

Accounting Higher Level Scheme - 2017

Question 1 – Sole Trader

(a)

75

Trading, Profit and Loss Account of M. Mullen for the year ended 31/12/2016 [1]

		€		€		€	
Sales						792,000	[2]
Less: Cost of sales							
Opening stock				66,000	[2]		
Add purchases	W 1			<u>515,300</u>	[10]		
				581,300			
Less closing stock	W 2			<u>(87,800)</u>	[7]	<u>(493,500)</u>	
Gross profit						298,500	
Less: Expenses							
Administration							
Patent written off	W 8	14,000	[5]				
Salaries and general expenses		145,500	[2]				
Rent		10,400	[2]				
Insurance	W 7	19,400	[7]				
Depreciation – office equipment	W 14	2,800	[3]				
Depreciation – buildings	W 15	<u>13,600</u>	[2]	205,700			
Selling and Distribution							
Loss on sale of van	W 6	1,000	[6]				
Depreciation – delivery van	W 4	23,400	[5]				
Commission		<u>16,500</u>	[2]	<u>40,900</u>		<u>(246,600)</u>	
						51,900	
Add operating income							
Bad debt recovered						1,200	[2]
Discount including profit on sale	W 11					<u>4,300</u>	[4]
Operating profit						57,400	
Investment income	W 9					<u>4,000</u>	[4]
						61,400	
Mortgage interest	W 10					<u>(10,800)</u>	[3]
Net profit						<u>50,600</u>	[6]

(b)

Balance Sheet of M. Mullen as at 31/12/2016

		Cost €	Acc. Dep. €	Net €	Total €	
Intangible Fixed Assets						
Patent	W 8				56,000	[2]
Tangible Fixed Assets						
Buildings		800,000 [1]	---	800,000		
Office equipment	W 13 & 14	14,000 [2]	8,300 [3]	5,700		
Delivery vans	W 3 & 5	158,000 [2]	67,400 [3]	90,600		
		<u>972,000</u>	<u>75,700</u>	896,300	896,300	
Financial Assets						
Investments					<u>200,000</u>	[2]
					1,152,300	
Current Assets						
Stock				87,800		[2]
Debtors	W 17		71,000 [2]			
Less provision			<u>(3,500) [1]</u>	67,500		
Investment income due	W 9			2,000		[2]
VAT	W 19			<u>4,400</u>		[2]
				161,700		
Creditors: amounts falling due within one year						
Creditors	W 12		83,200 [6]			
Bank	W 18		69,600 [3]			
PAYE, PRSI & USC			21,600 [2]			
Mortgage interest due	W 10		<u>8,100 [2]</u>	<u>(182,500)</u>	<u>(20,800)</u>	
					<u>1,131,500</u>	
Financed by						
Creditors: amounts falling due after one year						
6% Fixed mortgage					180,000	[2]
Capital and Reserves						
Capital 01/01/2016				701,900		[1]
Revaluation reserve	W 16			218,600		[3]
Net profit				50,600		
Less drawings	W 20			<u>(19,600) [2]</u>	<u>951,500</u>	
Capital Employed					<u>1,131,500</u>	

Question 1 – Workings

1.	Purchases	$536,500 - 30,000 + 12,800 - 4,000$	515,300
2.	Closing stock	$76,500 - 1,500 + 12,800$	87,800
3.	Delivery vans at cost	$150,000 - 40,000 + 48,000$	158,000
4.	Depreciation – van	$5,625 + 17,775$ $[22,500 + 900]$ $(1,500 + 16,500 + 5,400)$	23,400
5.	Acc. dep. delivery vans	$65,000 - 21,000 + 23,400$	67,400
6.	Loss on sale of van	$40,000 - 21,000 - 18,000$	1,000
7.	Insurance	$17,700 + 2,000 - 300$	19,400
8.	Patent	$(68,000 + 2,000) \div 5$	14,000
9.	Investment income	$200,000 \times 3\% \times 2/3 \text{ year}$	4,000
	Investment income due	$4,000 - 2,000$	2,000
10.	Mortgage interest	$180,000 \times 6\%$	10,800
	Mortgage interest due	$10,800 - 2,700$	8,100
11.	Discount received	$3,200 + 1,100$	4,300
12.	Creditors	$78,000 - 7,600 + 12,800$	83,200
13.	Office equipment at cost	$25,000 - 11,000$	14,000
14.	Depreciation – office equipment	$14,000 \times 20\%$	2,800
	Acc. dep. office equipment	$10,000 - 4,500 + 2,800$	8,300
15.	Depreciation – buildings	$680,000 \times 2\%$	13,600
16.	Revaluation reserve	$120,000 + 85,000 + 13,600$	218,600
17.	Debtors	$70,500 + 500$	71,000
18.	Bank	$70,300 - 700$	69,600
19.	VAT	$6,400 - 2000$	4,400
20.	Drawings	$15,600 + 4,000$	19,600