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 Mike Mc Mahon on 31/12/2013:

	€	€
Buildings (Cost €640,000)	545,000	
Delivery Vans (Cost €90,000)	78,000	
3% Investments (01/04/2013)	100,000	
6% Fixed Mortgage (including increase of €60,000 received on 01/04/2013)		200,000
Patents	40,400	
Debtors and Creditors	50,000	110,000
Purchases and Sales	530,400	695,000
Stock 01/01/2013	64,200	
Advertising	2,500	
Salaries and general expenses (incorporating suspense)	90,000	
Provision for bad debts		1,400
Discount (net)	1,800	
Rent	10,000	
Mortgage interest paid for the first three months	1,500	
Insurance	5,750	
VAT		4,200
Bank		16,400
PAYE, PRSI & USC		3,800
Drawings	41,250	
Capital		530,000
	1,560,800	1,560,800

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

(i) Stock at 31/12/2013 at cost was €80,000. No record has been made for 'goods in transit' on 31/12/2013. The invoice for these goods had been received showing the recommended retail selling price of €4,800 which is cost plus 20%.

(ii) Provide for depreciation on vans at the annual rate of 10% of cost from date of purchase to the date of sale.
NOTE: On 31/3/2013 a delivery van which cost €40,000 on 30/9/2010 was traded in against a new van which cost €46,000. An allowance of €16,000 was given on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction.

(iii) 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 €2,000 paid towards PAYE, PRSI and USC entered only in the bank account.

(iv) Goods with a retail selling price of €15,000 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 cost price. No entry has been made in respect of the restocking charge.

(v) Provision to be made for mortgage interest due. 25% of the mortgage interest refers to the private dwelling.

(vi) Patents, which incorporate 3 months investment income, are to be written off over a five year period, commencing in 2013.

(vii) Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the buildings at €720,000 on 31/12/2013.

(viii) Goods withdrawn by the owner for private use during the year, with a retail value of €3,000, which is cost plus 25%, were omitted from the books.

(ix) A cheque for €800 had been received on 31/12/2013 in respect of a debt of €800 previously written off as bad. 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 31/12/2013 (75)

(b) Balance Sheet as at 31/12/2013. (45)

(120 marks)