

1. Company Final Accounts (cont'd.)

- (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.

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

(75)

Trading, Profit and Loss Account (of Hill Ltd)
for the year ended 31/12/2018 (1)

	€	€
Sales		1,880,000 (2)
<u>Less Cost of Sales</u>		
Stock 01/01/2018	83,200 (2)	
Purchases W1	1,363,000 (9)	
	1,446,200	
Less Stock 31/12/2018 W2	(102,600)(5)	
Cost of Goods Sold		(1,343,600)
Gross Profit		536,400
<u>Less Expenses</u>		
<u>Administration Expenses</u> ■		
Salaries & General Expenses W3	213,300 (7)	
Patents written off ■ W4	6,400 (5)	
Loss on Insured Store and Stock W5	2,000 (5)	
Depreciation: Buildings W7	26,400 (3)	
Office Equipment W10	5,800 (3)	
	253,900	
<u>Selling & Distribution Expenses</u> ■		
Sales Commission W12	30,950 (4)	
Advertising W13	14,000 (3)	
Loss on Sale of Delivery Van ■ W14	5,850 (5)	
Depreciation: Delivery Vans W16	47,725 (5)	
	98,525	(352,425)
		183,975
<u>Operating Income</u>		
Reduction in Bad Debts prov. ■ W19	1,270 (3)	
Discount (Net) ■ W20	13,400 (3)	
Operating Profit		198,645
Investment Income ■ W21		2,625 (2)
Debenture Interest ■ W23		(15,600)(2)
Net Profit		185,670
Less Dividends paid		(28,000)(2)
Retained Profit		157,670
Profit and Loss balance 01/01/2018		(51,000)(2)
Profit and Loss balance 31/12/2018		•••106,670 (2)

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.
- Allow 1 mark for correct word(s) if figure is incorrect or omitted.
- Deduct 1 mark for each missing heading in the Profit and Loss Account.

1. Company Final Accounts (cont'd.)

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

Balance Sheet (of Hill Ltd)			
as at 31/12/2018			
	€	€	€
	<u>Cost</u>	<u>Dep.</u>	<u>NBV</u>
Intangible Fixed Assets			
Patents W4			••25,600 (1)
Tangible Fixed Assets			
Buildings W6,8	1,320,000 (3)	176,400 (2)	1,143,600
Office Equip. W9,11	29,000 (1)	11,400 (3)	17,600
Delivery Vans W15,17	324,000 (2)	119,575 (3)	204,425
	■ <u>1,673,000</u>	<u>307,375</u>	1,365,625
Financial Fixed Assets			
3% Investments			<u>150,000 (1)</u>
			1,541,225
Current Assets			
Stock 31/12/2018 W2		••102,600 (1)	
Compensation due 31/12/2018 W5		••30,000 (1)	
Advertising prepaid W13		••34,000 (1)	
Debtors W18	78,600 (3)		
Less Bad Debts provision W19	••(3,930)(1)	74,670	
Investment Income due W22		••1,125 (2)	
		<u>242,395</u>	
Less Creditors: amounts falling due within 1 year			
Sales Commission due W12		••30,950 (1)	
Debenture Interest due W24		12,600 (2)	
Creditors W25		93,150 (4)	
PAYE, PRSI and USC		22,200 (1)	
VAT W26		6,550 (3)	
Bank (Overdraft) W27		<u>11,500 (2)</u>	
		(176,950)	
Net Current Assets			<u>65,445</u>
Total Net Assets			<u>1,606,670</u>
Financed by:			
Creditors: amounts falling due after more than 1 year			
6% Debentures ■			280,000 (1)
Capital and Reserves			
	<u>Auth'd.</u>	<u>Issued</u>	
Ord. Shares @ €1	1,300,000 (1)	800,000 (1)	
4% Pref. Shares @ €1	600,000 (1)	400,000 (1)	
	<u>1,900,000</u>	1,200,000	
Capital Reserve		20,000 (1)	
Profit & Loss Balance		••106,670 (1)	1,326,670
Capital Employed			<u>1,606,670</u>

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.
- Allow 1 mark for correct word(s) if figure is incorrect or omitted.
- Deduct 1 mark for the omission of total cost figure for 'Fixed Assets' in the Balance Sheet.
- Deduct 1 mark if '6% Debentures' is shown within 'Capital and Reserves' section.

