

SECTION 2 (200 marks)
Answer any **TWO** questions

5. Interpretation of Accounts

The following figures have been taken from the final accounts of Plummer plc, a company in the construction sector, for the year ended 31/12/2018. The company has an Authorised Capital of €2,000,000 made up of 1,200,000 Ordinary Shares at €1 each and 700,000 5% Preference Shares at €1 each. The firm has already issued 850,000 Ordinary Shares and 500,000 of the Preference Shares.

Trading and Profit and Loss Account for the year ended 31/12/2018		
	€	€
Sales		1,900,000
Opening Stock	82,500	
Closing Stock	97,500	
Cost of goods sold		(1,450,000)
Operating expenses for year		(219,000)
Interest for year		(16,000)
Net Profit for year		215,000
Dividends paid		(110,000)
Retained Profit		105,000
Profit and Loss balance 01/01/2018		120,000
Profit and Loss balance 31/12/2018		225,000

Projected ratios and information for the year ended 31/12/2019	
Earnings per Ordinary Share	25c
Dividend per Ordinary Share	11.5c
Interest Cover	15 times
Quick Ratio	1.6:1
Price Earnings Ratio	5:1
Return on Capital Employed	14%
Gearing	45%

Balance Sheet as at 31/12/2018	€	€	€
Fixed Assets			
Intangible Assets			310,000
Tangible Assets			1,090,000
Investments (market value 31/12/2018 – €125,000)			200,000
			1,600,000
Current Assets (including Debtors €82,000)		329,500	
Less Creditors: amounts falling due within 1 year			
Trade Creditors	127,600		
Bank Overdraft	26,900	(154,500)	175,000
			1,775,000
Financed by			
8% Debentures (2020 secured)			200,000
Capital and Reserves			
Ordinary Shares @ €1 each		850,000	
5% Preference Shares @ €1 each		500,000	
Profit and Loss balance		225,000	1,575,000
			1,775,000

Market value of one ordinary share on **31/12/2018** is **€1.15**.