

1. Sole Trader – Final Accounts

(120)

The following Trial Balance was extracted from the books of Bob Dalton on 31/12/2019:

	€	€
Buildings (cost €785,000)	610,000	
Delivery Vans (cost €126,000)	111,500	
Office Equipment (cost €32,000)	27,500	
Patents	48,000	
4% Investments (01/06/2019)	120,000	
6% Fixed Mortgage (including €70,000 received on 01/06/2019)		200,000
Debtors and Creditors	71,500	63,000
Stock 01/01/2019	55,500	
Purchases and Sales	492,300	851,000
Discount (Net)		4,500
Commission	10,100	
Rent (paid to 31/10/2019)		12,000
Provision for Bad Debts		2,900
Salaries and General Expenses	115,800	
Advertising (including three months' Investment Income)	3,800	
Mortgage Interest paid for the first five months	2,850	
Insurance (including Suspense)	18,900	
VAT	12,600	
Bank		56,050
PAYE, PRSI and USC		18,700
Drawings	12,800	
Capital		505,000
	1,713,150	1,713,150

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

- (i) Stock on 31/12/2019 at cost was €61,800. This figure includes damaged stock which cost €8,600 and now has a net realisable value of €6,300.
- (ii) 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 31/05/2019 a delivery van, which cost €30,000 on 30/09/2017, was traded in against a new van which cost €38,000. An allowance of €20,500 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 entry had been made in the bank account) and a payment of €4,700 towards PAYE, PRSI and USC entered on the incorrect side of the bank account.
- (iv) Patents are to be written off over a six-year period, which commenced in 2017.
- (v) It was discovered that finished goods had been received from a supplier on a 'sale or return' basis. These goods had been recorded as a credit purchase of €24,600. This figure includes VAT at 23%.
- (vi) A cheque for €1,400 had been received on 31/12/2019 in respect of a debt of €3,000 previously written off as bad. The debtor wishes to continue trading with Dalton and has agreed to pay the remainder within one month. No entry was made in the books in respect of this transaction.

1. Sole Trader – Final Accounts (cont'd.)

- (vii) Goods taken by the owner for private use during the year were not recorded. These goods had a retail value of €12,600, which is cost plus 20%.
- (viii) A new warehouse was purchased during the year for €90,800, which includes VAT at 13.5%. The amount paid to the vendor was entered in the buildings account. No entry was made in the VAT account.
- (ix) Provide for depreciation on buildings at the rate of 2% of cost per annum. It was decided to re-value the buildings at €950,000 on 31/12/2019.
- (x) Provision should be made for the following:
1. Rent due on 31/12/2019.
 2. Mortgage Interest due and Investment Income due.
 3. Depreciation on Office Equipment at the rate of 10% of cost per annum.

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2019.

(75)

Trading, Profit and Loss Account (of Bob Dalton)
for the year ended 31/12/2019 (1)

	€	€
Sales		851,000 (2)
<u>Less Cost of Sales</u>		
Stock 01/01/2019	55,500 (2)	
Purchases W1	444,300 (8)	
	499,800	
Less Stock 31/12/2019 W2	(39,500)(6)	
Cost of Goods Sold		(460,300)
Gross Profit		390,700
<u>Less Expenses</u>		
<u>Administration</u> ■		
Salaries and General Expenses	115,800 (2)	
Insurance W3	27,900 (6)	
Patents written off ■ W4	12,000 (3)	
Depreciation: Buildings ■ W6	15,484 (3)	
Office Equipment ■ W8	3,200 (3)	
	174,384	
<u>Selling & Distribution</u> ■		
Commission	10,100 (2)	
Advertising W10	5,000 (4)	
Loss on the Sale of Delivery Van ■ W11	2,000 (6)	
Depreciation: Delivery Vans ■ W13	19,600 (6)	
	36,700	
Total Expenses		(211,084)
		179,616
<u>Add Operating Income</u>		
Bad Debt Recovered ■ W15	3,000 (2)	
Rent Receivable W17	14,400 (4)	
Discount (Net)	4,500 (2)	
	21,900	
Operating Profit		201,516
Add Investment Income ■ W18		2,800 (3)
		204,316
Less Mortgage Interest ■ W20		(10,250)(4)
Net Profit		194,066 (6)

- 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. Sole Trader – Final Accounts (cont'd.)

