

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

- (i) Stocks on hand at 31/12/2017:
- | | |
|------------------|---------|
| Finished goods | €68,100 |
| Raw materials | €31,500 |
| Work in progress | €40,200 |
- (ii) It was discovered that finished goods had been sent to a customer on 31/12/2017 on a 'sale or return' basis. These goods had been recorded as a credit sale of €17,500 which is a mark-up on cost of 25%.
- (iii) The suspense figure arises as a result of discount allowed €600 entered only in the debtors account and credit purchases of raw materials €6,000 entered on the incorrect side of the creditor account.
- (iv) The figure for bank in the trial balance has been taken from the firm's records. However, a bank statement dated 31/12/2017 shows an overdraft of €33,300. A comparison of the bank account and the bank statement revealed the following discrepancies:
1. A cheque for €1,000 had been lodged directly into the firm's bank account on behalf of a debtor in respect of a debt previously written off. This represented 40% of the original debt and the debtor has undertaken to repay the remainder in January 2018.
 2. Rent due 31/12/2017 was paid directly into the firm's bank account.
 3. A cheque of €6,300 issued to a supplier had not been presented for payment.
- (v) Provide for a recent wage increase of 5% to be backdated to cover the three months from 01/10/2017.
- (vi) During 2017 (January to December) Austin Ltd built an extension to the warehouse. The work was carried out by the company's own employees. The cost of their labour €24,000 (before wage increase) was included in factory wages. The materials, costing €31,500 were taken from stocks. No entry had been made in the books in respect of this extension.
- (vii) Included in the figure for sale of scrap materials is €3,000 received from the sale of an old machine on 30/06/2017. This machine had cost €20,000 on 01/04/2011.
- (viii) Provide for depreciation as follows:
- Plant and machinery at the annual rate of 10% of cost from the date of purchase to the date of sale.
- Buildings at 2% of the cost at 31/12/2017. Depreciation on buildings is to be allocated 75% to factory and the remainder to office administration.
- (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 6% of debtors on 31/12/2017.

Required:

- (a) Prepare a manufacturing, trading and profit and loss account for the year ended 31/12/2017. (75)
- (b) Prepare a balance sheet as at 31/12/2017. (45)
- (120 marks)**