

SECTION 1 (120 marks)
Answer **Question 1** (A or B) OR any **TWO** other questions

1. Answer (A) OR (B)

(A) Company Final Accounts including a Manufacturing Account

McGuigan Ltd has an authorised capital of €2,000,000 divided into 1,500,000 ordinary shares at €1 each and 500,000 4% preference shares at €1 each.

The following trial balance was extracted from the books on 31/12/2021:

	€	€
Plant and machinery (cost €340,000)	290,000	
Factory buildings (cost €890,000)	865,000	
Hire of special equipment	37,800	
General factory overheads (including suspense)	126,700	
Stocks on hand 01/01/2021		
Raw materials	27,300	
Work in progress	38,650	
Finished goods	38,400	
Direct factory wages	148,000	
Purchase of raw materials	760,400	
Royalty payments	29,600	
Sale of scrap materials		18,950
Selling expenses	45,000	
Administration expenses	57,900	
Sales		1,650,000
Discount (net)		5,350
Rent		15,700
4% Investments acquired on 01/04/2021	250,000	
Investment interest received		2,800
Profit and loss balance 01/01/2021		69,500
PAYE, PRSI & USC		1,850
8% Debentures (including €50,000 issued on 01/04/2021)		300,000
Debenture interest paid	5,000	
Bad debt provision		3,050
Dividends paid	27,500	
Bank		85,000
Debtors and creditors	76,350	61,400
Issued share capital - ordinary shares		460,000
4% preference shares		150,000
	<u>2,823,600</u>	<u>2,823,600</u>

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

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|-----|-------------------------------|------------------|---------|
| (i) | Stocks on hand at 31/12/2021: | Raw materials | €28,300 |
| | | Work in progress | €27,600 |
| | | Finished goods | €58,000 |
- (ii) No entry has been made in the books for sale of goods to a debtor on 31/12/2021. An invoice had been sent for €10,800, which included a mark-up on cost of 20%. The goods were not dispatched until 02/01/2022 and were included in closing stock.
- (iii) Included in the figure for sale of scrap materials is €7,000 received from the sale of an old machine on 31/03/2021. This machine had cost €30,000 on 01/09/2016.
- (iv) Plant and Machinery is to be depreciated at a rate of 15% of cost from the date of purchase to the date of sale.
- (v) The suspense figure arises as a result of discount received €1,400 entered only in the discount account and credit purchases of raw materials €11,000 which were entered only in the creditors account.
- (vi) Provide for a recent wage increase of 2% to be backdated to cover the three months from 01/10/2021.
- (vii) During 2021 a store was built by the firm's own employees. The cost of their labour €60,000 (before wage increase) had been treated as a business expense and the materials costing €62,000 were taken from the firm's stocks. The building work commenced on 01/01/2021 and took 12 months to complete. No entry had been made in the books for the store.
- (viii) The figure for bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2021 shows an overdraft of €76,200. A comparison of the bank account and the bank statement revealed the following discrepancies:
1. A credit transfer for €3,500 had been received on 31/12/2021 in respect of a debtor who has recently been declared bankrupt. This represents a first and final payment of 70c for every €1 owed.
 2. A cheque for €6,300 received from a debtor had been entered in the books (cash book and ledger) as €5,700.
 3. A cheque for fees of €4,700 issued to a creditor had not been presented for payment by 31/12/2021.
- (ix) Provision should be made for the following:
1. Investment income due and debenture interest due.
 2. Provision for bad debts to be adjusted to 4% of debtors.
 3. Depreciation on buildings at a rate of 2% of cost per annum.

Required:

- (a) Prepare a manufacturing, trading and profit and loss account for the year ended 31/12/2021. (75)
- (b) Prepare a balance sheet as at 31/12/2021. (45)
- (120 marks)**