

SECTION 1 (120 marks)
Answer **Question 1** OR any **TWO** other questions

1. Sole Trader – Final Accounts

The following Trial Balance was extracted from the books of Nora O’Connell on 31/12/2009:

	€	€
Buildings (Cost €620,000)	515,000	
Delivery Vans (Cost €90,000)	80,000	
4% Investments (01/07/2009)	120,000	
Patents	60,400	
6% Fixed Mortgage (including increase of €80,000 received on 01/04/2009)		180,000
Debtors and Creditors	50,000	120,000
Purchases and Sales	465,200	659,650
Stock 01/01/2009	63,200	
Commission	5,550	
Salaries and General Expenses (incorporating Suspense)	75,000	
Provision for Bad Debts		1,800
Discount (Net)	1,600	
Rent	8,000	
Mortgage Interest paid for the first three months	1,400	
Advertising	2,400	
VAT		4,600
Bank		13,300
PAYE and PRSI		5,400
Drawings	32,000	
Capital		<u>495,000</u>
	<u>1,479,750</u>	<u>1,479,750</u>

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

- (i) Stock at 31/12/2009 at cost was €75,400. This figure includes damaged stock which cost €8,200 but which now has a net realisable value of €3,400.
- (ii) Patents, which incorporate three months investment income received, are to be written off over a five year period commencing in 2009.
- (iii) Provide for depreciation on vans at the annual rate of 12½% of cost from the date of purchase to the date of sale. NOTE: On 31/03/2009 a van, which cost €24,000 on 30/09/2006, was traded in against a new van which cost €48,000. An allowance of €12,000 was given on the old van. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction.
- (iv) The suspense arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and from €1,000 paid towards PAYE and PRSI entered only in the bank account.
- (v) Goods with a retail selling price of €8,400 were returned to a supplier. The selling price was cost plus 20%. The supplier issued a credit note showing a restocking charge of 10% of the cost price. No entry has been made in respect of this restocking charge.
- (vi) Provision to be made for mortgage interest due. 10% of the mortgage interest for the year refers to the private section of the building.
- (vii) Provide for depreciation on buildings at a rate of 3% of cost per annum. It was decided to revalue the buildings at €850,000 on 31/12/2009.
- (viii) The advertising payment is towards a 24 month campaign which began on 01/10/2009.
- (ix) A cheque for €400 had been received on 31/12/2009 in respect of a debt of €900 previously written off as bad. The debtor has agreed to pay the remainder within one month. No entry was made in the books to record this transaction.

You are required to prepare a:

- (a) Trading and Profit and Loss Account for the year ended 31/12/2009. (75)
- (b) Balance Sheet as at 31/12/2009. (45)

(120 marks)