

**Accounting – Higher Level 2016**

**Question 1**

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(a)

**Manufacturing Account of Ryan Ltd for the year ended 31/12/2015 [1]**

		€	€
Opening stock of raw materials			46,500 [1]
Purchases of raw materials	W 1		<u>496,200</u> [4]
			542,700
Less Closing stock of raw materials			<u>(36,100)</u> [1]
<b>Cost of Raw Materials Consumed</b>			<b>506,600</b>
<b>Direct Costs:</b>			
Factory wages	W 2	213,200 [5]	
Hire of special equipment		35,700 [2]	
Royalty payments		<u>30,500</u> [2]	<u>279,400</u>
<b>Prime Cost</b>			<b>786,000</b>
<b>Factory Overheads:</b>			
General factory overheads	W 3	95,200 [6]	
Depreciation - plant and machinery	W 4	31,100 [3]	
Loss on sale of machine	W 5	<u>4,950</u> [4]	<u>131,250</u>
<b>Factory Cost</b>			<b>917,250</b>
Add Work in progress 01/01/2015			33,200 [3]
Less Work in progress 31/12/2015			<u>(34,200)</u> [3]
			916,250
Less Sale of scrap materials	W 6		<u>(2,500)</u> [4]
<b>Cost of manufacture</b>			<b><u>913,750</u></b>

**Trading and Profit and Loss Account for the year ended 31/12/2015**

		€	€
Sales	W 7		1,337,000 [5]
Less Cost of Sales			
Opening stock of finished goods		48,100 [3]	
Cost of manufacture		<u>913,750</u> [2]	
			961,850
Less Stock of finished goods 31/12/2015	W 8	<u>(90,100)</u> [4]	<u>(871,750)</u>
<b>Gross Profit</b>			<b>465,250</b>
<b>Less Expenses</b>			
<b>Administration</b>			
Administration expenses		49,200 [2]	
<b>Selling and Distribution</b>			
Provision for bad debts	W 9	1,512 [3]	
Selling expenses		<u>36,300</u> [2]	<u>37,812</u>
			<u>(87,012)</u>
<b>Add Operating Income</b>			<b>378,238</b>
Discount	W 10	4,800 [3]	
Rent	W 11	<u>10,200</u> [3]	<u>15,000</u>
<b>Operating profit</b>			<b>393,238</b>
Investment income	W 12		<u>8,400</u> [3]
			401,638
Less Debenture interest	W 13		<u>(28,400)</u> [2]
<b>Net Profit</b>			<b>373,238</b>
Less Dividends paid			<u>(22,500)</u> [1]
Retained profit			350,738
Add Profit and loss balance 01/01/2015			<u>68,900</u> [2]
<b>Profit and loss balance 31/12/2015</b>			<b><u>419,638</u></b> [1]

(b)

## Balance Sheet as at 31/12/2015

		Cost	Acc. Dep.	Net
		€	€	€
<b>Tangible Fixed Assets</b>				
Factory buildings	W 14	970,300 [2]	20,000 [1]	950,300
Plant and machinery	W 15	<u>302,000 [2]</u>	<u>96,650 [3]</u>	<u>205,350</u>
		<u>1,272,300</u>	<u>116,650</u>	1,155,650
<b>Financial Assets</b>				
Investments				<u>315,000 [2]</u>
				1,470,650
<b>Current Assets</b>				
Stock				
Raw materials		36,100 [3]		
Work in progress		34,200 [2]		
Finished goods		<u>90,100 [2]</u>	160,400	
Debtors	W 16	37,800 [5]		
Less Provision		<u>(1,512) [1]</u>	36,288	
Investment income due			<u>8,400 [2]</u>	
			205,088	
<b>Less Creditors: amounts falling due within one year</b>				
Creditors	W 17	59,400 [4]		
Bank	W 18	38,300 [4]		
Rent prepaid		3,400 [1]		
Wages due		5,500 [1]		
PAYE, PRSI & USC		46,100 [2]		
Debenture interest due		<u>28,400 [2]</u>	(181,100)	
				<u>23,988</u>
				<u>1,494,638</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than one year</b>				
8% Debentures				375,000 [2]
<b>Capital and Reserves</b>		<b>Authorised</b>	<b>Issued</b>	
Ordinary shares @ €1 each		600,000 [1]	500,000 [1]	
5% Preference shares @ €1 each		<u>250,000 [1]</u>	<u>200,000 [1]</u>	
		<u>850,000</u>	700,000	
Profit and loss balance			<u>419,638</u>	<u>1,119,638</u>
<b>Capital Employed</b>				<u>1,494,638</u>

## Workings

1.	Purchases – raw materials	$524,200 - 28,000$	496,200
2.	Factory wages	$220,000 + 5,500 - 12,300$	213,200
3.	General factory overheads	$86,400 + 10,000 - 1,200$	95,200
4.	Depreciation - plant and machinery	$16,000 + 15,100$ $30,200 + 900$	31,100
5.	Loss on sale of machine	$18,000 - 9,450 - 3,600$	4,950
6.	Sale of scrap materials	$6,100 - 3,600$	2,500
7.	Sales - finished goods	$1,352,000 - 15,000$	1,337,000
8.	Closing Stock - finished goods	$77,600 + 12,500$	90,100
9.	Provision for bad debts	$[37,800 \times 4\%]$	1,512
10.	Discount	$6,000 - 1,200$	4,800
11.	Rent	$8,500 + 5,100 - 3,400$ prepaid	10,200
12.	Investment income	$4\% [315,000] \times 8/12$	8,400
13.	Debenture interest	$25,200 + 3,200$ $20,000 + 8,400$	28,400
14.	Factory buildings	$930,000 + [28,000 + 12,300]$	970,300
15.	Accumulated depreciation - plant and machinery	$75,000 - 9,450 + 31,100$	96,650
16.	Debtors	$52,000 + 800 - 15,000$	37,800
17.	Creditors	$49,400 + 10,000$	59,400
18.	Bank	$42,600 + 800 - 5,100$ $36,300 + 2,000$	38,300 38,300

**Penalties:** 1 mark for the omission of expense heading 'selling and distribution' in profit and loss a/c  
1 mark for the omission of 'total cost' figure for fixed assets.