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

1. Company Final Accounts

Hill Ltd has an Authorised Capital of €1,900,000 divided into 1,300,000 Ordinary Shares at €1 each and 600,000 4% Preference Shares at €1 each. The following Trial Balance was extracted from its books on 31/12/2018:

	€	€
Buildings (cost €1,250,000)	1,100,000	
Delivery Vans (cost €310,000	220,000	
Office Equipment (cost €45,000)	35,000	
Patents (incorporating four months' investment income)	30,500	
3% Investments (01/06/2018)	150,000	
Discount (Net)		12,700
Profit and Loss balance 01/01/2018	51,000	
6% Debentures (including €80,000 issued on 31/03/2018)		280,000
Stock 01/01/2018	83,200	
Purchases and Sales	1,460,000	1,880,000
Bad Debts provision		5,200
Debtors and Creditors	102,600	87,500
PAYE, PRSI and USC		22,200
Dividends paid	28,000	
Bank		35,000
VAT		15,000
Advertising	48,000	
Issued Share Capital – Ordinary Shares		800,000
– 4% Preference Shares		400,000
Salaries and General Expenses (including Suspense)	245,700	
Capital Reserve		20,000
Debenture Interest for the first three months	3,600	
	3,557,600	3,557,600

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

(i) Stock on 31/12/2018 at cost was €91,200. This figure includes damaged stock which cost €5,600 and now has a net realisable value of €2,000.

(ii) Patents, incorporating 4 months' investment income, are to be written off over a 5-year period commencing in 2018.

(iii) The suspense figure arises as a result of the incorrect figure for debenture interest and a VAT payment of €2,500 entered on the incorrect side of the VAT account. Both transactions were entered correctly in the bank account.

(iv) A debtor who owed Hill Ltd €24,000 sent a cheque for €23,500 in full settlement. No entry was made in the books in respect of this transaction.

(v) During the year, a store room which cost €20,000 and stock which cost €12,000 were destroyed by fire. A new store was built by the firm's own workers. The cost of their labour €28,000 had been treated as a business expense and the materials costing €62,000 were taken from the firm's stocks. The insurance company has agreed to contribute €30,000 in compensation for the fire damage. No adjustment had been made in the books in respect of the old store, the destroyed stock or the new store.

(vi) 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 31/05/2018 a delivery van which had cost €44,000 on 31/08/2015 was traded in against a new van that cost €58,000. An allowance of €20,000 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.

(vii) The figure for Advertising is for a 24-month campaign which began on 01/06/2018.

(viii) A creditor who was owed €12,800 accepted office equipment with a book value of €11,600 in full settlement of the debt. The office equipment had cost €16,000. No entry was made in the books in respect of this transaction. Provide for depreciation on office equipment held on 31/12/2018 at the rate of 20% of cost.

(ix) No record has been made in the books for 'goods in transit' on 31/12/2018. The invoice for these goods has been received for €18,450 including VAT at 23%.

(x) 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 5% of debtors.
3. Buildings to be depreciated by 2% of cost.
4. The managing director should be paid a bonus commission of 2·5% on all sales in excess of €1,250,000 and a further 4% in excess of all sales above €1,500,000.

You are required to:

(a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2018. (75)

(b) Prepare a Balance Sheet as at 31/12/2018. (45)

(120 marks)