000
Stock 1/1	64,200	
Purchases	503,250	
Closing Stock	84,000	<u>483,450</u>
<b>Gross Profit</b>		<b>211,550</b>
<b><u>Less Expenses</u></b>		
<b>Administration</b>		
Patents w/o	8,230	
Discount	1,800	
Salaries & Gen Exp	87,400	
Dep: Buildings	12,800	
Rent	10,000	
Insurance	5,750	<u>125,980</u>
<b>Selling</b>		
Dep: Van	9,450	
Loss on Disposal	14,000	
Advertising	2,500	<u>25,950</u>
<b>Operating Incomes</b>		
Bad Debt Recovered	800	
Profit on disposal		
Reduction in PBD		<u>800</u>
<b>Operating Profit</b>		<b>60,420</b>
Plus Investment Income	2,250	
Minus Mortgage Interest	8,325	<u>8,325</u>
<b>Net Profit</b>		<b><u>54,345</u></b>



<b>Balance Sheet of Mike McMahon as at 31/12/2013</b>			
<b>Fixed Assets</b>			
Land & Buildings	720,000	0	720,000
Vans	96,000	11,450	84,550
	<u>816,000</u>	<u>11,450</u>	804,550
<b>Intangible Assets</b>			
Patents			32,920
<b>Financial Assests</b>			
3% Investments			<u>100,000</u>
			<u>937,470</u>
<b>Current Assets</b>			
Debtors	50,000		
- BDP	<u>1,400</u>	48,600	
Closing Stock		84,000	
Inv Income due		<u>1,500</u>	
		<u>134,100</u>	
<b>Creditors; etc &lt; 1 year</b>			
Creditors	115,250		
VAT	4,200		
Bank	15,600		
Mortgage Interest due	9,000		
PAYE, PRSI, USC	1,800		
		<u>145,850</u>	<u>-11,750</u>
<b>Total Net Worth</b>			<u><u>925,720</u></u>
<b>Financed By</b>			
<b>Capital</b>			
Capital		530,000	
Drawings		<u>46,425</u>	
		<u>483,575</u>	
<b>Reserves</b>			
Revaluation		187,800	
P&L Balance 31/12		54,345	
<b>Crreditors; etc &gt; 1 year</b>			
6% Mortgage		<u>200,000</u>	
<b>Capital Employed</b>			<u><u>925,720</u></u>