

Question 2

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(a) Statement of Capital 1/1/2005

	€	€
Assets		
Land & buildings	290,000 (2)	
Machinery	60,000 (2)	
Investments	30,000 (3)	
Milk cheque due	2,400 (1)	
Cattle	60,000 (1)	
Sheep	18,000 (1)	
Fuel	800 (1)	
Bank	<u>2,800</u> (2)	464,000
Liabilities		
Electricity due	400 (1)	
Bank Loan	15,000 (2)	
Loan interest due	<u>1,050</u> (3)	<u>16,450</u>
Capital		<u>447,550</u> (1)

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(b)

Enterprise Analysis Account – Cattle and Milk

Income		
Sales – Milk	W2	27,400 (2)
- Cattle & Calves (13,000 + 5,900)		18,900 (1)
EU subsidy - cattle		2,500 (1)
Increase in stock		2,000 (1)
Drawings by family		<u>700</u> (1)
		51,500
Expenditure		
Purchases – Cattle		14,000 (1)
Dairy wages		1,500 (1)
General farm expenses		9,000 (1)
Fertiliser		2,040 (1)
Vet fees		<u>660</u> (1)
Gross Profit		<u>24,300</u>

Enterprise Analysis Account – Sheep

Income		
Sales – Sheep & Lambs (22,000 + 12,600)		34,600 (1)
EU subsidy - sheep		3,400 (1)
Wool		1,800 (1)
Increase in stock		7,000 (1)
Drawings family		<u>300</u> (1)
		47,100
Expenditure		
Purchases – sheep		19,000 (1)
General farm expenses		6,000 (1)
Fertiliser	W3	1,360 (1)
Vet fees	W4	<u>440</u> (1)
Gross profit		<u>26,800</u>
		<u>20,300</u>

Question 2 – (continued)

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(b) General Profit and loss Account for the year ended 31/12/2005

		€	€
Income			
Gross profit – Cattle and Milk		24,300	
Sheep		20,300	
Interest	W5	1,200	(1)
Forestry premium		<u>2,100</u>	(1)
			47,900
Less Expenditure			
Light, heat and fuel (80%)	W6	2,320	(4)
Repairs (80%)		5,040	(1)
Machinery Depreciation		5,320	(1)
Loan Interest	W1	<u>240</u>	(2)
Net Profit			<u>12,920</u>
			<u>34,980</u> (2)

d)

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- To find out the profit of the farm
- To find out the net worth of the farm
- To find out the profit of each section of the farm
- To back up applications for grants and bank loans
- To facilitate planning/ budgeting

Workings

1. Interest - 18 months interest	=	6% x 1.5 = 9%		
109%	=		16,350	
9%	=		1,350	
Interest for year 2005	=		300	
Less Drawings			<u>60</u>	240
2. Milk sales			28,000	
Add due 31/12			1,800	
Less due 1/1			<u>(2,400)</u>	27,400
3. Fertiliser			3,000	
Add due 31/12			<u>400</u>	3,400
4. Veterinary fees			1,750	
Less VHI			<u>(650)</u>	1,100
5. Investment Interest			600	
Interest due			<u>600</u>	1,200
6. Light Heat and Fuel			3,400	
Add stock 1/1			800	
Less due 1/1			<u>(400)</u>	
Less stock 31/12			<u>(900)</u>	
Less drawings (20% of 2,900)			<u>(580)</u>	2,320