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

1. Company Final Accounts including a Manufacturing Account

Austin Ltd has an authorised capital of €900,000 divided into 600,000 ordinary shares at €1 each and 300,000 5% preference shares at €1 each. The following trial balance was extracted from the books on 31/12/2017:

	€	€
Factory buildings (cost €940,000)	900,000	
Plant and machinery (cost €420,000)	255,000	
Profit and loss balance 01/01/2017		38,000
Sales		1,400,000
Sale of scrap materials		5,100
Bank		43,600
Debtors and creditors	62,000	49,400
Direct factory wages	200,000	
Purchase of raw materials	514,200	
Selling expenses	45,000	
Administration expenses	59,200	
General factory overheads (including suspense)	91,400	
Stocks on hand 01/01/2017		
Finished goods	43,100	
Raw materials	41,500	
Work in progress	38,200	
8% Debentures (including €50,000 issued on 01/04/2017)		300,000
Dividends paid	27,500	
Issued share capital - ordinary shares		550,000
- 5% preference shares		250,000
Hire of special equipment	39,800	
Discount (net)		8,000
Royalty payments	26,900	
Rent to 30/09/2017		9,000
4% Investments acquired on 01/03/2017	330,000	
PAYE, PRSI & USC		20,700
	<u>2,673,800</u>	2,673,800

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

(i) Stocks on hand at 31/12/2017: Finished goods $\in 68,100$ Raw materials $\in 31,500$ Work in progress $\in 40,200$

- (ii) 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 recorded as a credit sale of €17,500 which is a mark-up on cost of 25%.
- (iii) The suspense figure arises as a result of discount allowed €600 entered only in the debtors account and credit purchases of raw materials €6,000 entered on the incorrect side of the creditor account.
- (iv) The figure for bank in the trial balance has been taken from the firm's records. However, a bank statement dated 31/12/2017 shows an overdraft of €33,300. A comparison of the bank account and the bank statement revealed the following discrepancies:
 - A cheque for €1,000 had been lodged directly into the firm's bank account on behalf of a debtor in respect of a debt previously written off. This represented 40% of the original debt and the debtor has undertaken to repay the remainder in January 2018.
 - 2. Rent due 31/12/2017 was paid directly into the firm's bank account.
 - 3. A cheque of €6,300 issued to a supplier had not been presented for payment.
- (v) Provide for a recent wage increase of 5% to be backdated to cover the three months from 01/10/2017.
- (vi) During 2017 (January to December) Austin Ltd built an extension to the warehouse. The work was carried out by the company's own employees. The cost of their labour €24,000 (before wage increase) was included in factory wages. The materials, costing €31,500 were taken from stocks. No entry had been made in the books in respect of this extension.
- (vii) Included in the figure for sale of scrap materials is €3,000 received from the sale of an old machine on 30/06/2017. This machine had cost €20,000 on 01/04/2011.
- (viii) Provide for depreciation as follows:

Plant and machinery at the annual rate of 10% of cost from the date of purchase to the date of sale.

Buildings at 2% of the cost at 31/12/2017. Depreciation on buildings is to be allocated 75% to factory and the remainder to office administration.

- (ix) Provision should be made for the following:
 - 1. Investment income due and debenture interest due.
 - 2. The creation of a provision for bad debts equal to 6% of debtors on 31/12/2017.

Required:

- (a) Prepare a manufacturing, trading and profit and loss account for the year ended 31/12/2017. (75)
- (b) Prepare a balance sheet as at 31/12/2017. (45) (120 marks)