

2. Farm Accounts

Among the assets and liabilities of Sean and Mary Kelly, who carry on a mixed farming business, on 1/1/2005 are: Land and Buildings at cost €290,000; Machinery at cost €60,000; Electricity due €400; Value of Cattle €60,000; Milk cheque due €2,400; Stock of Fuel €800 and Value of Sheep €18,000.

The following is a summary taken from their cheque payments and lodgements books for the year ended 31/12/2005.

| Lodgements | € | Cheque Payments | € |
|--------------------------|----------------|------------------------------------|----------------|
| Balance | 2,800 | Fertiliser | 3,000 |
| Milk | 28,000 | General farm expenses | 15,000 |
| Sheep | 22,000 | Dairy wages | 1,500 |
| Cattle | 13,000 | Sheep | 19,000 |
| Lambs | 12,600 | Cattle | 14,000 |
| Calves | 5,900 | Light heat and fuel | 3,400 |
| EU Subsidy – Sheep | 3,400 | Machinery | 6,500 |
| EU Subsidy – Cattle | 2,500 | Repairs | 6,300 |
| Wool | 1,800 | Veterinary fees and medicines | 1,750 |
| Forestry premium | 2,100 | Bank Loan plus 18 months' interest | |
| Six months interest from | | at 6% per annum on 30/4/2005 | 16,350 |
| 4% Investment Bond | <u>600</u> | Balance | <u>7,900</u> |
| | <u>€94,700</u> | | <u>€94,700</u> |

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

- | | | |
|--|---------------|--------------|
| | <u>Cattle</u> | <u>Sheep</u> |
| (i) Value of Livestock on 31/12/2005 was | €62,000 | €25,000 |
- (ii) Farm produce used by the family during the year – Milk €700; Lamb €300.
- (iii) General farm expenses, fertiliser and veterinary fees and medicines are to be apportioned 60% to 'Cattle and Milk' and 40% to 'Sheep'.
- (iv) Other expenses are to be apportioned 80% to farm and 20% to household.
- (v) Depreciation to be provided on Machinery at the rate of 10% of cost per annum.
- (vi) Veterinary fees and medicines include a cheque for family health insurance for €650.
- (vii) On 31/12/2005 a Milk cheque was due €1,800, Creditors for fertilisers amounted to €400 and Stock of Fuel was €900.

You are required to:

- (a) Prepare a Statement of Capital for the farm on 1/1/2005. (20)
- (b) Prepare an Enterprise Analysis Account for 'Cattle and Milk' and 'Sheep' for the year ended 31/12/2005. (20)
- (c) Prepare a general Profit and Loss account for the year ended 31/12/2005. (12)
- (d) Give three reasons why farmers should keep a full set of accounts. (8)

(60 marks)