

Accounting – Higher Level 2016

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Question 1

(a)

Manufacturing Account of Ryan Ltd for the year ended 31/12/2015 [1]

		€	€
Opening stock of raw materials			46,500 [1]
Purchases of raw materials	W 1		<u>496,200</u> [4]
			542,700
Less Closing stock of raw materials			<u>(36,100)</u> [1]
Cost of Raw Materials Consumed			506,600
Direct Costs:			
Factory wages	W 2	213,200 [5]	
Hire of special equipment		35,700 [2]	
Royalty payments		<u>30,500</u> [2]	<u>279,400</u>
Prime Cost			786,000
Factory Overheads:			
General factory overheads	W 3	95,200 [6]	
Depreciation - plant and machinery	W 4	31,100 [3]	
Loss on sale of machine	W 5	<u>4,950</u> [4]	<u>131,250</u>
Factory Cost			917,250
Add Work in progress 01/01/2015			33,200 [3]
Less Work in progress 31/12/2015			<u>(34,200)</u> [3]
			916,250
Less Sale of scrap materials	W 6		<u>(2,500)</u> [4]
Cost of manufacture			<u>913,750</u>

Trading and Profit and Loss Account for the year ended 31/12/2015

		€	€
Sales	W 7		1,337,000 [5]
Less Cost of Sales			
Opening stock of finished goods		48,100 [3]	
Cost of manufacture		<u>913,750</u> [2]	
			961,850
Less Stock of finished goods 31/12/2015	W 8	<u>(90,100)</u> [4]	<u>(871,750)</u>
Gross Profit			465,250
Less Expenses			
Administration			
Administration expenses		49,200 [2]	
Selling and Distribution			
Provision for bad debts	W 9	1,512 [3]	
Selling expenses		<u>36,300</u> [2]	<u>37,812</u>
			<u>(87,012)</u>
Add Operating Income			378,238
Discount	W 10	4,800 [3]	
Rent	W 11	<u>10,200</u> [3]	<u>15,000</u>
Operating profit			393,238
Investment income	W 12		<u>8,400</u> [3]
			401,638
Less Debenture interest	W 13		<u>(28,400)</u> [2]
Net Profit			373,238
Less Dividends paid			<u>(22,500)</u> [1]
Retained profit			350,738
Add Profit and loss balance 01/01/2015			<u>68,900</u> [2]
Profit and loss balance 31/12/2015			<u>419,638</u> [1]

(b)

Balance Sheet as at 31/12/2015

		Cost	Acc. Dep.	Net
		€	€	€
Tangible Fixed Assets				
Factory buildings	W 14	970,300 [2]	20,000 [1]	950,300
Plant and machinery	W 15	<u>302,000 [2]</u>	<u>96,650 [3]</u>	<u>205,350</u>
		<u>1,272,300</u>	<u>116,650</u>	1,155,650
Financial Assets				
Investments				<u>315,000 [2]</u>
				1,470,650
Current Assets				
Stock				
Raw materials		36,100 [3]		
Work in progress		34,200 [2]		
Finished goods		<u>90,100 [2]</u>	160,400	
Debtors	W 16	37,800 [5]		
Less Provision		<u>(1,512) [1]</u>	36,288	
Investment income due			<u>8,400 [2]</u>	
			205,088	
Less Creditors: amounts falling due within one year				
Creditors	W 17	59,400 [4]		
Bank	W 18	38,300 [4]		
Rent prepaid		3,400 [1]		
Wages due		5,500 [1]		
PAYE, PRSI & USC		46,100 [2]		
Debenture interest due		<u>28,400 [2]</u>	(181,100)	
				<u>23,988</u>
				<u>1,494,638</u>
Financed by				
Creditors: amounts falling due after more than one year				
8% Debentures				375,000 [2]
Capital and Reserves		Authorised	Issued	
Ordinary shares @ €1 each		600,000 [1]	500,000 [1]	
5% Preference shares @ €1 each		<u>250,000 [1]</u>	<u>200,000 [1]</u>	
		<u>850,000</u>	700,000	
Profit and loss balance			<u>419,638</u>	<u>1,119,638</u>
Capital Employed				<u>1,494,638</u>

Workings

1.	Purchases – raw materials	524,200 – 28,000	496,200
2.	Factory wages	220,000 + 5,500 - 12,300	213,200
3.	General factory overheads	86,400 + 10,000 - 1,200	95,200
4.	Depreciation - plant and machinery	16,000 + 15,100 30,200 + 900	31,100
5.	Loss on sale of machine	18,000 - 9,450 - 3,600	4,950
6.	Sale of scrap materials	6,100 - 3,600	2,500
7.	Sales - finished goods	1,352,000 – 15,000	1,337,000
8.	Closing Stock - finished goods	77,600 + 12,500	90,100
9.	Provision for bad debts	[37,800 × 4%]	1,512
10.	Discount	6,000 - 1,200	4,800
11.	Rent	8,500 + 5,100 – 3,400 prepaid	10,200
12.	Investment income	4% [315,000] × 8/12	8,400
13.	Debenture interest	25,200 + 3,200 20,000 + 8,400	28,400
14.	Factory buildings	930,000 + [28,000 + 12,300]	970,300
15.	Accumulated depreciation - plant and machinery	75,000 - 9,450 + 31,100	96,650
16.	Debtors	52,000 + 800 – 15,000	37,800
17.	Creditors	49,400 + 10,000	59,400
18.	Bank	42,600 + 800 – 5,100 36,300 + 2,000	38,300 38,300

Penalties: 1 mark for the omission of expense heading ‘selling and distribution’ in profit and loss a/c
1 mark for the omission of ‘total cost’ figure for fixed assets.