

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

1. Company Final Accounts including a Manufacturing Account

Marjam Ltd, has an Authorised Capital of €1,800,000 divided into 1,000,000 Ordinary Shares at €1 each and 800,000 10% Preference Shares at €1 each. The following Trial Balance was extracted from its books at 31/12/2012:

	€	€
Factory Buildings (cost €880,000)	820,000	
Plant and Machinery (cost €270,000).....	180,000	
Discount (Net).....		8,400
Profit and Loss Balance 1/1/2012.....	18,100	
Stocks on hand 1/1/2012		
Finished Goods.....	69,500	
Raw Materials	34,400	
Work in Progress.....	23,700	
Debenture interest for the first three months.....	4,800	
4% Investments 1/1/2012	340,000	
Patents	22,600	
Purchase of raw materials.....	1,035,000	
Sales		1,540,000
Dividends paid.....	59,000	
Debtors and Creditors.....	102,600	98,200
Bank		41,000
9% Debentures		200,000
Universal Social Charge.....		2,100
Issued Share Capital – Ordinary Shares.....		600,000
– 10% Preference Shares.....		500,000
Direct factory wages.....	180,400	
General factory overheads.....	31,400	
Hire of special equipment.....	6,100	
Sale of scrap materials.....		3,000
Carriage on raw materials.....	4,600	
Administration expenses (including Suspense).....	27,600	
Selling expenses (incorporating 3 months investment income)	32,900	
	<u>2,992,700</u>	<u>2,992,700</u>

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

- (i) Stocks on hand at 31/12/2012: Finished goods €79,400
Raw materials €35,700
Work in progress..... €27,400
- The finished goods figure includes stock which cost €4,400 but now has a net realisable value of €2,500.
- (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 €6,000, which is cost plus 20%.
- (iii) Repairs to plant and machinery amounting to €2,000 were carried out during the year by one of the firm's employees. An amount of €400 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 10% of cost from the date of purchase to the date of sale.
- NOTE: On 31/3/2012 machinery, which had cost €20,000 on 30/6/2006, was traded in against a new machine which cost €51,000. An allowance of €8,000 was given on the old machine. The cheque for the net amount of this transaction was incorrectly treated as a purchase of raw materials. This was the only entry 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 returns €1,000 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 31/12/2012 has arrived showing an overdraft of €39,720. A comparison of the bank account and the bank statement has revealed the following discrepancies:
1. A cheque for €680 issued to a supplier had been entered in the books (cash book and ledger) as €860.
 2. A credit transfer of €800 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 20c in the €1.
 3. A cheque for fees €300 issued to a director had not yet been presented for payment.
- (vii) The Directors recommend that:
1. Provision be made for both Investment income and Debenture Interest due.
 2. A provision for bad debts to be created equal to 4% of debtors.

You are required to prepare a:

- (a) Manufacturing, Trading and Profit and Loss Account for the year ended 31/12/2012. (75)
(b) Balance Sheet as at 31/12/2012. (45)

(120 marks)