

SECTION 1 (120 marks)
Answer **Question 1** OR any **TWO** other questions

1. Company Final Accounts including a Manufacturing Account

Abbot Ltd, a manufacturing firm, has an Authorised Capital of €950,000 divided into 600,000 Ordinary Shares at €1 each and 350,000 6% Preference Shares at €1 each.

The following Trial Balance was extracted from its books at 31/12/2015:

	€	€
Factory Buildings (cost €650,000)	580,000	
Plant and Machinery (cost €290,000)	160,000	
Discount (Net)		7,000
Profit and Loss balance 01/01/2015		136,700
Stocks on hand at 01/01/2015		
Finished Goods	77,200	
Raw Materials	50,900	
Work in Progress	24,400	
Debenture interest paid for the first four months	3,500	
3% Investments 01/06/2015	200,000	
Patents	36,000	
Purchase of Raw Materials	480,600	
Sales		910,000
Dividends paid	4,700	
Debtors and Creditors	48,500	24,600
Bank		21,200
8% Debentures		120,000
Universal Social Charge		3,500
Issued Share Capital – Ordinary Shares		520,000
– 6% Preference Shares		300,000
Direct Factory Wages	224,600	
General Factory Overheads	46,200	
Hire of Special Equipment	6,800	
Sale of Scrap Materials		4,900
Carriage on Raw Materials	7,300	
Administration Expenses (including Suspense)	32,400	
Selling Expenses (incorporating four months investment income)	64,800	
	<u>2,047,900</u>	<u>2,047,900</u>

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

- (i) Stocks on hand at 31/12/2015:
- | | |
|------------------|---------|
| Finished Goods | €82,400 |
| Raw Materials | €47,200 |
| Work in Progress | €30,300 |
- The figure for finished goods includes stock which cost €3,900 but now has a realisable value of €2,600.
- (ii) Finished goods, sent to a customer on Dec. 31 on a 'Sale or Return' basis, were treated incorrectly as a credit sale. The recommended retail selling price of these goods was €8,500, which is cost plus 25%.
- (iii) Repairs to plant and machinery amounting to €3,600 were carried out during the year by one of the firm's employees. An amount of €700 of this expenditure consisted of parts taken from the firm's stocks while the remainder represented wages.
- (iv) Provide for depreciation on plant and machinery at the annual rate of 15% of cost from the date of purchase to the date of sale.
- NOTE: On 30/09/2015 machinery, which cost €18,000 on 31/05/2010, was traded in against a new machine which cost €30,000. An allowance of €4,000 was given on the old machine. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of raw materials. These were the only entries made in the books in respect of this transaction.
- (v) The Suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount allowed €400 entered only in the debtors account.
- (vi) The figure for Bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2015 has arrived showing an overdraft of €20,190. A comparison of the bank account and the bank statement has revealed the following discrepancies:
- A cheque for €870 issued to a supplier had been entered in the books (cash book and ledger) as €780.
 - A credit transfer of €600 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
 - A cheque for fees €500 issued to a director had not yet been presented for payment.
- (vii) The Directors recommend that:
- Provision should be made for both Investment Income and Debenture Interest due.
 - A provision for bad debts to be created equal to 5% of debtors.

You are required to prepare a:

- (a) Manufacturing, Trading and Profit and Loss Account for the year ended 31/12/2015. (75)
- (b) Balance Sheet as at 31/12/2015. (45)

(120 marks)