

Q.1

Trading Profit and Loss Account of Linken Ltd for the year ended 31/12/18 [1]

	€	€	€
Sales			1,582,500 [3]
Less cost of sales			
Opening stock		64,500 [3]	
Add purchases		<u>1,012,000</u> [6]	
		1,076,500	
Less closing stock		<u>(80,150)</u> [5]	<u>(996,350)</u>
Gross profit			586,150
Less Expenses			
Administration			
Patent written off		9,600 [4]	
Salaries and general expenses		246,620 [7]	
Depreciation - buildings		16,500 [4]	
Loss on damaged stock		<u>1,900</u> [3]	
		274,620	
Selling and Distribution			
Depreciation – delivery vans	32,300 [4]		
Advertising	31,200 [2]		
Loss on sale of van	1,500 [5]		
Bad debts	3,920 [3]		
Commission	<u>19,125</u> [3]	<u>88,045</u>	<u>(362,665)</u>
			223,485
Other Operating Income			
Discount received		15,960 [2]	
Reduction in bad debts provision		<u>372</u> [5]	<u>16,332</u>
Operating Profit			239,817
Investment income			8,100 [3]
Debenture interest			<u>(19,950)</u> [3]
Net profit			227,967
Less dividends paid		(55,000) [2]	
Transfer to capital reserve		<u>(10,000)</u> [2]	<u>(65,000)</u>
Retained profit			162,967
Profit and loss balance 01/01/2018			<u>71,500</u> [2]
Profit and loss balance 31/12/2018			<u>234,467</u> [3]

Balance Sheet of Linken Ltd as at 31/12/2018

	Cost	Acc. Depreciation	NBV
	€	€	€
Intangible Assets			
Patents			38,400 [3]
Tangible Fixed Assets			
Buildings	975,000 [2]	16,500 [1]	958,500
Delivery vans	<u>170,000 [3]</u>	<u>57,800 [3]</u>	<u>112,200</u>
	<u>1,145,000</u>	<u>74,300</u>	1,070,700
Financial Assets			
3% Investments			<u>360,000 [2]</u>
			1,469,100
Current Assets			
Debtors	90,700 [4]		
Less provision for bad debts	<u>(3,628) [1]</u>	87,072	
Closing stock		80,150 [2]	
Investment Interest due		3,600 [2]	
Compensation due		<u>5,100 [2]</u>	
		175,922	
Creditors: amounts falling due within 1 year			
Creditors	69,100 [2]		
Commission due	19,125 [2]		
Debenture Interest due	15,750 [2]		
VAT	6,800 [2]		
Bank overdraft	<u>64,780 [4]</u>	<u>(175,555)</u>	<u>367</u>
Total net assets			<u>1,469,467</u>
Financed by:			
Creditors: amounts falling due after 1 year			
7% Debentures			300,000 [2]
Capital and Reserves	Authorised	Issued	
Ordinary shares @ €1 each	700,000	500,000 [1]	
Preference shares @ €1 each	<u>500,000</u>	<u>200,000 [1]</u>	
	<u>1,200,000</u>	700,000	
Revaluation reserve		180,000 [3]	
Capital reserve		55,000 [1]	
Profit and loss balance 31/12/2018		<u>234,467</u>	<u>1,169,467</u>
Capital employed			<u>1,469,467</u>

Workings:

1.	Sales	$1,590,000 - 7,500$	1,582,500
2.	Purchases	$1,045,000 - 7,000 - 26,000$	1,012,000
3.	Closing stock	$75,400 - 1,500 + 6,250$	80,150
4.	Patents	$(43,500 + 4,500) \div 5$	9,600
5.	Salaries and general exp.	$243,100 + 2,200 + 460 + 860$	246,620
6.	Depreciation – buildings	$(975,000 - 150,000) \times 2\%$	16,500
7.	Loss on damaged stock	$7,000 - 5,100$	1,900
8.	Depreciation vans	$(170,000 - 5\%) \div 5$	32,300
9.	Loss on sale of van	$25,000 - 14,000 - 9,500$	1,500
10.	Bad debts	$5,600 \times 70\%$	3,920
11.	Commission	$382,500 \times 5\%$	19,125
12.	Discount received	$15,500 + 460$	15,960
13.	Reduction in provision	$4,000 - 3,628$	372
14.	Investment income	$(360,000 \times 3\%) \times 9/12$	8,100
15.	Interest payable	$(240,000 \times 7\%) + (60,000 \times 7\% \times 9/12)$	19,950
16.	Patents	$48,000 - 9,600$	38,400
17.	Delivery vans	$155,000 - 25,000 + 40,000$	170,000
18.	Acc. depreciation - vans	$35,000 + 32,300 - 9,500$	57,800
19.	Debtors	$98,200 - 7,500$	90,700
20.	Investment income due	$8,100 - 4,500$	3,600
21.	Interest due	$19,950 - 4,200$	15,750
21.	Bank overdraft	$60,000 + 5,600 - 1,680 + 860$	64,780
21.	Bank overdraft	$62,280 + 2,500$	64,780
22.	Revaluation reserve	$(975,000 - 850,000) + 55,000$	180,000