(i)

Stock at cost on 31/12/2018 was €75,400 – this figure includes damaged stock which cost €6,000 but which now has a net realisable value of 75% of cost.

Stock	75,400		Damaged	
Less drop	1,500		Cost	6,000
Now worth	$\boxed{\text{~~73,900~~}}$	*(iv)*	Now Worth	75%
			Drop of	1,500

(ii)

During the year, stock which had cost €7,000 was destroyed by fire. The insurance company agreed to pay compensation of €5,100.

Purchases

b/d	1,045,000	Fire Insurance	7,000
		P&L	**1,038,000**

Fire Insurance

Purchases	7,000	**c/d-A**	**5,100**
		P&L	**1,900**

(iii)

The cost of delivery vans is to be written off on a straight line basis over 5 years. A full year's depreciation is to be charged in the year of acquisition and none in the year of disposal. Delivery vans have a 5% scrap value of the original cost.

NOTE: During the year a delivery van which had cost €25,000 in 2016 was traded in for €14,000 against a new delivery van costing €40,000. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock but was entered correctly in the bank account This was the only entry made in respect of this transaction

Vans

b/d-A	155,000	Disposal	25,000
4(*Allowance*	14,000		
Pur - error	26,000	**c/d-A**	**170,000**

For Disposal 25,000

Buy	2016	Depreciation? Yes
Middle	2017	Depreciation? Yes
Sell	2018	Dep? = No Year of Disposal

Therefore Depreciation for Disposal = 2 Years

Dep = 2 full years 9,500

Depreciation

Disposal	9,500	b/d-L	35,000
		P&Ⓛ	**32,300**

Depreciation on Disposal

	25,000			
Drops	95%	= a drop of 23,750		
Over	5	Years		
=	23,750	/ 5 =	4,750	a year
		To Disposal	9,500	2 years

Disposal

Van	25,000	Depreciation	9,500
		Van Allowance	14,000
		P&Ⓛ	**1,500**

P&(L) Expense for th

170,000 @ (95% / 5 Years) - Full Years

i.e. All Vans (including Purchased) less disposed off

= 32,300

Remember, disposed van is "gone" in 170,000 figure

So can be ignored as far as "year of disposal"

Purchases

b/d	1,045,000	Van	26,000
		P&Ⓛ	**1,019,000**

(iv)

It was discovered that goods had been sent to a customer on 31/12/2018 on a 'sale or return' basis. These goods had been entered in the books as a credit sale of €7,500 which is a mark-up on cost of 20%.

Sales

error	7,500	b/d	1,590,000
P&L	**1,582,500**		

Debtors

b/d-A	98,200	error	7,500	
		~~**c/d-A**~~	~~**90,700**~~	*(viii)*

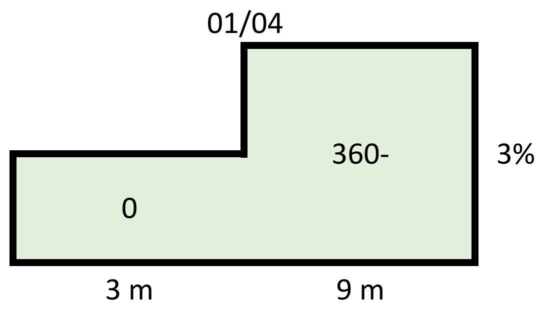
Selling Price	7,500	
Mark Up	20%	
Cost Price	6,250	

Stock	73,900	*from (i)*
Plus increase	6,250	
Closing Stock	**80,150**	**To Trading**
		To CA

(v)

Patents are to be written off over a 5 year period commencing in 2018.

ⓟ&L Investment Income



Patents

b/d-A	43,500	~~c/d-A~~	~~48,000~~	
error	4,500	P&Ⓛ	9,600	*1/5*
		c/d-A	38,400	*4/5*

Investment Icome

ⓟ&L	**8,100**	error	4,500
		c/d-A	**3,600**

0	@	3%	@	3/12		
360-	@	3%	@	9/12	8,100	ⓟ&L

Assumption

5 months = from when we got them not from Jan

Error

360-	@	3%	@	5/12	4,500	error

(vi)

The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct figure had been entered in the bank account) and discount received €460 entered only in the creditors account.

