

2. Creditors Control Account

The Creditors Ledger Control Account of N. Nolan showed the following balances - €62,125 cr and €772 dr on 31/12/2004. These figures did not agree with the Schedule (List) of Creditors' Balances extracted on the same date. An examination of the books revealed the following:

- (i) An invoice received from T. Murphy showing the purchase of goods for €1,200 less trade discount 20% had been entered correctly in the appropriate day book but had not been posted to the personal account.
- (ii) A credit note was received from a supplier for €277. The only entry made in the books was €27 credited to a creditor's account.
- (iii) A creditor had charged Nolan interest of €85 on an overdue account. The only entry made in the books for this interest had been €25 debited to the creditor's account. After a complaint by Nolan this charge had been reduced to €45 but this reduction had not been reflected in the books.
- (iv) Cash purchases by N. Nolan of €760 had been debited to a supplier's account.
- (v) Nolan had returned goods €480 to a supplier and entered this correctly in the books. However, a credit note arrived showing a deduction of 10% as a restocking charge. The total amount of this credit note was credited to the creditor's account but no other entry was made in the books.
- (vi) Discount disallowed by a supplier of €170 had been treated as discount received in the books.

You are required to:

- (a) Prepare the Adjusted Creditors Ledger Control Account. (24)
 - (b) Prepare the Adjusted Schedule of Creditors showing the original balance. (30)
 - (c) Explain why Creditors' Control Accounts are prepared. (6)
- (60 marks)**

3. Depreciation of Fixed Assets

Ace Haulage Ltd. prepares its final accounts to 31st December each year. The company's policy is to depreciate its vehicles at the rate of 15% of cost per annum calculated from the date of purchase to the date of disposal and to accumulate this depreciation in a Provision for Depreciation Account.

On 1/1/2003, Ace Haulage Ltd. owned the following vehicles:

- No. 1 purchased on 1/1/1999 for €70,000
- No. 2 purchased on 1/8/2000 for €80,000
- No. 3 purchased on 1/4/2001 for €88,000

On 1/5/2003, Vehicle No. 2 was crashed and traded in against a new vehicle costing €90,000. The company received compensation to the value of €30,000 and the cheque paid for the new vehicle was €75,000. On 1/7/2004, Vehicle No. 1 was traded in for €24,000 against a new vehicle costing €95,000. Vehicle No. 1 had a refrigeration unit fitted on the 1/1/2001 costing €20,000. This refrigeration unit was depreciated at the rate of 30% of cost for the first two years and thereafter at the rate of 15% of cost per annum.

You are required to show, with workings, for each of the two years 2003 and 2004:

- (a) The Vehicles Account. (6)
 - (b) The Vehicle Disposal Account. (16)
 - (c) The Provision for Depreciation Account. (32)
 - (d) What factors are taken into account in arriving at the annual depreciation charge. (6)
- (60 marks)**