1. Company Final Accounts (cont'd.)

Workings:	€	Workings:	€
W1 Purchases		W9 Office Equipment	
Figure taken from Trial Balance	1,460,000 (1)	Cost of Office Equipment (01/01/2018)	45,000
– Stock destroyed by fire	(12,000)(2)	– Office Equipment given to creditor	(16,000)(1)
– Materials for new store	(62,000)(2)	Figure transferred to Balance Sheet	<u>29,000</u>
– Payment for new delivery van	(38,000)(2)		
+ Goods in Transit [€18,450 × 100/123]	<u>15,000 (2)</u>	W10 Depreciation: Office Equipment	
Figure transferred to Trading a/c	<u>1,363,000</u>	Depreciation charge for the year	
		[20% of €29,000]	<u>••5,800 (3)</u>
W2 Stock 31/12/2018		Figure transferred to Profit & Loss a/c	<u>5,800</u>
Figure taken from Trial Balance	91,200 (1)		
– Damaged Stock [€5,600 – €2,000]	(3,600)(2)	W11 Depreciation: Office Equipment	
+ Goods in Transit [€18,450 × 100/123]	<u>15,000 (2)</u>	Accumulated Depreciation 01/01/2018	10,000 (1)
Figure transferred to Trading a/c	<u>102,600</u>	[€45,000 – €35,000]	
Figure transferred to Balance Sheet	<u>••102,600 (1)</u>	– Dep. to date on office equipment	<u>(4,400)(1)</u>
		given to creditor [€16,000 – €11,600]	<u>5,600</u>
W3 Salaries and General Expenses		Depreciation charge for the year	<u>••5,800 (1)</u>
Figure taken from Trial Balance	245,700 (1)	Figure transferred to Balance Sheet	<u>11,400</u>
+ Debenture interest error	600 (2)		
– VAT payment error [€2,500 × 2]	(5,000)(2)	W12 Sales Commission	
– Labour for new store	<u>(28,000)(2)</u>	[€1,880,000 – 1,250,000] × 2.5%	15,750 (2)
Figure transferred to Profit & Loss a/c	<u>213,300</u>	[€1,880,000 – 1,500,000] × 4%	<u>15,200 (2)</u>
		Figure transferred to Profit & Loss a/c	<u>30,950</u>
W4 Patents		Figure transferred to Balance Sheet	<u>••30,950 (1)</u>
Figure taken from Trial Balance	30,500 (1)		
+ Investment Income Error		W13 Advertising	48,000 (1)
[3% of €150,000 × 4/12]	<u>•1,500 (2)</u>	– Advertising prepaid 31/12/2018	
Value of Patents 01/01/2018	<u>32,000</u>	[€48,000 × 17/24]	<u>(34,000)(2)</u>
Patents written off in current year		Figure transferred to Profit & Loss a/c	<u>14,000</u>
Value written off [1/5 of €32,000]	<u>••6,400 (2)</u>	Figure transferred to Balance Sheet	<u>••34,000 (1)</u>
Figure transferred to Profit & Loss a/c	<u>6,400</u>		
Value of Patents 31/12/2018		W14 Loss on Sale of Delivery Van	
Value of Patents 01/01/2018	32,000	Depreciation to date:	
– Value written off in current year	<u>6,400</u>	[15% of €44,000 × 4/12] (4 months)	2,200 (1)
Figure transferred to Balance Sheet	<u>••25,600 (1)</u>	[15% of €44,000 × 2] (2 years)	13,200 (1)
		[15% of €44,000 × 5/12] (5 months)	<u>2,750 (1)</u>
W5 Loss on Insured Stock and Store		Total depreciation to date of sale	<u>18,150</u>
Compensation due from Insurance	30,000 (1)	Book value on date of sale	
– Value of store destroyed	(20,000)(2)	Cost of Delivery Van	44,000 (1)
– Value of stock destroyed	<u>(12,000)(2)</u>	– Depreciation to date	<u>(18,150)</u>
Figure transferred to Profit & Loss a/c	<u>(2,000)</u>	Allowance received	<u>(20,000)(1)</u>
Compensation due 30/12/2018	<u>30,000 (1)</u>	Figure transferred to Profit & Loss a/c	<u>5,850</u>
Figure transferred to Balance Sheet	<u>30,000</u>		
		W15 Delivery Vans	
W6 Buildings		Cost of Delivery Vans 01/01/2018	310,000
Cost of Buildings 01/01/2018	1,250,000	– Cost of Del. Van traded in 31/05/2018	(44,000)(1)
– Value of store destroyed	(20,000)(1)	+ Cost of new Delivery Van 31/05/2018	<u>58,000 (1)</u>
+ Labour used in new store	28,000 (1)	Figure transferred to Balance Sheet	<u>324,000</u>
+ Materials used in new store	<u>62,000 (1)</u>		
Figure transferred to Balance Sheet	<u>1,320,000</u>	W16 Depreciation: Delivery Vans	
		Depreciation charge for the year	
W7 Depreciation: Buildings		[15% of (€310,000 – €44,000)]	39,900 (1)
Cost of Buildings 31/12/2018	1,320,000	[15% of €44,000 × 5/12] (5 months)	2,750 (2)
Depreciation charge for the year		[15% of €58,000 × 7/12] (7 months)	<u>5,075 (2)</u>
[2% of €1,320,000]	<u>••26,400 (3)</u>	Figure transferred to Profit & Loss a/c	<u>47,725</u>
Figure transferred to Profit & Loss a/c	<u>26,400</u>		
		W17 Depreciation: Delivery Vans	
W8 Depreciation: Buildings		Accumulated Depreciation 01/01/2018	90,000 (1)
Accumulated Depreciation 01/01/2018		+ Depreciation charge for the year	<u>••47,725 (1)</u>
[€1,250,000 – €1,100,000]	150,000 (1)	– Depreciation of van to date of sale	<u>••(18,150)(1)</u>
Depreciation charge for the year	<u>••26,400 (1)</u>	Figure transferred to Balance Sheet	<u>119,575</u>
Figure transferred to Balance Sheet	<u>176,400</u>		