(b) Prepare a Balance Sheet as at 31/12/2019. (45)

Balance Sheet (of Bob Dalton)			
as at 31/12/2019			
	€	€	€
	<u>Cost</u>	<u>Dep.</u>	<u>NBV</u>
Intangible Fixed Assets			
Patents W4			••36,000 (2)
Tangible Fixed Assets			
Buildings W5,7	950,000 (3)	—	950,000
Office Equipment W9	32,000 (1)	7,700 (2)	24,300
Delivery Vans W12,14	•134,000 (2)	26,600 (3)	107,400
	<u>••1,116,000</u>	<u>••34,300</u>	1,081,700
Financial Assets			
4% Investments			<u>120,000 (1)</u>
			1,237,700
Current Assets			
Stock 31/12/2019 W2		••39,500 (1)	
Rent Receivable due W17		••2,400 (1)	
Investment Income due W19		••1,600 (2)	
Debtors W16	73,100 (2)		
Less Provision for Bad Debts	<u>(2,900)(1)</u>	70,200	
VAT W22		••18,800 (5)	
		<u>132,500</u>	
Less Creditors: amounts falling due within 1 year			
Mortgage Interest due W21		7,000 (2)	
Bank (Overdraft) W23		64,050 (5)	
Creditors W24		38,400 (3)	
PAYE, PRSI and USC		<u>18,700 (1)</u>	
		<u>(128,150)</u>	
Net Current Assets			<u>4,350</u>
Total Net Assets			<u><u>1,242,050</u></u>
Financed by:			
Creditors: amounts falling due after more than 1 year			
6% Fixed Mortgage W25			200,000 (2)
Capital and Reserves			
Capital 01/01/2019		505,000 (1)	
Add Revaluation Reserve W25		••366,284 (2)	
Add Net Profit		••194,066 (1)	
		<u>1,065,350</u>	
Less Drawings W26		••(23,300)(2)	<u>1,042,050</u>
Capital Employed			<u><u>1,242,050</u></u>

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- Deduct 1 mark for the omission of total figures for 'Tangible Fixed Assets' in the Balance Sheet.
- Deduct 1 mark if '6% Fixed Mortgage' is shown within 'Capital and Reserves' section.

1. Sole Trader – Final Accounts (cont'd.)

Workings:	€	€
W1 Purchases		
Figure taken from Trial Balance	492,300 (2)	
– Payment for new delivery van	(17,500)(2)	
– Goods received on a 'sale or return' basis [€24,600 × 100/123]	(20,000)(2)	
– Drawings [€12,600 × 100/120]	(10,500)(2)	
Figure transferred to Trading a/c	444,300	
W2 Stock 31/12/2019		
Figure taken from Trial Balance	61,800 (2)	
– Damaged Stock [€8,600 – €6,300]	(2,300)(2)	
– Goods received on a 'sale or return' basis [€24,600 × 100/123]	(20,000)(2)	
Figure transferred to Trading a/c	39,500	
Figure transferred to Balance Sheet	••39,500 (1)	
W3 Insurance		
Figure taken from Trial Balance	18,900 (2)	
– Mortgage interest error W21	(400)(2)	
+ Error in PAYE, PRSI and USC payment [€4,700 × 2]	9,400 (2)	
Figure transferred to Profit & Loss a/c	27,900	
W4 Patents		
Value of Patents 01/01/2019	48,000	
Patents written off in current year		
Value written off [€48,000(1) ÷ •4(2)]	•12,000 (3)	
Figure transferred to Profit & Loss a/c	12,000	
* 2017 and 2018 have already been written off so therefore only 4 years out of 6 remaining.		
Value of Patents 31/12/2019		
Value of Patents 01/01/2019	48,000 (1)	
– Value written off in current year	••12,000 (1)	
Figure transferred to Balance Sheet	36,000	
W5 Buildings		
Cost of Buildings 01/01/2019	785,000	
– VAT on new warehouse	(10,800)(1)	
Cost of Buildings 31/12/2019	774,200	
+ Revaluation 31/12/2019	175,800 (1)	
Figure transferred to Balance Sheet	950,000 (1)	
W6 Depreciation: Buildings		
Cost of Buildings 31/12/2019	774,200	
Depreciation charge for the year [2% (1) of €774,200 (2)]	•15,484 (3)	
Figure transferred to Profit & Loss a/c	15,484	
W7 Accumulated Depreciation: Buildings		
Accumulated Depreciation 01/01/2019 [€785,000 – €610,000]	175,000	
Depreciation charge for the year	••15,484	
	190,484	
– Revaluation Reserve 31/12/2019	(190,484)	
Figure transferred to Balance Sheet	—	
W8 Depreciation: Office Equipment		
Depreciation charge for the year [10% of €32,000]	••3,200 (3)	
Figure transferred to Profit & Loss a/c	3,200	
W9 Accumulated Depreciation: Office Equipment		
Accumulated Depreciation 01/01/2019 [€32,000 – €27,500]	4,500 (1)	
+ Depreciation charge for the year	••3,200 (1)	
Figure transferred to Balance Sheet	7,700	
W10 Advertising		
Figure taken from Trial Balance	3,800 (2)	
+ Investment Income Error [4% of €120,000 × 3/12]	•1,200 (2)	
Figure transferred to Profit & Loss a/c	5,000	
W11 Loss on the Sale of Delivery Van		
Depreciation to date:		
[15% of €30,000 × 3/12] (3 months)	1,125 (1)	
[15% of €30,000 × 1] (1 year)	4,500 (1)	
[15% of €30,000 × 5/12] (5 months)	1,875 (1)	
Total depreciation to date of sale	7,500	
Book value on date of sale		
Cost of Delivery Van	30,000 (1)	
– Depreciation to date	••(7,500)(1)	
Allowance received	(20,500)(1)	
Figure transferred to Profit & Loss a/c	2,000	
W12 Delivery Vans		
Cost of Delivery Vans 01/01/2019	126,000	
– Cost of Del. Van traded in 31/05/2019	(30,000)(1)	
+ Cost of new Delivery Van 31/05/2019	38,000 (1)	
Figure transferred to Balance Sheet	134,000	
W13 Depreciation: Delivery Vans		
Depreciation charge for the year [15% of (€126,000 – €30,000)]	14,400 (2)	
[15% of €30,000 × 5/12] (5 months)	1,875 (2)	
[15% of €38,000 × 7/12] (7 months)	3,325 (2)	
Figure transferred to Profit & Loss a/c	19,600	
or		
W13 Depreciation: Delivery Vans		
Depreciation charge for the year [15% of €126,000 × 5/12] (5 months)	7,875 (3)	
[15% of €134,000 × 7/12] (7 months)	11,725 (3)	
Figure transferred to Profit & Loss a/c	19,600	
W14 Accumulated Depreciation: Delivery Vans		
Accumulated Depreciation 01/01/2019 [€126,000 – €111,500]	14,500 (1)	
+ Depreciation charge for the year	••19,600 (1)	
– Depreciation of van to date of sale	••(7,500)(1)	
Figure transferred to Balance Sheet	26,600	

