

Accounting - Higher Level 1999

Question 1 Final Accounts of a Sole Trader

(a)

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Trading , Profit and Loss Account the year ended 31/12/1998

		£	£	£
Sales				774,000 ③
<u>Less</u> Cost of sales				
Stock 1/1/1998		47,600 ③		
Add Purchases	W 1	492,000 ⑦		
		539,600		
<u>Less</u> Stock 31/12/1998	W 2	(55,400) ⑦		(484,200)
Gross profit				289,800
<u>Less</u> Expenses				
Administration				
Salaries and general expenses		96,100 ④		
Patents written off	W 3	11,300 ⑥		
Insurance	W 4	8,500 ⑥		
Depreciation - buildings	W 5	13,000 ③	128,900	
Selling and Distribution				
Commission		20,000 ③		
Depreciation- delivery vans	W 6	13,950 ⑥	33,950	(162,850)
				126,950
<u>Add</u> Operating income				
Profit on sale of delivery van	W 7			200 ⑥
Reduction in provision for bad debts	W 8			384 ④
Rent				8,800 ③
Discount				3,100 ④
Operating profit				139,434
Investment income				10,500 ④
				149,934
Mortgage interest	W 9			(17,100) ④
Net profit for year				<u>132,834</u> ②

Penalties 1 mark each for the omission of two headings in Profit & Loss account

Question 1 - (continued)

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(b)

Balance Sheet as at 31 December 1998

		Cost	Accumulated Depreciation	Net		Total
		£	£	£		£
Intangible Fixed Assets						
Patents (£56,500 - £11,300)						45,200 ④
Tangible Fixed Assets						
Buildings	W 10	900,000 ②		900,000		
Delivery vans		<u>94,000 ②</u>	<u>39,750 ③</u>	<u>54,250</u>		
		<u>994,000</u>	<u>39,750</u>	<u>954,250</u>		954,250
Financial Assets						
Investments						<u>150,000 ②</u>
						1,149,450
Current assets						
Stock				55,400 ②		
Investment income due				4,500 ③		
Debtors			45,400 ②			
Less provision			<u>1,816 ①</u>	<u>43,584</u>		
						103,484
Creditors: amounts falling due within one year						
Creditors	W 11		74,400 ④			
Mortgage interest due			13,500 ④			
VAT	W 12		450 ③			
PRSI			1,800 ②			
Bank			<u>74,900 ②</u>	<u>(165,050)</u>	<u>(61,566)</u>	
						<u>1,087,884</u>
Financed by						
Creditors: amounts falling due after more than one year						
9% Fixed mortgage						200,000 ②
Capital and reserves						
Capital 1/1/1998				350,000 ①		
Add Net profit				<u>132,834</u>		
				482,834		
Less Drawings				<u>29,200 ②</u>		
				453,634		
Revaluation reserve	W 13			<u>434,250 ④</u>	<u>887,884</u>	
Capital employed						<u>1,087,884</u>

Question 1 - Workings

1	Purchases	495,000	
	Add goods in transit	10,000	
	Less Payment for van	<u>(13,000)</u>	492,000
2	Closing stock	46,900	
	Less valueless stock	(1,500)	
	Add goods in transit	<u>10,000</u>	55,400
3	Patents		
	(£50,500 + £6,000) ÷ 5		11,300
4	Insurance	7,200	
	Add Mortgage interest	900	
	Add Discount received	<u>400</u>	8,500
5	Depreciation -buildings		
	2 % of £650,000		13,000
6	Depreciation - delivery vans		
	(£3,375 + £10,575) (£13,500 + £450) (£11,100 + £600 + £2,250)		13,950
7	Profit on sale of van		
	(£16,000 - £9,200 - £7,000)		200
.	Provision for Depreciation - vans		
	(£35,000 - £9,200 + £13,950)		39,750
8	Provision for bad debts		
	(£1,816 - £2,200)		384cr
9	Mortgage interest	4,500	
	Less Suspense	(900)	
	Add Interest due	<u>13,500</u>	17,100
10	Buildings	656,250	
	Less VAT	(6,250)	
	Add Revaluation	<u>250,000</u>	900,000
11	Creditors	64,400	
	Add goods in transit	<u>10,000</u>	74,400
12	VAT account	6,700	
	Less VAT on buildings	<u>6,250</u>	450
13	Revaluation reserve		
	Land and buildings	250,000	
	Provision for depreciation (171,250 + 13,000)	<u>184,250</u>	434,250