

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

**1. Sole Trader – Final Accounts**

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
	<b>1,713,150</b>	<b>1,713,150</b>

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.
- (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.

**You are required to:**

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2019. (75)
- (b) Prepare a Balance Sheet as at 31/12/2019. (45)

**(120 marks)**