

6. Published Accounts

Fisher plc has an authorised capital of €800,000 divided into 600,000 ordinary shares at €1 each and 200,000 5% preference shares at €1 each. The following Trial Balance was extracted from its books on 31/12/2015.

	€	€
Vehicles at cost	330,000	
Vehicles – Accumulated Dep. on 01/01/2015		94,000
Investment income		6,100
Buildings at cost	760,000	
Buildings – Accumulated Dep. on 01/01/2015		81,300
Debtors and Creditors	234,000	199,000
6% Investments	250,000	
Stock at 01/01/2015	69,000	
Patent at 01/01/2015	42,000	
Administrative expenses	204,000	
Distribution costs	177,000	
Purchases and Sales	1,350,000	2,045,000
Rental income		59,000
7% Debentures 2020/2021		250,000
Profit on sale of land		87,000
Bank	47,900	
VAT		62,000
Dividends paid	65,000	
Profit and Loss balance 01/01/2015	19,000	
Issued Capital		
Ordinary Shares		450,000
Preference Shares		200,000
Provision for bad debts		16,500
Debenture interest paid	15,000	
Commission		13,000
	<u>3,562,900</u>	<u>3,562,900</u>

The following information is relevant:

- (i) Stock on 31/12/2015 is €84,000.
- (ii) The patent was acquired on 01/01/2011 for €63,000. It is being amortised over 9 years in equal instalments. The amortisation is to be included in cost of sales.
- (iii) Provide for debenture interest due, investment interest due, auditors' fees €8,500, directors' fees €45,000 and corporation tax €55,000.
- (iv) Depreciation is to be provided for on buildings, at a rate of 2% straight line, and is to be allocated 30% to distribution costs and 70% to administrative expenses. There was no purchase or sale of buildings during the year. Vehicles are to be depreciated at the rate of 20% of cost.
- (v) During the year, land adjacent to the company's premises, which had cost €65,000, was sold for €152,000. At the end of the year the company re-valued its buildings to €830,000. The company wishes to incorporate this value in this year's accounts.
- (vi) Included in administrative expenses is the receipt of €16,000 for patent royalties.

You are required to:

- (a) Prepare the published Profit and Loss account for the year ended 31/12/2015 and a Balance Sheet as at that date, in accordance with the Companies Acts and appropriate accounting standards, showing the following notes:
 1. Accounting policy note for tangible fixed assets and stock
 2. Operating profit
 3. Interest payable
 4. Tangible fixed assets. (85)
- (b) (i) State how a company should deal with a Contingent Liability which is possible but unlikely. (15)
(ii) What is the purpose of an audit? (15)

(100 marks)