

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

1. Company Final Accounts

West Ltd, has an Authorised Capital of €1,600,000 divided into 1,100,000 Ordinary Shares at €1 each and 500,000 4% Preference Shares at €1 each.

The following Trial Balance was extracted from its books at 31/12/2011:

	€	€
Buildings at cost	800,000	
Delivery Vans (cost €260,000)	180,000	
Discount (Net)		10,400
Profit and Loss Balance 01/01/2011	25,100	
Stocks on hand 01/01/2011	71,200	
Debenture interest for the first four months	5,600	
4% Investments 01/01/2011	300,000	
Patents (incorporating 3 months investment income)	20,400	
Purchases and Sales	1,140,000	1,444,700
Dividends paid	23,300	
Bad Debts Provision		3,000
Debtors and Creditors	98,400	82,200
Bank		33,000
Salaries and general expenses (including Suspense)	194,300	
9% Debentures		180,000
Issued Share Capital – Ordinary Shares		700,000
– 4% Preference Shares		400,000
Directors fees	40,200	
Advertising	4,800	
Capital Reserve		50,000
	<u>2,903,300</u>	<u>2,903,300</u>

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

- (i) Stocks at 31/12/2011 at cost were €81,200 – this figure includes damaged stock which cost €5,400 but which now has a net realisable value of €2,300.
- (ii) Patents, which incorporated 3 months investment income, are to be written off over a 4 year period commencing in 2011.
- (iii) 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 allowed €450 entered only in the discount account.
- (iv) During the year, stock which had cost €5,000 was destroyed by fire. The Insurance Company agreed to pay compensation of €4,000. The loss is to be treated as a separate item in the profit and loss account.
- (v) Provide for depreciation on delivery vans at the annual rate of 10% of cost from the date of purchase to the date of sale. NOTE: On 31/3/2011 a delivery van which had cost €28,000 on 30/6/2005 was traded in against a new van which cost €54,000. 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.
- (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 €31,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:
 1. A cheque for €640 issued to a supplier had been entered in the books (cash book and ledger) as €460.
 2. A credit transfer of €900 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 €1,000 issued to a director had not yet been presented for payment.
- (vii) The advertising payment is for an 18 month campaign which began on 01/10/2011.
- (viii) The Directors recommend that:
 1. Provision be made for both Investment Income and Debenture Interest due.
 2. Provision for bad debts to be adjusted to 4% of debtors.
 3. 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)