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

1. Company Final Accounts including a Manufacturing Account

Cahill Ltd, a manufacturing firm, has an Authorised Capital of €650,000 divided into 400,000 Ordinary Shares at €1 each and 250,000 5% Preference Shares at €1 each.

The following Trial Balance was extracted from its books on 31/12/2014:

	€	€
Factory Buildings (cost €450,000)	380,000	
Plant and Machinery (cost €190,000)	130,000	
Discount (Net)	ŕ	4,000
Profit and Loss Balance 01/01/2014		24,200
Stocks on hand at 01/01/2014		,
Finished Goods	83,200	
Raw Materials	47,900	
Work in Progress	21,400	
Debenture interest paid for the first four months	4,500	
3% Investments 01/05/2014	150,000	
Patents	35,000	
Purchase of Raw Materials	382,800	
Sales	302,000	1,005,000
Dividends paid	12,500	1,005,000
Debtors and Creditors	46,300	22,400
	40,300	
Bank		28,700
8% Debentures		180,000
VAT		6,000
Issued Share Capital – Ordinary Shares		230,000
- 5% Preference Shares		190,000
Direct Factory Wages	202,500	
General Factory Overheads	48,300	
Hire of Special Equipment	7,500	
Sale of Scrap Materials		5,500
Carriage on Raw Materials	8,500	
Administration Expenses (including Suspense)	31,100	
Selling Expenses (incorporating four months investment income)	104,300	
	1,695,800	1,695,800
	1,075,000	1,075,000

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

Stocks on hand at 31/12/2014: Finished Goods €86,600 Raw Materials €45,100 Work in Progress €28,200

The figure for finished goods includes stock which cost €3,500 but now has a realisable value of €2,700.

- Finished goods, sent to a customer on Dec. 31 on a 'Sale or Return' basis, were treated incorrectly as a credit (ii) sale. The recommended retail selling price of these goods was €7,500, which is cost plus 25%.
- (iii) Repairs to plant and machinery amounting to €4,500 were carried out during the year by one of the firm's employees. An amount of €2,600 of this expenditure consisted of parts taken from the firm's stocks while the remainder represented wages.
- Provide for depreciation on plant and machinery at the annual rate of 15% of cost from the date of purchase (iv) to the date of sale.
 - NOTE: On 30/04/2014 machinery, which cost €24,000 on 31/07/2009, was traded in against a new machine which cost €40,000. An allowance of €8,000 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.
- The Suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry (v) had been made in the bank account) and discount allowed €600 entered only in the debtors account.
- The figure for Bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2014 has arrived showing an overdraft of €27,760. A comparison of the bank account and the bank statement has revealed the following discrepancies:
 - A cheque for €840 issued to a supplier had been entered in the books (cash book and ledger) as €480.
 - A credit transfer of €700 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 25c in the €1.
 - A cheque for fees €600 issued to a director had not yet been presented for payment.
- The Directors recommend that: (vii)
 - 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:

Manufacturing, Trading and Profit and Loss Account for the year ended 31/12/2014. (a)

(75)

Balance Sheet as at 31/12/2014. **(b)**

(45)

(120 marks)