

**Question 4**

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(a)

**Statement of Capital 1/1/2008**

<b>Assets</b>		€	€
Land & buildings		510,000 [2]	
Machinery		90,000 [2]	
Investments		60,000 [3]	
Milk cheque due		2,600 [1]	
Cattle		80,000 [1]	
Sheep		20,000 [1]	
Fuel		850 [1]	
Bank		<u>33,100 [2]</u>	796,550
<b>Liabilities</b>			
Electricity due		450 [1]	
Bank loan		9,000 [2]	
Loan interest due	<b>W1</b>	<u>420 [3]</u>	<u>(9,870)</u>
<b>Capital 1/1/2008</b>			<u>786,680 [1]</u>

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(b)

**Enterprise Analysis Account – Cattle and Milk**

<b>Income</b>		€	€
Sales – Milk	<b>W2</b>	28,000 [2]	
- Cattle & Calves	[16,000 + 6,100]	22,100 [1]	
Drawings by family		900 [1]	
Single payment - cattle		3,000 [1]	
Increase in stock	[84,000 – 80,000]	<u>4,000 [1]</u>	58,000
<b>Expenditure</b>			
Purchases – Cattle		15,000 [1]	
Dairy wages		2,000 [1]	
General farm expenses		9,240 [1]	
Fertiliser		2,100 [1]	
Vet fees		<u>525 [1]</u>	<u>28,865</u>
Gross Profit			<u>29,135</u>

**Enterprise Analysis Account – Sheep**

<b>Income</b>		€	€
Sales – Sheep & Lambs	[24,000 + 14,300]	38,300 [1]	
Drawings by family		500 [1]	
Single payment - sheep		2,500 [1]	
Wool		1,400 [1]	
Increase in stock	[23,000 - 20,000]	<u>3,000 [1]</u>	45,700
<b>Expenditure</b>			
Purchases – sheep		20,000 [1]	
General farm expenses		3,960 [1]	
Fertiliser	<b>W3</b>	900 [1]	
Vet fees	<b>W4</b>	<u>225 [1]</u>	<u>25,085</u>
Gross profit			<u>20,615</u>

(c)

**General Profit and loss Account for the year ended 31/12/2008**

<b>Income</b>		€	€
Gross profit – Cattle and Milk		29,135	
– Sheep		20,615	
Interest	<b>W5</b>	1,800 [1]	
Forestry premium		<u>1,900 [1]</u>	53,450
<b>Expenditure</b>			
Light, heat and fuel (80%)	<b>W6</b>	2,720 [4]	
Repairs (80%)		5,280 [1]	
Machinery Depreciation (80%)		7,760 [1]	
Buildings Depreciation (80%)		3,360 [1]	
Loan Interest	<b>W1</b>	<u>96 [1]</u>	<u>(19,216)</u>
Net Profit			<u>34,234 [2]</u>

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(d) (i) Drawings are debited and sales are credited. Sales are credited instead of purchases because the farm produce are produced rather than purchased. [3]

(ii) **Drawings Account** [5]

	€		€
Milk	900	Capital a/c	7,304
Lamb	500		
Interest	24		
Light and heat	680		
VHI	1,100		
Repairs	1,320		
Depreciation-Machinery	1,940		
Depreciation- Buildings	<u>840</u>		
	<u>7,304</u>		<u>7,304</u>

**Workings**

1. Interest  
 18 months interest =  $4\% \times 1.5 = 6\%$   
 $106\% = 9,540$ . Therefore  $6\% = 540$   
 Interest for year 2008 is 120  
 Less Drawings (24) 96
2. Milk sales 29,000  
 Add due 31/12 1,600  
 Less due 1/1 (2,600) 28,000
3. Fertiliser 2,500  
 Add due 31/12 500 3,000
4. Veterinary fees 1,850  
 less VHI (1,100) 750
5. Investment Interest 900  
 Interest due 900 1,800
6. Light Heat and Fuel 3,600  
 Add stock 1/1 850  
 Less due 1/1 (450)  
 Less stock 31/12 (600)  
 Less drawings (20% of 3,400) (680) 2,720
7. Land and Buildings Dep  $510,000 - 300,000 = 210,000 \times 2\% =$  4,200