• Allow 1 mark for student's own figure.

•• Allow full marks for student's own figure if consistent with previous work.

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1. Company Final Accounts (cont'd.)

Workings (cont'd.)	€	€
W18 Debtors		
Figure taken from Trial Balance	102,600 (1)	
– Debtor payment not recorded	(23,500)(1)	
– Discount Allowed	(500)(1)	
Figure transferred to Balance Sheet	••78,600	
W19 Bad Debts provision		
Old provision	5,200 (1)	
– New provision [5% of €78,600]	••(3,930)(2)	
Reduction in Bad Debts provision	1,270	
Figure transferred to Profit & Loss a/c	1,270	
Figure transferred to Balance Sheet	••3,930 (1)	
W20 Discount (Net)		
Discount Received	12,700 (1)	
– Discount Allowed	(500)(1)	
+ Discount received from creditor	1,200 (1)	
Figure transferred to Profit & Loss a/c	13,400	
W21 Investment Income		
Income receivable for 7 months [3% of €150,000 × 7/12]	•2,625 (2)	
Figure transferred to Profit & Loss a/c	2,625	
W22 Investment Income due		
Investment Income receivable	••2,625 (1)	
– Investment Income incorporated in Patents [3% of €150,000 × 4/12]	(1,500)(1)	
Figure transferred to Balance Sheet	1,125	
W23 Debenture Interest		
Debenture Interest charge for the year [6% of €200,000] (full year)	12,000 (1)	
[6% of €80,000 × 9/12] (9 months)	3,600 (1)	
Figure transferred to Profit & Loss a/c	15,600	
W24 Debenture Interest due		
Debenture Interest payable for the year	••15,600 (1)	
Debenture Interest paid 3,600		
– Interest error W3 (600)	(3,000)(1)	
Figure transferred to Balance Sheet	12,600	
W25 Creditors		
Figure taken from Trial Balance	87,500 (1)	
– Office Equipment payment	(11,600)(1)	
– Discount	(1,200)(1)	
+ Goods in Transit	18,450 (1)	
Figure transferred to Balance Sheet	93,150	
W26 VAT		
VAT payable to company	15,000 (1)	
– VAT payment error [€2,500 × 2] W3	(5,000)(1)	
– VAT on credit purchases in Transit [€18,450 × 23/123]	(3,450)(1)	
Figure transferred to Balance Sheet	6,550	
W27 Bank (Overdraft)		
Figure taken from Trial Balance	35,000 (1)	
– Debtor payment not recorded W18	(23,500)(1)	
Figure transferred to Balance Sheet	11,500	

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