

## Explanatory Notes

### Published Accounts

The following are a list of explanatory notes that you need to know for this section –

1. Accounting policy notes on tangible fixed assets and stock.
2. Operating profit note.
3. Interest payable note.
4. Dividend notes.
5. Financial Assets notes.
6. Debenture notes.
7. Tangible Fixed assets note.
8. Exceptional Item note.
9. Capital expenditure commitments note.
10. Share capital note.
11. Contingent Liability or gain note.

<b>1. Accounting policy notes on tangible fixed assets and stock.</b>
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#### **Tangible Fixed Assets**

Buildings were revalued at the end of this year and have been included in the accounts at their revalued amount. Depreciation is calculated in order to write off the value or cost of tangible fixed assets over their estimated useful economic life, as follows:

*Buildings* 2% per annum straight line basis

*Delivery vans* 20% per annum reducing balance basis.

Stocks are valued on a first in first out basis at the lower of cost or net realisable value.

**NOTE** – words in Italic need to be changed in line with the question.

**2. Operating profit note.**

**Operating Profit**

The operating profit is arrived at after charging:

Depreciation on tangible fixed assets	€48,000
Patent amortised	€7,000
Directors' fees	€22,000
Auditors' fees	€16,000
Legal fees	€5,000

**NOTE** – words in Italic need to be changed in line with the question.

**3. Interest payable note.**

**Interest payable**

*Interest payable on Debentures [Repayable during years 2017/2018] 10,000*

**NOTE** – words in Italic need to be changed in line with the question.

**4. Dividend notes.**

**Dividends**

Ordinary Dividend Paid

*7.57 cent per share*      €45,400

Preference Dividends Paid

*8 cent per share*      €9,600

**NOTE** – words in Italic need to be changed in line with the question (use the figures as part of your workings)

<b>5. Financial Assets notes.</b>
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Financial Fixed Assets	<i>1/1/2013</i>	<i>31/12/2013</i>
<i>Quoted Investments</i>	<i>250000</i>	<i>250000</i>
<i>Unquoted Investments</i>	<i>70000</i>	<i>70000</i>

*The market value of the quoted investment on 31.12.2013 was 110000*

*The director's valuation of the unquoted investments on 21.12.2013 was 60000*

**NOTE** – words in Italic need to be changed in line with the question.

<b>6. Debenture notes.</b>
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**Debenture Note**

During the year *2027* the business issued *8% debenture* to the value of *€450,000* repayable during the years *2039/2040*. These debentures are secured by a fixed charge on the tangible fixed assets.

**NOTE** – words in Italic need to be changed in line with the question.

<b>7. Tangible Fixed assets note.</b>
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**Tangible Fixed Assets**

	Land and Buildings €	Delivery Vans €	Total €
Cost 01/01/2017	xxxxxx	xxxxxx	xxxxxx
<i>Disposal</i>	(xxxxxx)		(xxxxxx)
<i>Revaluation surplus</i>	<u>xxxxxx</u>	_____	<u>xxxxxx</u>
	xxxxxx	xxxxxx	xxxxxx
Accumulated depreciation 01/01/2017	xxxxxx	xxxxxx	xxxxxx
Charge for year 31/12/2017	xxxxxx	xxxxxx	xxxxxx
<i>Transfer to revaluation</i>	<u>(xxxxxx)</u>	_____	<u>(xxxxxx)</u>

## Published Accounts

		Xxxxxx	xxxxxx
Net book value 01/01/2017	xxxxxx	xxxxxx	xxxxxx
Net book value 31/12/2017	xxxxxx	xxxxxx	xxxxxx

**NOTE** – words in *Italic* and with the symbol xxx need to be changed in line with the question (use the figures as part of your working)

### 8. Exceptional Item note.

The business sold *land* for €130,500 more than cost. Cost was €120,000.

**NOTE** – words in *Italic* need to be changed in line with the question – remember this can be a profit or loss on any fixed asset

### 9. Capital expenditure commitments note.

Capital expenditure commitments note

The company has entered into a *preliminary contract with Stewart Ltd for the building of an extension to its premises for the sum of €400,000. They also intend to carry out further capital improvements to existing premises at a cost of €120,000.*

**NOTE** – words in *Italic* need to be changed in line with the question.

### 10. Share capital note.

Share Capital	Authorised	Issued
Ordinary Shares	1,000,000	700,000
3% Preference Shares	<u>500,000</u>	<u>300,000</u>
	<u>1,500,000</u>	<u>1,000,000</u>

*There was no issue of shares during the period.*

**NOTE** – words in *Italic* need to be changed in line with the question.

<b>11. Contingent Liability or gain note.</b>
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**Contingent Liability**

*The company has provided €60,000 for a claim made by an employee for unfair dismissal. The company's legal advisers have advised that the company will probably be liable for the full €60,000 of the claim.*

**NOTE** – words in Italic need to be changed in line with the question.