Debenture Interest

b/d - 3 months	6,400	Error - Suspense	2,200
c/d-L	**15,750**	P&L	**19,950**

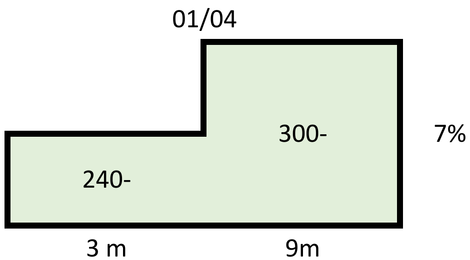
Discount

P&L	**15,960**	b/d	15,500
		Error - Suspense	460

Salaries & General Expenses (Suspense)

b/d	243,100	~~P&L~~	~~**245,760**~~ *viii)*
Debenture Interes	2,200		
Discount	460		

Debenture Interest



240-	@	7%	@	3/12			
300-	@	7%	@	9/12		19,950	P&L

Error

240-	@	7%	@	3/12		4,200	3 months

Discount

Pur

10	

Crs

9	*10*
1	

Bank

	9

Discount

	l

(vii)

The company revalued land and buildings at €975,000 on 01/01/2018. The land element of this new value is €150,000. The revaluation has yet to be included in the accounts. Buildings are to be depreciated at the rate of 2% of cost per annum.

Land & Buildings

b/d-A	850,000	**c/d-A**	**975,000**
Rev Reserve	125,000		

L & B	975,000					
Land	150,000					
Buildings	825,000	@	2%	@	12/12	16,500

Depreciation Land & Buildings

Rev Reserve	55,000	b/d-L	55,000
		P&L	**16,500**

Revaluation Reserve

c/d-L	**180,000**	L & B	125,000
		Dep	55,000

(viii)

The figure for bank in the trial balance has been taken from the company's own records. However, a bank statement dated 31/12/2018 has arrived showing an overdraft of €62,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. A cheque received from a debtor for €5,600 had been dishonoured by the bank. This debtor had been declared bankrupt and had made a credit transfer for a first and final payment of 30c for every €1 euro owed.
2. A direct debit to a local refuse company for €860 had not been recorded in the company's books.
3. A cheque for fees of €2,500 issued to a director had not been presented for payment by 31/12/2018

Bank

1. Debtors (3(	1,680	b/d-L	60,000
c/d-L	**64,780**	1. Debtors	5,600
		2. S & GE (Refuse)	860

Debtors

b/d-A *(iv)*	90,700	1. Bank	1,680	30%
1. Bank	5,600	1. Bad Debts w/o	3,920	
		c/d-A	**90,700**	

Bad Debts Written Off

1. Debtors	3,920	P&L	**3,920**

Salaries and General Expenses

b/d *(vi)*	245,760	P&L	**246,620**
2. Bank	860		

(ix)

The Directors recommend that:

1. Provision should be made for both investment income due and debenture interest due.
2. Provision for bad debts to be adjusted to 4% of debtors.
3. The managing director should be paid a bonus commission of 5% on all sales in excess of €1,200,000.
4. A transfer of €10,000 should be made from profit to the capital reserve

		Sorted in
1	Investment Inc	in (v)
	Debenture Inte	In (vi)

2

Bad Debt Provision

c/d-L	3,628	b/d-L	4,000
P&L	372		

Debtors *(viii)*

90,700	@	4%

3

Sales Commission

c/d-L	19,500	P&L	19,500

Sales Commission

Sales	1,590,000			
Over	1,200,000			
Amount	390,000	@	5%	19,500

4

From P&L	10,000
To Capital Rese	10,000

Note

A Sales Commission was created,

S & GE was not used