

4. Published Accounts

Toner plc has an authorised share capital of €850,000 divided into 550,000 ordinary shares at €1 each and 300,000 7% preference shares at €1 each. The following Trial Balance was extracted from its books on 31/12/2017.

	€	€
Buildings at cost	725,000	
Buildings – Accumulated Depreciation on 01/01/2017		82,000
Vehicles at cost	220,000	
Vehicles – Accumulated Depreciation on 01/01/2017		35,000
7% Investments	300,000	
Investment income		5,500
Debtors and Creditors	127,500	82,000
Stock 01/01/2017	82,000	
Patent 01/01/2017	35,000	
Administration expenses	176,000	
Distribution costs	107,500	
Purchases and Sales	980,000	1,550,000
Rental income		33,000
Profit on sale of land		25,000
Dividends paid	36,000	
Bank		10,750
VAT	5,200	
6% Debentures 2020/2021		300,000
Profit and Loss Account at 01/01/2017		32,000
Issued Capital		
Ordinary Shares		450,000
7% Preference Shares		180,000
Provision for bad debts		7,650
Debenture interest paid	11,000	
Commission		12,300
	2,805,200	2,805,200

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The following information is relevant:

- (i) Stock on 31/12/2017 is €74,000.
- (ii) During the year, land adjacent to the company's premises, which had cost €85,000, was sold for €110,000. At the end of the year the company re-valued its buildings at €840,000. The company wishes to incorporate this value in this year's accounts.
- (iii) Provide for debenture interest due, investment income due, auditors' fees €15,000, directors' fees €27,000 and corporation tax €42,000.
- (iv) Depreciation is to be provided for on buildings at a rate of 2% straight line and is to be allocated 30% to distribution costs and 70% to administration expenses. There was no purchase or sale of buildings during the year. Vehicles are to be depreciated at the rate of 20% of cost.
- (v) The patent was acquired on 01/01/2014 for €56,000. It is being amortised over 8 years in equal instalments. The amortisation is to be included in cost of sales.
- (vi) A former employee has made a claim of €50,000 for unfair dismissal. The company's legal advisers have advised that the company will probably be liable for the full amount.

You are required to:

- (a) Prepare the Published Profit and Loss account for the year ended 31/12/2017, in accordance with the Companies Acts and appropriate accounting standards, showing the following notes:
 - 1. Accounting policy note for tangible fixed assets and stock
 - 2. Operating profit
 - 3. Tangible fixed assets
 - 4. Contingent liability. (50)
- (b) (i) What is an audit? What is the purpose of an audit?
- (ii) Explain the 'Prudence Concept' and give an example of how this concept has been applied by Toner plc when preparing its accounts and financial statements. (10)

(60 marks)