

Accounting – Higher Level 2014

Question 1

(a)

75

Trading and Profit and Loss Account for the year ending 31/12/2013			[1]
	€	€	€
Sales			695,000 [2]
Less Cost of Sales			
Stock 1/1/2013		64,200 [2]	
Add Purchases	W1	<u>503,250</u> [12]	
		567,450	
Less Stock 31/12/2013	W2	<u>(84,000)</u> [5]	(483,450)
Gross Profit			<u>211,550</u>
Less Expenses			
Administration			
Patent written off	W3	8,230 [5]	
Salaries and General expenses	W4	87,400 [9]	
Rent		10,000 [2]	
Insurance		5,750 [2]	
Depreciation – Buildings	W5	<u>12,800</u> [3]	124,180
Selling and Distribution			
Advertising		2,500 [2]	
Loss on sale of van	W6	14,000 [6]	
Depreciation –Delivery van	W7	9,450 [5]	
Discount		<u>1,800</u> [2]	<u>27,750</u>
			(151,930)
			59,620
Add Operating Income			
Bad debt recovered			<u>800</u> [2]
			60,420
Add Investment Income			<u>2,250</u> [4]
			62,670
Less Mortgage Interest	W8		<u>(8,325)</u> [5]
Net Profit			<u>54,345</u> [6]

(b)

45

Balance Sheet as at 31/12/2013

		Cost	Acc. Dep.	Net	Total
		€	€	€	€
Intangible Fixed Assets					
Patents					32,920 [4]
Tangible Fixed Assets					
Buildings	W9	720,000 [1]		720,000	
Delivery Vans	W10 & 11	<u>96,000</u> [2]	<u>11,450</u> [3]	<u>84,550</u>	
		<u>816,000</u>	<u>11,450</u>	<u>804,550</u>	804,550
Financial Assets					
8% Investments					<u>100,000</u> [2]
					937,470
Current Assets					
Stock			84,000 [2]		
Debtors	W12		48,600 [2]		
Investment income due	W13		<u>1,500</u> [3]	134,100	
Creditors: amounts falling due within one year					
Creditors	W14		115,250 [6]		
Bank	W15		15,600 [3]		
VAT			4,200 [2]		
PRSI/USC	W16		1,800 [2]		
Mortgage interest due			<u>9,000</u> [2]	(145,850)	<u>(11,750)</u>
					<u>925,720</u>
Financed by					
Creditors: amounts falling due after more than one year			[1]		
Mortgage					200,000 [2]
Capital and Reserves					
Capital				530,000 [1]	
Revaluation Reserve	W18			187,800 [3]	
Net Profit				<u>54,345</u>	
				772,145	
Drawings	W17			<u>(46,425)</u> [4]	<u>725,720</u>
Capital Employed					<u>925,720</u>

Question 1 - workings

1.	Purchases	$530,400 + 4,000 - 30,000 + 1,250 - 2,400$	503,250
2.	Closing stock	$80,000 + 4,000$	84,000
3.	Patent (Profit + Loss a/c)	$(40,400 + 750) * 5$	8,230
	Patents (Balance Sheet)	$(40,400 + 750) - 8,230$	32,920
4.	Salaries and general expenses	$90,000 - [2,000 + 600]$	87,400
5.	Depreciation on Buildings	$2\% \times \text{€}640,000$	12,800
6.	Loss on sale of van	$40,000 - 16,000 - 10,000$	14,000
7.	Depreciation Delivery vans	$5,000 + 1,000 + 3,450$ $9,000 + 450$ $2,250 + 7,200$ $5,000 + 1,000 + 3,450$	9,450
8.	Mortgage Interest	$8,400 + 2,700 - 2,775$ $1,500 + 600 + 9,000 - 2,775$	8,325
9.	Buildings	$640,000 + 80,000$	720,000
10.	Delivery vans at cost	$90,000 + 46,000 - 40,000$	96,000
11.	Provision for Dep. – vans	$12,000 + 9,450 - 10,000$	11,450
12.	Debtors	$50,000 - 1,400$	48,600
13.	Investment Income due	$2,250 - 750$	1,500
14.	Creditors	$110,000 + 4,000 + 1,250$	115,250
15.	Bank	$16,400 - 800$	15,600
16.	PAYE/PRSI	$3,800 - 2,000$	1,800
17.	Drawings	$41,250 + 2,775 + 2,400$	46,425
18.	Revaluation Reserve	$80,000 + 95,000 + 12,800$	187,800

Penalties: Deduction of 2 x 1 mark for the omission of two expense headings in Profit & Loss Account.