

Accounting Higher Level - 2007

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Question 1 - solution

Trading and Profit and Loss Account for the year ending 31/12/2006

		€	€	€
Sales				1,760,000 [3]
Less Cost of Sales				
Stock			75,200 [3]	
Add Purchases	W 1		<u>1,211,000 [8]</u>	
			1,286,200	
Less Stock 31/12/2006	W 2		<u>(81,200) [4]</u>	<u>(1,205,000)</u>
Gross Profit				555,000
Less Expenses				
Administration				
Patent written off	W 3	6,400 [4]		
Salaries and General expenses	W 4	180,600 [3]		
Directors fees		48,000 [2]		
Rent		19,600 [2]		
Depreciation – Buildings		<u>18,640 [3]</u>	273,240	
Selling and Distribution				
Bad Debts written off		1,750 [3]		
Advertising	W 5	15,700 [6]		
Depreciation –Delivery van	W 6	38,000 [4]		
Increase in bad debts provision	W 7	<u>716 [4]</u>	<u>56,166</u>	<u>(329,406)</u>
				225,594
Add Operating Income				
Discount	W 8		11,500 [4]	
Profit on Sale of Van	W 9		<u>3,250 [4]</u>	<u>14,750</u>
Operating Profit				240,344
Investment Income	W 10			<u>28,800 [3]</u>
				269,144
Debenture Interest	W 11			<u>(14,400) [3]</u>
Net Profit				254,744
Less Appropriations				
Preference Dividend paid			20,000 [2]	
Ordinary dividend paid			28,000 [2]	
Preference dividend due			20,000 [2]	
Ordinary dividend due			<u>60,000 [2]</u>	<u>(128,000)</u>
Retained Profit				126,744
Profit and Loss Balance 1/1/2006				<u>(17,200) [1]</u>
Profit and Loss Balance 31/12/2006				<u>109,544 [3]</u>

Question 1- solution – (continued)

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Balance Sheet as at 31/12/2006

	Cost €	Acc.Dep €	Net €	Total €
Intangible Fixed Assets				
Patents (32,000 – 6,400)				25,600 [3]
Tangible Fixed Assets				
Buildings W12	932,000 [3]	18,640 [1]	913,360	
Delivery Vans W13 & 14	<u>312,000 [3]</u>	<u>110,750 [3]</u>	<u>201,250</u>	
	<u>1,244,000</u>	<u>129,390</u>	<u>1,114,610</u>	1,114,610
Financial Assets				
9% Investments				<u>320,000 [2]</u>
				1,460,210
Current Assets				
Stock W15		81,200 [2]		
Debtors	97,900 [2]			
Less provision	<u>(3,916) [1]</u>	93,984		
Insurance Company		52,000 [1]		
Investment income due		<u>21,600 [3]</u>	248,784	
Creditors: Amounts falling due within one year				
Creditors W16		86,690 [3]		
Bank W17		43,160 [5]		
Preference dividend due		20,000 [2]		
Ordinary dividend due		60,000 [2]		
Debenture interest due		<u>9,600 [3]</u>	<u>(219,450)</u>	<u>29,334</u>
				<u>1,489,544</u>
Financed by				
Creditors: amounts falling due after more than one year				
8% Debentures				180,000 [2]
Capital and Reserves		Authorised	Issued	
Ordinary shares @ €1 each		1,200,000	800,000 [2]	
11% Preference shares @ €1 each		<u>600,000</u>	<u>400,000 [2]</u>	
		<u>1,800,000</u>	1,200,000	
Profit and Loss Balance			<u>109,544</u>	<u>1,309,544</u>
Capital Employed				<u>1,489,544</u>

Question 1 - workings

1. Purchases	1,320,000 – 46,000 – 12,000 – 51,000	1,211,000
2. Closing stock	85,200 – 4,000	81,200
3. Patent	$(24,800 + 7,200) \div 5$	6,400
4. Salaries and Gen. expenses	199,600 – 19,000	180,600
5. Advertising	14,800 + 200 + 700	15,700
6. Depreciation Delivery van	$32,000 + 750 + 5250$ $8,750 + 29,250$	38,000
7. Provision for bad debts	3,912 – 3,200	716 dr
8. Discount	10,800 + 700	11,500
9. Profit on sale of van	24,000 – 10,000 – 17,250	3,250
10. Investment Income	21,600 + 7,200	28,800
11. Debenture Interest	5,000 – 200 + 9,600	14,400
12. Buildings	902,000 – 40,000 + 70,000	932,000
13. Delivery vans at cost	280,000 + 56,000 – 24,000	312,000
14. Provision for Dep. – Vans	90,000 + 38,000 – 17,250	110,750
15. Debtors	100,400 – 2,500	97,900
16. Creditors	86,600 + 90	86,690
17. Bank Overdraft as per trial balance	$44,000 – 90 – 750$ $42,760 + 400$	43,160