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

1. Company Final Accounts

Dawn Ltd has an Authorised Capital of €2,400,000 divided into 1,600,000 Ordinary Shares at €1 each and 800,000 6% Preference Shares at €1 each.
The following Trial Balance was extracted from its books at 31/12/2011:

	€	€
Buildings at cost	760,000	
Delivery Vans (cost €260,000)	180,000	
Discount (Net)		12,400
Profit and Loss Balance 1/1/2011	14,800	
Stocks on hand 1/1/2011	69,200	
Debenture interest for the first 3 months	4,000	
9% Investments 1/1/2011	240,000	
Patents (incorporating 4 months' investment income received)	36,800	
Purchases and Sales	1,145,000	1,620,000
Interim dividends for the first 6 months	54,000	
Bad Debts Provision		4,100
Debtors and Creditors	86,000	74,300
Bank		32,500
Salaries and general expenses	224,900	
8% Debentures		180,000
Issued Share Capital – Ordinary Shares		760,000
– 6% Preference Shares		200,000
Directors' fees	32,000	
Rent	14,800	
Advertising (including Suspense)	21,800	
	2,883,300	2,883,300

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

(i) Stock at 31/12/2011 at cost was €73,800 – this figure includes damaged stock which cost €5,900 but which now has a net realisable value of €3,200.

(ii) Patents, which incorporated 4 months' investment income received, are to be written off over a 5 year period commencing in 2011.

(iii) Provide for depreciation on delivery vans at the annual rate of 15% of cost from the date of purchase to the date of sale.
NOTE: On 31/3/2011 a delivery van, which had cost €36,000 on 30/6/2005, was traded in against a new van which cost €42,000. An allowance of €6,000 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 figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount received €320 was entered only in the creditor's account.

(v) During 2011, a store room which cost €32,000 and stock which cost €18,000 were destroyed by fire. A new store was built by the firm's own workers. The cost of their labour €22,000 had been treated as a business expense and the materials costing €38,000 were taken from the firm's stocks. The insurance company has agreed to contribute €50,000 in compensation for the fire damage. No adjustment had been made in the books in respect of the old or new store.

(vi) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2011 has arrived showing an overdraft of €26,480. A comparison of the bank account and bank statement has revealed the following discrepancies:
1. A cheque for €970, issued to a supplier, had been entered in the books (cash book and ledger) as €790.
2. A credit transfer of €2,400 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
3. A cheque for fees €3,800 issued to a director had not yet been presented for payment.

(vii) The Directors recommend that:
1. The Preference dividend due be paid.
2. A final dividend on ordinary shares be provided bringing the total dividend up to 10 cent per share.
3. Provision be made for both Investment Income and Debenture Interest due.
4. Provision for bad debts be adjusted to 5% of debtors.
5. Buildings to be depreciated by 2% of cost.

You are required to prepare a:

(a) Trading and Profit and Loss Account for the year ended 31/12/2011. (75)
(b) Balance Sheet as at 31/12/2011. (45)

(120 marks)