6. Published Accounts (100)

(a)

Profit and Loss Account of Singh plc for the year ended 31/12/2012 (40)

	€	€
Turnover **(1)**		1,680,000 **(1)**
Cost of Sales **(W1)**		(1,046,000)**(5)**
Gross Profit		634,000
Distribution Costs** **(W2)**	178,500 **(4)**	
Admin. Expenses** **(W3)**	242,900 **(6)**	(421,400)
		212,600
Other Operating Income		72,000 **(4)**
Operating Profit		284,600
Investment Income** **(W4)**		18,400 **(3)**
Profit on Sale of Land		60,000 **(2)**
		363,000
Interest Payable**		(16,800)**(3)**
Profit on Ordinary Acts. before Tax **(1)**		346,200
Taxation		(48,000)**(2)**
Profit on Ordinary Acts. after Tax		298,200
Dividends paid		(55,000)**(2)**
Profit retained for the year		243,200
Profit brought forward at 1/1/2012		61,000 **(2)**
Profit carried forward at 31/12/2012		*304,200 **(4)**

* Accept correct figure only.
** (–1) if incorrect position.

Balance Sheet of Singh plc as at 31/12/2012 (26)

	€	€	€
Fixed Assets			
Intangible Assets** **(W5)**		16,000 **(2)**	
Tangible Assets		1,049,000 **(2)**	
Financial Assets		230,000 **(1)**	1,295,000
Current Assets			
Stocks	94,000 **(1)**		
Debtors **(W9)**	135,300 **(3)**		
Bank	39,500 **(1)**	268,800	
Creditors: Amounts falling due within 1 year **(1)**			
Trade Creditors	99,000 **(2)**		
Other Creditors **(W6)**	29,000 **(3)**		
Taxation **(W7)**	80,300 **(2)**	(208,300)	
Net Current Assets			60,500
Total Assets *less* Current Liabilities			1,355,500
Creditors: Amounts falling due after more than 1 year			
7% Debentures 2017/2018			240,000 **(2)**
Capital and Reserves			
Issued Shares		600,000 **(2)**	
Reval. Reserve** **(W8)**		211,300 **(3)**	
Profit carried forward		304,200 **(1)**	1,115,500
			1,355,500

Workings: €

		€
W1	Cost of Sales	
	Purchases	1,050,000 **(1)**
	Opening Stock	82,000 **(1)**
		1,132,000
	– Closing Stock	(94,000)**(1)**
	+ Patent written off	8,000 **(1)**
		1,046,000 **(1)**
W2	Distribution Costs	112,000 **(1)**
	Depreciation Buildings (€15,000 × 30%)	4,500 **(1)**
	Depreciation Vehicles (€310,000 × 20%)	62,000 **(1)**
		178,500 **(1)**
W3	Administration Expenses	194,000**(1)**
	Dep. Buildings (€750,000 × 2%) × 70%	10,500 **(1)**
	Auditors' Fees	7,500 **(1)**
	Directors' Fees	15,900 **(1)**
	Patent Royalties	15,000 **(1)**
		242,900**(1)**
W4	Investment Income	4,600 **(1)**
	+ Investment Income due	13,800 **(1)**
		18,400**(1)**

		€
W5	Intangible Assets	
	Patent at 01/01/2012	24,000
	Patent w/o (€56,000 ÷ 7 years)	(8,000)
		16,000 **(2)**
W6	Other Creditors	
	Deb. Int. due (€16,800 – €11,200)	5,600 **(1)**
	Auditors' Fees	7,500 **(1)**
	Directors' Fees	15,900 **(1)**
		29,000
W7	Taxation	
	VAT	32,300 **(1)**
	Corporation Tax	48,000 **(1)**
		80,300
W8	Revaluation Reserve	
	Increase in Cost	125,000 **(1)**
	Acc. Depreciation 01/01/2012	71,300 **(1)**
	Depreciation charge for the year	15,000 **(1)**
		211,300
W9	Debtors	134,000 **(1)**
	+ Investment Int. Due (€18,400 – €4,600)	13,800 **(1)**
		147,800
	– Provision for Bad Debts	(12,500)**(1)**
		135,300

Notes to the Accounts: (19)

Accounting Policy Notes

1. Tangible fixed assets and stock (5)
   - buildings were re-valued at the end of 2012 and have been included in the accounts at their re-valued amount **(1)** vehicles are shown at cost
   - depreciation is calculated in order to write off the value or cost of tangible fixed assets over their estimated useful economic life, as follows: **(1)**
     - buildings: 2% per annum - straight line basis **(1)**
     - delivery vans: 20% of cost **(1)**
     - stocks: stocks are valued on a First-in First-out basis at the lower of cost and net realisable value **(1)**

2. Operating profit (5)
   - The operating profit is arrived at after charging: **(1)**

	€
Depreciation on tangible fixed assets	*77,000 **(1)**
Patent amortised	*8,000 **(1)**
Auditors' Fees	7,500 **(1)**
Directors' Fees	15,900 **(1)**

3. Interest (2)
   - Interest payable on Debentures (repayable 2017/2018) **(1)** 16,800 **(1)**

4. Tangible fixed assets (7)
   -

	Land & Build.	Vehicles	Total
	€	€	€
Cost/valuation at 01/01/2012	825,000 **(1)**	310,000	1,135,000
Disposal	(75,000)**(1)**	–	(75,000)
Revaluation surplus at 31/12/2012	125,000 **(1)**	–	125,000
Valuation at 31/12/2012	875,000	310,000	1,185,000
Depreciation at 01/01/2012	71,300	74,000	145,300
Depreciation charge for the year	15,000 **(1)**	62,000 **(1)**	77,000
	86,300	136,000	222,300
Transfer on Revaluation	(86,300)**(1)**		(86,300)
	Nil	136,000	136,000
Net book value at 01/01/2012	753,700	236,000	989,700
Net book value at 31/12/2012	875,000	174,000	*1,049,000 **(1)**

* Accept student's own figure.

(b) (i) State how a company should deal with a Contingent Liability which is probable. (5)

- the estimated amount should be provided for in the accounts **(3)** and a note **(1)** should show the nature of the loss **(1)**

(ii) Describe an auditor's report that is 'qualified'. (10)

- when an auditor in his/her opinion is not satisfied **(3)** or is not able to conclude that all or any of the following apply:
  Any 3: **(3 × 2)**
  - the financial statements give a true and fair view of the state of affairs of the company at the end of the year and of its profit and loss account for the year
  - the financial statements are prepared in accordance with the Companies Acts
  - all the information necessary for the audit was obtained
  - the information given by the directors is consistent with the financial statements
  - the net assets are more 50% of the called-up capital
- the report will state the elements of the accounts or of the director's report that are unsatisfactory **(1)**