4. Published Accounts

Ross Plc has an Authorised Capital of €800,000 divided into 600,000 Ordinary Shares at €1 each and 200,000 10% Preference Shares at €1 each. The following Trial Balance was extracted from its books on 31/12/2005.

	€	€
9% Investments 1/1/2005	200,000	
Patent	64,000	
Land and buildings (re-valued on 1/7/2005)	860,000	
Delivery vans at cost	140,000	
Delivery vans – accumulated depreciation on 1/1/2005		64,000
Revaluation Reserve		265,000
Debtors and Creditors	200,000	95,000
Purchases and Sales	700,000	1,221,000
Stock 1/1/2005	70,000	
Directors' Fees	89,000	
Salaries and General Expenses	175,000	
Discount		6,260
Advertising	23,000	
Investment Income		9,000
Profit on sale of Land		80,000
Rent	30,000	
Interim dividends	29,000	
Profit and Loss Balance 1/1/2005		78,000
6% Debentures including €100,000 issued on 1/8/2005		280,000
Bank		18,440
VAT		3,300
Issued Capital		
300,000 Ordinary Shares at €1 each		300,000
160,000 10% Preference Shares		160,000
	2,580,000	2,580,000

The following information is also relevant:

(i) Stock on 31/12/2005 was valued on a first in first out basis at €72,000

(ii) The patent was acquired on 1/1/2003 for €80,000. It is being amortised over 10 years in equal instalments. The amortisation is to be included in cost of sales.

(iii) On 1/7/2005 the Ordinary shareholders received an interim dividend of €21,000 and the Preference shareholders received €8,000. The directors propose the payment of the Preference dividend due and a final dividend on Ordinary shares to bring the total Ordinary dividend to 15c per share.

(iv) On 1/7/2005 land, which cost €100,000 was sold for €180,000. On this date the remaining land and buildings were re-valued at €860,000. Included in this revaluation is land now valued at €160,000 but which originally cost €50,000. The re-valued buildings had cost €530,000.

(v) Depreciation is to be provided as follows:
Delivery vans at the rate of 20% of cost.
Buildings at the rate of 2% of cost per annum until date of revaluation and thereafter at 2% per annum of re-valued figure.

(vi) Provide for debenture interest due, investment income due, auditors fees of €8,400 and taxation €40,000.

You are required to:

(a) Prepare the published **profit and loss account** for the year ended 31/12/2005, in accordance with the Companies Acts and appropriate reporting standards, showing the following notes:
1. Tangible fixed assets.
2. Stock.
3. Dividends.
4. Operating profit
5. Profit on sale of property. (48)

(b) What is an audit? Describe an auditor's report that is 'qualified'. (12)

(60 marks)