3. Published Accounts

Marx plc has an authorised share capital of €800,000 divided into 600,000 ordinary shares at €1 each and 200,000 5% preference shares at €1 each. The following trial balance was extracted from its books at 31/12/2010:

	€	€
Buildings at cost	700,000	
Buildings – Accumulated Depreciation on 1/1/2010		91,000
Vehicles at cost	220,000	
Vehicles – Accumulated Depreciation on 1/1/2010		8,000
Quoted Investments at cost (market value €160,000)	300,000	
Unquoted Investments at cost (director's value €50,000)	80,000	
Debtors and Creditors	295,000	199,000
Stock 1/1/2010	72,000	
Patent 1/1/2010	70,000	
Administrative expenses	240,000	
Distribution costs	250,000	
Purchases and Sales	1,150,000	1,880,000
Rental Income		60,000
Profit on sale of land		55,000
Dividends paid	23,000	
Bank	78,000	
VAT		60,000
6% Debentures 2015/2016		400,000
Profit &Loss Account at 1/1/2010		40,000
Investment income received – quoted		5,000
unquoted		1,000
Issued Capital		
Ordinary Shares		450,000
5% Preference Shares		200,000
Provision for Bad Debts		25,000
Debenture Interest paid	6,000	
Discount		10,000
	3,484,000	3,484,000

The following information is relevant:

(i) Stock on 31/12/2010 is €80,000.
(ii) During the year, land adjacent to the company's premises, which had cost €120,000, was sold for €175,000. At the end of the year the company revalued its buildings at €850,000. The company wishes to incorporate this value in this years accounts.
(iii) Provide for debenture interest due, auditors' fees €10,000, directors' fees €60,000 and corporation tax €80,000.
(iv) Included in administrative expenses is the receipt of €10,000 for patent royalties.
(v) Depreciation is to be provided for on buildings at a rate of 2% straight line and is to be allocated 30% to distribution costs and 70% to 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 1/1/2007 for €100,000. It is being amortised over 10 years in equal instalments. The amortisation is to be included in cost of sales.

You are required to:

(a) Prepare the Published Profit and Loss account for the year 31/12/2010, 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. (48)

(b) (i) State how a company should deal with a Contingent Liability which is probable.
(ii) Explain the difference between an auditor's qualified and unqualified report. (12)

(60 marks)