

Question 1

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Trading and Profit and Loss Account for the year ending 31/12/2014 [1]

		€	€	€
Sales				1,495,000 [3]
Less Cost of Sales				
Stock			74,500 [3]	
Add Purchases	W 1		<u>1,066,000</u> [8]	
			1,140,500	
Less Stock 31/12/2014	W 2		<u>(77,000)</u> [6]	<u>(1,063,500)</u>
Gross Profit				431,500
Less Expenses				
Administration				
Patent written off	W 3	5,000 [4]		
Salaries and General expenses	W 5	231,700 [7]		
Loss on damaged stock	W 6	1,000 [3]		
Depreciation – Buildings	W 7	14,000 [3]	251,700	
Selling and Distribution				
Depreciation – Delivery van	W 8	40,425 [4]		
Loss on sale of van	W 9	8,500 [5]		
Bad debts	W 10	3,000 [3]		
Advertising		9,600 [3]		
Sales commission	W 12	<u>32,600</u> [3]	<u>94,125</u>	
				<u>(345,825)</u>
				85,675
Add Operating Income				
Discount		12,200 [2]		
Reduction in Provision for bad debts	W 11	<u>208</u> [5]		<u>12,408</u>
Operating profit				98,083
Investment Income	W 4			<u>10,500</u> [3]
				108,583
Debenture Interest	W13			<u>(32,000)</u> [3]
Net Profit				76,583
Less Dividends paid				<u>(25,000)</u> [2]
Retained Profit				51,583
Profit and Loss Balance 1/1/2014				<u>(62,200)</u> [2]
Profit and Loss Balance 31/12/2014				<u>(10,617)</u> [2]

Balance Sheet as at 31/12/2014

		Cost €	Acc.Dep €	Net €	Total €
Intangible Fixed Assets					
Patents					20,000 [3]
Tangible Fixed Assets					
Buildings	W 7	700,000 [2]	14,000 [1]	686,000	
Delivery Vans	W 14 & 15	<u>276,000 [3]</u>	<u>106,925 [3]</u>	<u>169,075</u>	
		<u>976,000</u>	<u>120,925</u>	<u>855,075</u>	855,075
Financial Assets					
3% Investments					<u>350,000 [2]</u>
					1,225,075
Current Assets					
Stock				77,000 [2]	
Debtors	W 16		94,800 [4]		
Less provision			<u>(3,792) [1]</u>	91,008	
Insurance Company				5,000 [3]	
Investment income due	W 9			5,250 [3]	
VAT	W 17			<u>8,000 [3]</u>	
				186,258	
Creditors: amounts falling due within one year					
Creditors			81,100 [2]		
Bank	W 18		47,250 [4]		
Commission due			32,600 [2]		
Debenture interest due	W 13		<u>16,000 [2]</u>	<u>(176,950)</u>	<u>9,308</u>
					<u>1,234,383</u>
Financed by					
Creditors: amounts falling due after more than one year					
8% Debentures					400,000 [2]
Capital and Reserves		Authorised		Issued	
Ordinary shares @ €1 each		1,100,000		500,000 [1]	
4% Preference shares @ €1 each		<u>400,000</u>		<u>300,000 [1]</u>	
		<u>1,500,000</u>		800,000	
Capital Reserve				45,000 [1]	
Profit and Loss Balance				<u>(10,617)</u>	<u>834,383</u>
Capital Employed					<u>1,234,383</u>

Question 1 - workings

1.	Purchases	$1,120,000 - 6,000 - 48,000$		1,066,000
2.	Closing stock	$80,400 - 3,400$		77,000
3.	Patents	$(21,500 + 3,500) * 5$		5,000
4.	Investment income	$[350,000 \times 3\%]$	=	10,500
	Investment income due	$10,500 - 3,500 - 1,750$		5,250 (due)
5.	Salaries and general expenses	$231,100 + 200 + 400$		231,700
6.	Fire Damage Loss	$6,000 - 5,000$		1,000 (P &L)
7.	Depreciation - Buildings	$[713,000 - 13,000] = 700,000 \times 2\%$		14,000
8.	Depreciation - Delivery van	$33,000 + 1,125 + 6,300$ $37,500 + 2,925$		40,425
9.	Loss on sale of van	$30,000 - 8,000 - 13,500$		8,500
10.	Bad Debts a/c	$4,000 - 1,000$		3,000
11.	Reduction in Bad debts provision	$4,000 - 3,792$		208 (cr)
12.	Sales Commission	$595,000 \times 3\%$	=	17,850
		$295,000 \times 5\%$	=	<u>14,750</u>
				32,600
13.	Debenture interest	$400,000 \times 8\%$		32,000
	Debenture interest due	$32,000 - 16,200 + 200$		16,000 (due)
14.	Delivery vans at cost	$250,000 + 56,000 - 30,000$		276,000
15.	Provision for Dep – vans	$80,000 + 40,425 - 13,500$		106,925
16.	Debtors	$99,200 - 4,000 - 400$		94,800
17.	VAT	$5,000 - 13,000$		8,000 Current Asset
18.	Bank Overdraft	$50,000 - 1,750 - 1,000$		47,250
	Bank Overdraft	$46,690 + 560$		47,250

Penalties: One mark each for the omission of two headings in the Profit & Loss Account and Authorised Capital in the Balance Sheet [3 x 1 mark].