

Question 6 - solution

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Profit and Loss Account of Gayle Plc for year ended 31/12/2004

	€
Turnover	1,880,000 ②
Cost of Sales	<u>(1,137,000) ④</u>
Gross Profit	743,000
Distribution Costs	<u>(294,800) ③</u>
	448,200
Administrative Expenses	<u>(254,700) ⑤</u>
	193,500
Other Operating Income	<u>85,000 ③</u>
Operating Profit ①	278,500
Investment income	21,600 ②
Profit on sale of land	<u>65,000 ②</u>
	365,100
Interest payable	<u>(16,000) ③</u>
Profit on ordinary activities before tax	349,100
Taxation	<u>(87,000) ②</u>
	262,100
Dividend paid	(24,000) ③
Dividend proposed	<u>(22,000) ③</u>
	216,100
Profit brought forward at 1/1/2004	<u>52,000 ②</u>
Profit carried forward at 31/12/2004	<u>268,100 ①</u>

Workings

Cost of Sales	$73,000 + 1,150,000 + 10,000 - 96,000$	=	1,137,000
Distribution Costs	$248,000 + 2,800 + 44,000$	=	294,800
Administrative Expenses	$172,000 + 9,500 + 50,000 + 11,200 + 12,000$	=	254,700
Other Operating Income	$60,000 + 13,000 + 12,000$	=	85,000
Debtors	$289,000 - 27,000 + 11,600$	=	273,600

Balance Sheet of Gayle Plc as at 31/12/2004

Fixed Assets			€
Intangible assets			30,000 ②
Tangible Assets			1,043,000 ②
Financial Assets			<u>240,000 ①</u>
			1,313,000
Current Assets			
Stock	96,000 ①		
Debtors	273,600 ③		
Bank	<u>48,000 ①</u>	417,600	
Creditors: amounts falling due within 1 year: ①			
Trade Creditors	163,000 ①		
Dividends due	22,000 ②		
Taxation	158,000 ②		
Other Creditors	<u>63,500 ④</u>		
		(406,500)	
Net Current Assets			<u>11,100</u>
Total assets less Current Liabilities			<u>1,324,100</u>
Creditors: amounts falling due after more than 1 year			
8% Debentures			200,000 ①
Capital and Reserves			
Issued shares	600,000 ②		
Revaluation Reserve	256,000 ③		
Profit carried forward	<u>268,100 ①</u>		
			<u>1,124,000</u>
			<u>1,324,100</u>

Notes to the Accounts

Accounting policy notes

1. Tangible Fixed Assets ⑥

Buildings were revalued at the end of 2004 and have been included in the accounts at their revalued amount. Vehicles are shown at cost. Depreciation is calculated in order to write off the value of the tangible assets over their estimated useful economic life, as follows:

Buildings	2% per annum – straight line basis.
Delivery vans	20% of cost.
Stocks	Stocks are valued on a first in first out basis at the lower of cost and net realisable value.

2. Operating Profit ③

Operating profit is arrived at after charging;

Depreciation on Tangible Assets	58,000
Patent amortised	10,000

Directors remuneration	50,000
Auditors fees	9,500