

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

**1. Company Final Accounts**

Melba Ltd, has an Authorised Capital of €1,500,000 divided into 1,100,000 Ordinary Shares at €1 each and 400,000 4% Preference Shares at €1 each. The following Trial Balance was extracted from its books at 31/12/2014:

	€	€
Buildings at cost	713,000	
Delivery vans (cost €250,000)	170,000	
Discount (Net)		12,200
Profit and loss balance 01/01/2014	62,200	
Stocks on hand 01/01/2014	74,500	
Debenture interest for the first six months	16,200	
3% Investments 01/01/2014	350,000	
Patents (incorporating 4 months investment income)	21,500	
Purchases and sales	1,120,000	1,495,000
Dividends paid	25,000	
Bad debts provision		4,000
Debtors and creditors	99,200	81,100
Bank		50,000
Salaries and general expenses (including suspense)	231,100	
8% Debentures		400,000
Issued share capital – ordinary shares		500,000
– 4% preference shares		300,000
VAT		5,000
Advertising	9,600	
Capital reserve		45,000
	<u>2,892,300</u>	<u>2,892,300</u>

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

- (i) Stocks at 31/12/2014 at cost were €80,400 – this figure includes damaged stock which cost €6,600 but which now has a net realisable value of €3,200.
- (ii) Patents, incorporating 4 months investment income, are to be written off over a 5 year period commencing in 2014.
- (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 €400 entered only in the discount account.
- (iv) During the year, stock which had cost €6,000 was destroyed by fire. The insurance company agreed to pay compensation of €5,000.
- (v) Provide for depreciation on delivery vans at the annual rate of 15% of cost from the date of purchase to the date of sale. NOTE: On 31/03/2014 a delivery van which had cost €30,000 on 31/03/2011 was traded in against a new van which cost €56,000. An allowance of €8,000 was given on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction.
- (vi) A new warehouse was purchased during the year for €100,000 plus VAT 13%. The amount paid to the vendor was entered in the buildings account. No entry was made in the VAT account.
- (vii) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2014 has arrived showing an overdraft of €46,690. A comparison of the bank account and the bank statement has revealed the following discrepancies:
  1. Two months investment income had been paid directly into the bank.
  2. A payment from a liquidator was received directly into the bank. This represented a first and final payment of 25c in the euro in respect of a debt of €4,000.
  3. A cheque issued to an advertising firm for €560 had not been presented for payment by 31/12/2014.
- (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.
  4. The managing director should be paid a bonus commission of 3% on all sales in excess of €900,000 and a further 5% in excess of all sales above €1,200,000.

**Required:**

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2014. (75)
- (b) Prepare a Balance Sheet as at 31/12/2014. (45)

**(120 marks)**