

6. Service Firm

The following were included in the assets and liabilities of the Oak Health Centre Ltd, on 1/1/2006:
Buildings €500,000; Equipment €70,000; Furniture at cost €20,000; Stock of health food for sale €1,300; Heating oil €640; Creditors for supplies to Health Centre €1,250; 5% Investments €70,000; Contract cleaning prepaid €250; Clients' fees paid in advance €4,300; Authorised Capital €430,000 and Issued Capital €300,000.

All fixed assets have 2 years accumulated depreciation on 1/1/2006.

The following is the Receipts and Payments Account for the year ended 31/12/2006:

Receipts and Payments Account of Oak Health Centre for year ended 31/12/2006

	€		€
Balance at Bank 1/1/2006	7,250	Laundry	800
Clients' fees	252,600	Wages & Salaries	86,220
Investment Income	3,000	Repayment of €50,000 loan on	
Shop receipts	65,000	1/5/2006 with 18 months interest	57,200
		Equipment	14,000
		New extension	70,000
		Cleaning	2,600
		Light and heat	2,800
		Insurance	6,200
		Telephone	1,660
		Purchases – shop	42,100
		Purchases – supplies	36,800
		Balance at Bank 31/12/2006	<u>7,470</u>
	<u>327,850</u>		<u>327,850</u>

The following information and instructions are to be taken into account:

1. Closing stocks at 31/12/2006: Shop €1,600, Heating oil €250.
2. Cleaning is done under contract payable monthly in advance and includes a payment of €300 for January 2007.
3. Clients' fees includes fees for 2007 of €3,000. Clients' fees in arrears at 31/12/2006 €450.
4. The closing figure for bank does not take into account a dishonoured cheque €100 received from a client and lodged in late December.
5. Wages and Salaries include €12,000 per annum paid to the receptionist, who also runs the shop. It is estimated that 70% of this salary, €200 of the light and heat, €500 of the insurance and €340 of the telephone are attributable to the shop.
6. On 31/12/2006 the Oak Health Centre Ltd. decided to re-value Buildings at €680,000.
7. Electricity due 31/12/2006 €270.
8. Creditors for supplies to the Health Centre Ltd. at 31/12/2006 are €1,400
9. Depreciation to be provided as follows:
 Buildings 2% of cost for the full year.
 Equipment 15% of cost per annum.
 Furniture 25% of cost per annum.

You are required to:

- (a) Calculate the company's reserves on 1/1/2006. (20)
- (b) Calculate the Profit/Loss from the shop for the year ended 31/12/2006. (12)
- (c) Prepare a Profit and Loss account for the year ended 31/12/2006. (36)
- (d) Prepare a Balance Sheet on 31/12/2006. (32)

(100 marks)