

**SECTION 1 (120 marks)**Answer **Question 1** OR any **TWO** other questions.**1. Sole Trader - Final Accounts**

The following trial balance was extracted from the books of James Stewart on 31/12/1998.

	£	£
Buildings (cost £656,250).....	485,000	
Delivery vans (cost £90,000).....	55,000	
12% Investments 1/6/1998.....	150,000	
9% Fixed Mortgage (including increase of £40,000 9% mortgage received on 1/4/1998).....		200,000
Patents (incorporating 4 months investment income received).....	50,500	
Debtors and Creditors.....	45,400	64,400
Purchases and Sales.....	495,000	774,000
Stocks 1/1/1998.....	47,600	
Commission.....	20,000	
Provision for Bad Debts.....		2,200
Salaries and General Expenses.....	96,100	
Discount (net).....		2,700
Rent.....		8,800
Mortgage Interest paid for first 3 months.....	4,500	
Insurance (incorporating suspense).....	7,200	
VAT.....		6,700
PRSI.....		1,800
Bank.....		74,900
Drawings.....	29,200	
Capital.....		350,000
	1,485,500	1,485,500

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

- (i) Stock at 31/12/1998 at cost was £46,900. This figure includes damaged stock which cost £3,900 but which now has a net realisable value of £2,400.
- (ii) Provide for depreciation on vans at the annual rate of 15% of cost from the date of purchase to the date of sale.  
NOTE: On 31/3/1998 a delivery van, which had cost £16,000 on 31/5/1994, was traded against a new van which cost £20,000. An allowance of £7,000 was made on the old van. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction.
- (iii) Patents, which incorporates 4 months investment income, is to be written off over a 5 year period commencing in 1998.
- (iv) No record had been made in the books for "goods in transit" on 31/12/1998. The invoice for these goods had been received showing the recommended retail selling price of £12,500, which is cost plus 25%.
- (v) The suspense figure arises as a result of the posting of an incorrect figure for mortgage interest in the mortgage interest account and discount received £400 entered only in the creditors account. The correct interest was entered in the bank account.
- (vi) Provision to be made for mortgage interest due.
- (vii) A new warehouse was purchased during the year for £50,000 plus VAT 12.5%. The amount paid to the vendor was entered in Buildings account. No entry was made in the VAT account.
- (viii) Provide for depreciation on Buildings at the rate of 2% of cost per annum. It was decided to re-value the Buildings at £900,000 on 31/12/1998.
- (ix) Provision for Bad Debts to be adjusted to 4% of Debtors.

**You are required to prepare a:**

- (a) Trading, profit and loss account for the year ended 31/12/1998 (75)
- (b) Balance sheet as at 31/12/1998. (45)

**(120 marks)**