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

1. Company Final Accounts including a Manufacturing Account

Ryan Ltd has an Authorised Capital of €850,000 divided into 600,000 Ordinary Shares at €1 each and 250,000 5% Preference Shares at €1 each. The following Trial Balance was extracted from the books on 31/12/2015:

	€	€
Factory buildings (cost €930,000)	910,000	
Plant and machinery (cost €320,000)	245,000	
Profit and loss balance 01/01/2015		68,900
Sales		1,352,000
Sale of scrap materials		6,100
Bank		42,600
Debtors and creditors	52,000	49,400
Direct factory wages	220,000	
Purchase of raw materials	524,200	
Selling expenses	36,300	
Administration expenses	49,200	
General factory overheads (including Suspense)	86,400	
Stocks on hand 01/01/2015		
Finished goods	48,100	
Raw materials	46,500	
Work in progress	33,200	
8% Debentures (including €60,000 issued on 30/04/2015)		375,000
Dividends paid	22,500	
Issued Share Capital - ordinary shares		500,000
- 5% preference shares		200,000
Hire of special equipment	35,700	
Discount (net)		6,000
Royalty payments	30,500	
Rent		8,500
4% Investments acquired on 01/05/2015	315,000	
PAYE, PRSI & USC		46,100
	2,654,600	2,654,600

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

(i) Stocks on hand at 31/12/2015 — Finished goods €77,600; Raw materials €36,100; Work in progress €34,200

(ii) Included in the figure for sale of scrap materials is €3,600 received from the sale of an old machine on 30/06/2015. This machine had cost €18,000 on 01/04/2010.

(iii) Provide for depreciation on Plant and Machinery at the annual rate of 10% of cost from the date of purchase to the date of sale.

(iv) It was discovered that finished goods had been sent to a customer on 31/12/2015 on a 'sale or return' basis. These goods had been entered in the books as a credit sale of €15,000 which is a mark-up on cost of 20%.

(v) The suspense figure arises as a result of discount allowed €1,200 entered only in the debtors account and credit purchases of raw materials €5,000 entered on the incorrect side of the creditor account.

(vi) The figure for bank in the Trial Balance has been taken from the firm's records. However, a bank statement dated 31/12/2015 had arrived showing an overdraft of €36,300. A comparison of the bank account and the bank statement revealed the following discrepancies:
1. A cheque for €800 received from a debtor has been dishonoured. This has not been entered in the books.
2. Rent of €5,100 for six months ending 30/04/2016 was paid directly into the firm's bank account.
3. A cheque of €2,000 issued to a supplier had not been presented for payment.

(vii) During 2015 Ryan Ltd built an extension to the warehouse. The work was carried out by the company's own employees. The cost of their labour €12,000 is included in factory wages. The materials, costing €28,000, were taken from stocks. No entry had been made in the books in respect of this extension.

(viii) Provide for a recent wage increase of 5% which has been backdated to cover the six months from 01/07/2015.

(ix) Provision should be made for the following:
1. Investment income due and debenture interest due.
2. The creation of a provision for bad debts equal to 4% of debtors.

Required:

(a) Prepare a Manufacturing, Trading and Profit and Loss Account for the year ended 31/12/2015. (75)

(b) Prepare a Balance Sheet as at 31/12/2015. (45)

(120 marks)