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 M. Mullen on 31/12/2016:

	€	€
Delivery vans (cost €150,000)	85,000	
Buildings (cost €680,000)	595,000	
Office equipment (cost €25,000)	15,000	
Patent (incorporating four months investment income)	68,000	
3% Investments (01/05/2016)	200,000	
6% Fixed mortgage		180,000
Debtors and creditors	70,500	78,000
Stock 01/01/2016	66,000	
Purchases and sales	536,500	792,000
Commission	16,500	
Provision for bad debts		3,500
Discount (net)		3,200
Bank		70,300
Salaries and general expenses	145,500	
Rent	10,400	
Mortgage interest paid for the first three months	2,400	
Insurance (incorporating suspense)	17,700	
VAT	6,400	
PAYE, PRSI and USC		21,600
Drawings	15,600	
Capital		701,900
	1,850,500	1,850,500

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

(i) Stock on 31/12/2016 at cost €76,500. This figure includes damaged stock which cost €4,500 and now has a net realisable value of €3,000.

(ii) Provide for depreciation on delivery vans at the annual rate of 15% of cost from date of purchase to date of sale.

NOTE: On 31/3/2016 a delivery van which cost €40,000 on 30/09/2012 was traded in against a new van that cost €48,000. An allowance of €18,000 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 figure arises as a result of the incorrect figure for mortgage interest (although the correct figure had been entered in the bank account) and a VAT refund of €2,000 entered only in the bank account.

(iv) Patent, which incorporates 4 months investment income, is to be written off over a five year period commencing in 2016.

(v) Provision to be made for both investment income due and mortgage interest due.

(vi) A creditor who was owed €7,600 accepted office equipment with a book value of €6,500 in full settlement of the debt. The office equipment had cost €11,000. No entry was made in the books in respect of this transaction. Provide for depreciation on office equipment held on 31/12/2016 at the rate of 20% of cost.

(vii) Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to revalue the buildings at €800,000 on 31/12/2016.

(viii) A cheque for €700 had been received on 31/12/2016 in respect of a debt of €1,200 previously written off as bad. The debtor wishes to continue trading with Mullen and has undertaken to pay the remainder within 1 month. No entry was made in the books in respect of this transaction.

(ix) No record has been made in the books for 'goods in transit' on 31/12/2016. The invoice for these goods has been received showing the recommended retail selling price of €16,000 which is cost plus 25%.

(x) Goods taken by Mullen for own use during the year were not recorded. These goods had a retail value of €4,800 which is cost plus 20%.

Required:

(a) Prepare a trading and profit and loss account for the year ended 31/12/2016. (75)

(b) Prepare a balance sheet as at 31/12/2016. (45)

(120 marks)