

Accounting - Higher Level 1998

Question 1 - Final Accounts of a limited company

(a) Trading, Profit and Loss Account of Tynan Ltd for the year ended 31/12/1997

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		£	£	£
Sales				770,000 ⑤
<u>Less</u> Cost of sales				
Stock 1/1/1997			45,000 ③	
Add Purchases	W 1		443,000 ⑤	
			488,000	
<u>Less</u> Stock 31/12/1997	W 2		(36,800) ⑤	(451,200)
Gross profit				318,800
<u>Less</u> Expenses				
Administration				
Directors fees		50,000 ④		
Salaries & general expenses	W 3	136,900 ⑤		
Patents written off	W 4	12,500 ⑥		
Depreciation - buildings	W 5	11,000 ④	210,400	
Selling and Distribution				
Bad debts written off		2,250 ②		
Depreciation- delivery vans	W 6	37,400 ⑤		
Loss on sale of van	W 7	7,000 ③		
Increase in provision for bad debts	W 8	1,890 ③	48,540	258,940
Operating profit				59,860
Investment income				9,000 ⑥
				68,860
Debenture interest				(18,000) ⑤
Net profit for year before taxation				50,860
<u>Less</u> Appropriation				
Preference dividend paid			3,000 ②	
Ordinary dividend paid			12,000 ②	
Preference dividend proposed			9,000 ②	
Ordinary dividend proposed			20,000 ②	(44,000)
Retained profit				6,860
Profit and loss balance 1/1/1997				22,000 ②
Profit and loss balance 31/12/1997				28,860 ⑥

Question 1 - (continued)

(b)

Balance Sheet at 31 December 1997

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		Cost	Accumulated	Net	Total
		£	Depreciation	£	£
			£		
Intangible Fixed Assets					
Patents (£50,000 - £12,500)					37,500 ^④
Tangible Fixed Assets					
Land and buildings	W 9	850,000 ^①		850,000	
Delivery vans	W 10	192,000 ^②	99,400 ^②	92,600	
		<u>1,042,000</u>	<u>99,400</u>	<u>942,600</u>	942,600
Financial Assets					
9% Investments					100,000 ^②
					<u>1,080,100</u>
Current assets					
Stock				36,800 ^①	
Investment income due				2,250 ^③	
Debtors	W 11		66,500 ^③		
Less provision			<u>3,990^①</u>	<u>62,510</u>	
				101,560	
Creditors: amounts falling due within one year					
Creditors	W 12		43,820 ^③		
Preference dividend due			9,000 ^②		
Ordinary dividend due			20,000 ^③		
Debenture interest due			15,000 ^③		
VAT			14,000 ^①		
Bank	W 13		<u>3,980^⑥</u>	<u>(105,800)</u>	<u>(4,240)</u>
					<u>1,075,860</u>
Financed by					
Creditors: amounts falling due after more than one year					
8% Debentures					250,000 ^②
Capital and reserves		Authorised	Issued		
Ordinary shares at £1 each		550,000	400,000 ^①		
6% Preference shares at £1 each		<u>300,000</u>	<u>200,000^①</u>		
		850,000	600,000		
Revaluation reserve	W 14		197,000 ^④		
Profit and loss Balance			28,860		
Shareholders' funds					<u>825,860</u>
Capital employed					<u>1,075,860</u>

Question 1 - Solution - (continued)

Workings

1. Purchases	480,000	-	37,000	443,000
2. Closing stock	40,000	-	3,200	36,800
3. Salaries and general expenses	136,000	+	900	136,900
4. Patents written off	(£47,000 + £3,000) ÷ 4			12,500
5. Depreciation -buildings	2 % of (700,000 - 150,000)			11,000
6. Depreciation - delivery vans	20 % of [(£180,000 for 5 months) + (£192,000 for 7 months)]			37,400
7. Loss on sale of van	45,000	-	18,000 - 20,000	7,000
8. Increase in Provision for bad debts	£2,100	-	£3,990	1,890
9. Land and Buildings at cost	700,000	+	150,000	850,000
10. Delivery vans at cost	180,000	+	57,000 - 45,000	192,000
11. Debtors	69,000	-	£250 - £2,250	66,500
12. Creditors	44,000	-	180	43,820
13. Bank overdraft as per Trial Balance			6,900	
Less Investment income			(3,750)	
Less Credit transfer received			(250)	
Add Bank under credited			180	
Add Direct debit - ESB			<u>900</u>	3,980
14. Revaluation reserve	150,000	+	36,000 + 11,000)	197,000