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1. Sole Trader – Final Accounts (cont'd.)

Workings (cont'd.)	€	€
W15 Bad Debt Recovered		
Bank	1,400 (1)	
+ Debtors [€3,000 – €1,400]	1,600 (1)	
Figure transferred to Profit & Loss a/c	3,000	
W16 Debtors		
Figure taken from Trial Balance	71,500 (1)	
– Bad Debt Recoverable [€3,000 – €1,400]	1,600 (1)	
Figure transferred to Balance Sheet	73,100	
W17 Rent Receivable		
Figure taken from Trial Balance	12,000 (2)	
+ Rent Receivable due (2 months)		
[€12,000 ÷ 10 × 2]	2,400 (2)	
Figure transferred to Profit & Loss a/c	14,400	
Figure transferred to Balance Sheet	2,400 (1)	
W18 Investment Income		
Income receivable for 7 months		
[4% of €120,000 × 7/12]	2,800 (3)	
Figure transferred to Profit & Loss a/c	2,800	
W19 Investment Income due		
Investment Income receivable	2,800 (1)	
– Investment Income incorporated in		
Advertising [4% of €120,000 × 3/12]	(1,200) (1)	
Figure transferred to Balance Sheet	1,600	
W20 Mortgage Interest		
Mortgage Interest charge for the year		
[6% of €130,000] (full year)	7,800 (2)	
[6% of €70,000 × 7/12] (7 months)	2,450 (2)	
Figure transferred to Profit & Loss a/c	10,250	
<u>or</u>		
Mortgage Interest		
Mortgage Interest charge for the year		
[6% of €130,000 × 5/12] (5 months)	3,250 (1)	
[6% of €200,000 × 7/12] (7 months)	7,000 (2)	
Figure transferred to Profit & Loss a/c	10,250	
W21 Mortgage Interest due		
Mortgage Interest payable for the year	10,250 (1)	
– Mortgage Interest paid	2,850	
+ Interest error W3	400	
Figure transferred to Balance Sheet	(3,250) (1)	
W22 VAT		
Figure taken from Trial Balance	12,600 (1)	
(payable to company)		
– VAT on goods received on a ‘sale		
or return’ basis [€24,600 × 23/123]	(4,600) (2)	
+ VAT on buildings/new warehouse		
[€90,800 × 13.5/113.5]	10,800 (2)	
Figure transferred to Balance Sheet	18,800	
W23 Bank (Overdraft)		
Figure taken from Trial Balance	56,050 (1)	
– Bad Debt recovered payment		
not recorded W15	(1,400) (2)	
+ Error in PAYE, PRSI and USC		
payment [€4,700 × 2] W3	9,400 (2)	
Figure transferred to Balance Sheet	64,050	
W24 Creditors		
Figure taken from Trial Balance	63,000 (1)	
– Goods on ‘sale or return’ basis	(24,600) (2)	
Figure transferred to Balance Sheet	38,400	
W25 Revaluation Reserve		
Increase in Buildings Valuation W5	175,800 (1)	
+ Depreciation [€175,000 + €15,484] W7	190,484 (1)	
Figure transferred to Balance Sheet	366,284	
W26 Drawings		
Figure taken from Trial Balance	12,800 (1)	
+ Purchases [€12,600 × 100/120]	10,500 (1)	
Figure transferred to Balance Sheet	23,300	

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