Question 3

(a)

Profit and Loss Account of Danner plc for the year ended 31/12/2013

	€	
Turnover	1,770,000	[2]
Cost of sales	1,004,500	[4]
Gross profit	765,500	
Distribution costs	(311,750)	[4]
Administrative expenses	(309,250)	[6]
	144,500	
Other Operating income	44,000	[3]
Operating profit	188,500	
Investment income	3,500	[2]
Profit on sale of land	20,000	[2]
	212,000	
Interest payable	(17,500)	[2]
Profit on ordinary activities before taxation [1]	194,500	
Taxation	(90,000)	[1]
	104,500	
Dividends paid	(22,000)	[1]
	82,500	
Profit brought forward at 1/1/2013	41,000	[2]
Profit carried forward at 31/12/2013	123,500	[6]

Workings

1.	Cost of Sales (82,000+1,000,500 – 90,000 +12,000)		1,004,500
2.	Distribution costs 260,000 + 3,750 + 48,000	=	311,750
3.	Administrative expenses 230,000 + 50,000 +15,000 + 3,000 + 11,250	=	309,250
4.	Other Operating income 30,000 + 3,000 + 11,000		44,000
5.	Investment income 2,000 + 1,500	=	3,500
6.	Dep. Buildings 2% x 750,000 = 15,000. 25% = 3,750. 75% = 11,250		
7.	Dep. Vehicles 20% x 240,000	=	48,000

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(b)

(i) [3]

A Director's Report must include the following:

- The amount to be transferred to reserves.
- A report of any changes in the nature of the company's business during the year.
- A fair review of the development of the business of the company during the year and of the position at the end of the year.
- The principal activities of the company and any changes therein.
- Details of any important events affecting the company since the end of the year.
- Any likely future developments in the business.
- An indication of activities in the field of research and development.
- Significant changes in fixed assets.
- Details of own shares purchased.
- A list of the company's subsidiaries and affiliates.
- Evaluation of company's compliance with its safety statement.
- Details of directors' share holdings and dealings during the year.

(ii) [6]

Exceptional Item: This is a material item of significant size. It is a profit **or** loss that must be shown separately in the profit and loss account because of size.
Example: Profit or loss on sale of fixed asset or large bad debt.

Notes to the Accounts

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1. **Accounting policy notes**. [4]

Tangible Fixed Assets

Buildings were re-valued at the end of 2013 and have been included in the accounts at their re-valued amount.

Depreciation is calculated in order to write off the value or cost of tangible fixed assets over their estimated useful economic life as follows:

Buildings	2% per annum straight line
Delivery vans	20% of cost
Stocks -	Stocks are valued on a first in first out basis at the lower of cost and net realisable value.

2. **Operating Profit** [2]

The operating profit is arrived at after charging:

Depreciation on tangible fixed assets	63,000
Patent amortised	12,000
Directors remuneration	50,000
Auditors fees	15,000

3 **Financial Fixed Assets** [2]

	1/1/2013	**31/12/2013**
Quoted investments	250,000	250,000
Unquoted Investments	70,000	70,000
	280,000	280,000

The market value of the quoted investments on 31/12/2013 was €110,000.

The director's valuation of the unquoted investments on 31/12/2013 was €60,000.

4 **Tangible Fixed Assets** [7]

	Land & Buildings	**Vehicles cost**	**Total**
Assets			
Value 1/1/2013	860,000	240,000	1,100,000
Disposal	(110,000)	----	(110,000)
Revaluation surplus	150,000	----	150,000
Value at 31/12/2013	900,000	240,000	1,140,000
Depreciation			
Balance 1/1/2013	81,000	25,000	106,000
Depreciation charge for the year	15,000	48,000	63,000
	96,000	73,000	169,000
Transfer on revaluation	(96,000)	----	(96,000)
Depreciation	----	73,000	73,000
Net book value 1/1/2013	779,000	215,000	994,000
Net book value 31/12/2013	900,000	167,000	1,067,000