

4. Farm Accounts

Among the assets and liabilities of Mike and Anne Byrne, who carry on a mixed farming business, on 01/01/2011 are: Land and Buildings at cost €405,000; Vehicles and Machinery at cost €85,000; Electricity due €360; Value of Cattle €70,000; Value of Sheep €15,000; Milk cheque due €1,500 and Stock of Fuel €740.

The following is a summary taken from their cheque payments and lodgements books for the year ended 31/12/2011:

Lodgements	€	Cheque Payments	€
Balance 01/01/2011	28,100	Fertiliser	2,400
Milk	27,000	General farm expenses	12,100
Sheep	22,000	Dairy wages	2,500
Cattle	15,000	Sheep	19,000
Lambs	12,600	Cattle	13,000
Calves	6,000	Light, heat and fuel	2,400
Single Payment – Sheep	2,300	Machinery	6,000
Single Payment – Cattle	3,200	Repairs	5,400
Wool	1,200	Veterinary fees and medicines	2,620
Forestry premium	1,700	Bank Loan plus 18 months' interest	
Six months interest from		at 4% per annum on 30/4/2011	19,080
3% Investment Bond	<u>1,200</u>	Balance 31/12/2011	<u>35,800</u>
	<u>€120,300</u>		<u>€120,300</u>

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

- | | Cattle | Sheep |
|--|---------|---------|
| (i) Value of Livestock on 31/12/2011 was | €78,000 | €22,000 |
- (ii) Farm produce used by the family during the year – Milk €850; Lamb €480.
- (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 and costs are to be apportioned 75% to general farm and 25% to household.
- (v) Depreciation to be provided on the following:
 Vehicles and Machinery at the rate of 10% of cost per annum.
 Land and Buildings at 2% per annum. (Land at cost was €200,000.)
- (vi) Veterinary fees and medicines include a cheque for family health insurance for €1,090.
- (vii) On 31/12/2011 a Milk cheque for €1,400 was due, Creditors for fertilisers amounted to €430 and Stock of Fuel was €500.

Required:

- (a) Prepare a Statement of Capital for the farm on 01/01/2011. (20)
- (b) Prepare an Enterprise Analysis Account for 'Cattle and Milk' and 'Sheep' for the year ended 31/12/2011. (20)
- (c) Prepare a general Profit and Loss account for the year ended 31/12/2011. (12)
- (d) Prepare the Byrnes' Drawings Account. (5)
- (e) Farmers prepare accounts to ascertain net profit. For what other purposes do they prepare accounts? (3)

(60 marks)