4. Published Accounts

Lemont PLC has an Authorised share capital of €700,000 divided into 500,000 ordinary shares at €1 each and 200,000 8% preference shares at €1 each. The following trial balance was extracted from its books at 31/12/2007.

	€	€
Buildings at cost	650,000	
Buildings – Accumulated Depreciation on 1/1/2007		41,000
Vehicles at cost	200,000	
Vehicles – Accumulated Depreciation on 1/1/2007		38,000
Quoted Investments at Cost (market value €220,000)	200,000	
Unquoted Investments at cost (directors' valuation €70,500)	60,000	
Debtors and Creditors	277,000	197,000
Stock 1/1/2007	65,000	
Patent 1/1/2007	50,000	
Distribution costs	260,000	
Administrative expenses	160,000	
Purchases and Sales	1,250,000	1,990,000
Rental Income		50,000
Profit on sale of land		70,000
Dividends paid	43,000	
Bank	77,000	
VAT		70,000
8% Debentures 2012/2013		300,000
Profit &Loss Account at 1/1/2007		50,000
Investment income received – Quoted		10,000
Unquoted		3,000
Issued Capital		
Ordinary Shares		350,000
8% Preference Shares		100,000
Provision for Bad Debts		20,000
Debenture Interest paid	10,000	
Discount		13,000
	3,302,000	3,302,000

The following information is relevant:

(i) Stock on 31/12/2007 is €222,000

(ii) During the year, Land adjacent to the company's premises, which had cost €90,000 was sold for €160,000. At the end of the year the company re-valued its Buildings at €800,000. The Company wishes to incorporate this value in this years accounts.

(iii) Provide for debenture interest due, auditors fees €8,000, directors fees €50,000 and corporation tax €85,000.

(iv) Included in administrative expenses is the receipt of €8,000 for patent royalties.

(v) Depreciation is to be provided for on Buildings at a rate of 2% straight line and is to be allocated 20% on distribution costs and 80% on administrative expenses. There was no purchase or sale of buildings during the year. Vehicles are to be depreciated at a rate of 20% of cost.

(vi) The patent was acquired on 1/1/2003 for €90,000. It is being amortised over 9 years in equal instalments. The amortisation to be included in Cost of Sales.

You are required to:

(a) Prepare the published Profit & Loss account for the year 31/12/2007, in accordance with the Companies Acts and appropriate accounting standards, showing the following notes:

1. Accounting policy note for Tangible fixed assets and stock.
2. Operating Profit
3. Financial fixed assets
4. Dividends
5. Tangible fixed assets. (50)

(b) (i) State how a company would deal with a Contingent Liability which is possible but unlikely.
(ii) What regulations must accountants observe when preparing financial statements for publication? (10)

(60 marks)