

Question 4 – Farm Accounts

(a)

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		Statement of Capital 1/1/2011	
		€	€
Assets			
Land & buildings		405,000 [2]	
Machinery		85,000 [2]	
Investments		80,000 [3]	
Milk cheque due		1,500 [1]	
Cattle		70,000 [1]	
Sheep		15,000 [1]	
Stock of fuel		740 [1]	
Bank		<u>28,100</u> [2]	685,340
Less Liabilities			
Electricity due		360 [1]	
Bank loan		18,000 [2]	
Loan interest due	W1	<u>840</u> [3]	<u>(19,200)</u>
Capital			<u><u>666,140</u></u> [1]

(b)

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		Enterprise Analysis Account – Cattle and Milk	
		€	€
Income			
Sales – Milk	W2	26,900 [2]	
Sales – Cattle & Calves (15,000 + 6,000)		21,000 [1]	
Single payment cattle		3,200 [1]	
Increase in stock value		8,000 [1]	
Drawings by family		<u>850</u> [1]	59,950
Expenditure			
Purchases – Cattle		13,000 [1]	
Dairy wages		2,500 [1]	
General farm expenses		7,260 [1]	
Fertiliser		1,698 [1]	
Vet fees		<u>918</u> [1]	<u>(25,376)</u>
Gross Profit			<u><u>34,574</u></u>

		Enterprise Analysis Account – Sheep	
		€	€
Income			
Sales – Sheep & Lambs (22,000 + 12,600)		34,600 [1]	
Single payment sheep		2,300 [1]	
Wool		1,200 [1]	
Increase in stock value		7,000 [1]	
Drawings family		<u>480</u> [1]	45,580
Expenditure			
Purchases – sheep		19,000 [1]	
General farm expenses		4,840 [1]	
Fertiliser	W3	1,132 [1]	
Vet fees	W4	<u>612</u> [1]	<u>(25,584)</u>
Gross profit			<u><u>19,996</u></u>

(c)

General Profit and loss Account for the year ended 31/12/2011

		€	€
Income			
Gross profit – Cattle and Milk		34,574	
Gross profit – Sheep		19,996	
Interest	W5	2,400 [1]	
Forestry premium		<u>1,700 [1]</u>	58,670
Less Expenditure			
Light, heat and fuel (75%)	W6	1,710 [4]	
Repairs (75%)		4,050 [1]	
Machinery Depreciation		6,825 [1]	
Buildings Depreciation		3,075 [1]	
Loan Interest	W1	<u>180 [1]</u>	(15,840)
Net Profit			<u>42,830 [2]</u>

(d)

Drawings A/c

	€		€
Milk	850	Capital	7,700
Lamb	480		
Interest	60		
Light and heat	570		
VHI	1,090		
Repairs	1,350		
Depreciation - Machinery	2,275		
Depreciation - Buildings	<u>1,025</u>		
	<u>7,700</u>		<u>7,700</u>

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(e) **Purpose of farm accounts**

- To establish the performance of each section of the farm for comparative purposes
- To back up applications for bank loans and specific grants
- To ascertain tax liability
- To facilitate planning/budgeting
- To find out the net worth of the farm
- To find out the amount owed by and owed to the farmer

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Workings

1. Interest -18 months interest = 4% x 1.5 = 6%
 $106\% = 19,080 \rightarrow 6\% = 1,080$
Interest for year 2011 is 240
Less Drawings (60) 180
2. Milk sales 27,000
Add due 31/12 1,400
Less due 1/1 (1,500) 26,900
3. Fertiliser Add due 31/12 2,400 – 430 2,830
4. Veterinary fees Less VHI 2,620 – 1,090 1,530
5. 3% Investment Bond
[Annual interest x 100 ÷ 3] = 2,400 x 100 ÷ 3] = 80,000
6. Light Heat and Fuel 2,400
Add stock 1/1 740
Less due 1/1 (360)
Less stock 31/12 (500)
Less drawings (25% of 2,280) (570) 1,710