## SECTION 1 (120 marks)

Answer Question 1 OR any TWO other questions

## 1. Company Final Accounts including a Manufacturing Account

Gill Ltd has an Authorised Capital of $€ 950,000$ divided into 700,000 Ordinary Shares at $€ 1$ each and 250,000 5\% Preference Shares at €1 each. The following Trial Balance was extracted from its books at 31/12/2017:

|  | € | € |
| :---: | :---: | :---: |
| Factory Buildings (cost $€ 1,350,000$ ) | 1,310,000 |  |
| Plant and Machinery (cost $£ 240,000$ ) | 185,000 |  |
| Profit and Loss balance 01/01/2017 | 22,000 |  |
| Sales |  | 1,455,000 |
| Sale of Scrap Materials |  | 5,600 |
| Carriage on Raw Materials | 3,600 |  |
| Bank |  | 59,500 |
| Debtors and Creditors | 46,200 | 39,800 |
| Advertising | 3,600 |  |
| Direct Factory Wages | 165,600 |  |
| Purchase of Raw Materials | 462,400 |  |
| Selling Expenses (incorporating 3 months' investment income) | 26,400 |  |
| Administration Expenses | 38,200 |  |
| General Factory Overheads (including Suspense) | 75,100 |  |
| Stocks on hand at 01/01/2017 |  |  |
| Finished Goods | 37,500 |  |
| Raw Materials | 36,200 |  |
| Work in Progress | 23,100 |  |
| 9\% Debentures (including $€ 50,000$ issued on 31/08/2017) |  | 250,000 |
| Dividends paid | 22,600 |  |
| Issued Share Capital - Ordinary Shares |  | 650,000 |
| - 5\% Preference Shares |  | 150,000 |
| Hire of Special Equipment | 22,300 |  |
| Discount (Net) |  | 8,400 |
| Royalty Payments | 11,200 |  |
| Rent |  | 16,700 |
| PAYE, PRSI and USC |  | 80,000 |
| 3\% Investments (acquired on 01/06/2017) | 200,000 |  |
| Patents | 24,000 |  |
|  | 2,715,000 | 2,715,000 |

The following information and instructions are to be taken into account:
(i) Stocks on hand at 31/12/2017: Finished Goods €65,000

Raw Materials €25,100
Work in Progress €15,400
The figure for finished goods includes stock which cost $€ 5,400$ but now has a realisable value of $€ 3,600$.
(ii) Included in the figure for sale of scrap materials is $€ 2,500$ received from the sale of an old machine on $31 / 03 / 2017$. This machine had cost $€ 16,000$ on $01 / 07 / 2012$.
(iii) Provide for depreciation on Plant and Machinery at the annual rate of $10 \%$ of cost from the date of purchase to the date of sale.
(iv) The Suspense figure arises as a result of Discount Allowed $€ 1,150$ entered only in the debtors account and $€ 3,000$ paid towards PAYE, PRSI and USC entered only in the bank account.
(v) It was discovered that finished goods had been sent to a customer on 31/12/2017 on a 'sale or return' basis. These goods had been entered in the books as a credit sale of $€ 12,000$, which is a mark-up on cost of $20 \%$.
(vi) The figure for Bank in the Trial Balance has been taken from the firm's records. However, a bank statement dated 31/12/2017 has arrived showing an overdraft of $€ 55,100$. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. A cheque for $€ 600$ received from a debtor has been dishonoured. This had not been entered in the books.
2. Investment income of $€ 1,000$ has been paid directly into the firm's bank account.
3. A cheque of $€ 4,000$ issued to a director has not yet been presented for payment.
(vii) The figure for Advertising is for an 18-month campaign which began on 01/09/2017.
(viii) During 2017 Gill Ltd built an extension to its factory. The work was carried out by the company's own employees. The cost of their labour $€ 15,000$ is included in factory wages. The materials, costing $€ 65,000$, were taken from stocks. No entry had been made in the books in respect of this extension.
(ix) Provision should be made for the following:
4. Investment income due and Debenture interest due.
5. The creation of a provision for bad debts equal to $4 \%$ of debtors.

## You are required to:

(a) Prepare a Manufacturing, Trading and Profit and Loss Account for the year ended 31/12/2017.
(b) Prepare a Balance Sheet as at 31/12/2017.

