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

1. Company Final Accounts

Melba Ltd, has an Authorised Capital of €1,500,000 divided into 1,100,000 Ordinary Shares at €1 each and 400,000 4% Preference Shares at €1 each. The following Trial Balance was extracted from its books at 31/12/2014:

	€	€
Buildings at cost	713,000	
Delivery vans (cost €250,000)	170,000	
Discount (Net)		12,200
Profit and loss balance 01/01/2014	62,200	
Stocks on hand 01/01/2014	74,500	
Debenture interest for the first six months	16,200	
3% Investments 01/01/2014	350,000	
Patents (incorporating 4 months investment income)	21,500	
Purchases and sales	1,120,000	1,495,000
Dividends paid	25,000	
Bad debts provision		4,000
Debtors and creditors	99,200	81,100
Bank		50,000
Salaries and general expenses (including suspense)	231,100	
8% Debentures		400,000
Issued share capital – ordinary shares		500,000
– 4% preference shares		300,000
VAT		5,000
Advertising	9,600	
Capital reserve		45,000
	2,892,300	2,892,300

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

(i) Stocks at 31/12/2014 at cost were €80,400 – this figure includes damaged stock which cost €6,600 but which now has a net realisable value of €3,200.

(ii) Patents, incorporating 4 months investment income, are to be written off over a 5 year period commencing in 2014.

(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 €400 entered only in the discount account.

(iv) During the year, stock which had cost €6,000 was destroyed by fire. The insurance company agreed to pay compensation of €5,000.

(v) 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 31/03/2014 a delivery van which had cost €30,000 on 31/03/2011 was traded in against a new van which cost €56,000. An allowance of €8,000 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.

(vi) A new warehouse was purchased during the year for €100,000 plus VAT 13%. The amount paid to the vendor was entered in the buildings account. No entry was made in the VAT account.

(vii) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2014 has arrived showing an overdraft of €46,690. A comparison of the bank account and the bank statement has revealed the following discrepancies:
1. Two months investment income had been paid directly into the bank.
2. A payment from a liquidator was received directly into the bank. This represented a first and final payment of 25c in the euro in respect of a debt of €4,000.
3. A cheque issued to an advertising firm for €560 had not been presented for payment by 31/12/2014.

(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.
4. The managing director should be paid a bonus commission of 3% on all sales in excess of €900,000 and a further 5% in excess of all sales above €1,200,000.

Required:

(a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2014. (75)

(b) Prepare a Balance Sheet as at 31/12/2014. (45)

(120 marks)