

- (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)

Profit and Loss Account of Fisher plc
for the year ended 31/12/2015 (40)

	€	€
Turnover (1)		2,045,000 (1)
Less Cost of Sales W1		(1,342,000)(5)
Gross Profit		703,000
Distribution Costs W2	•247,560 (4)	
Administrative Expenses W3	•284,140 (6)	(531,700)
		171,300
Other Operating Income W4		•88,000 (4)
Operating Profit		259,300
Investment Income (1) W5		15,000 (2)
Profit on sale of land		87,000 (2)
		361,300
Interest Payable (1) W6		(17,500)(2)
Profit on Ordinary Activities before tax (1)		343,800
Taxation		(55,000)(2)
Profit on Ordinary Activities after tax		288,800
Dividends paid		(65,000)(2)
Profit retained for year		223,800
Loss brought forward at 01/01/2015		(19,000)(2)
Profit carried forward at 31/12/2015		••204,800 (4)

- Penalise 1 mark if 'Cost of Sales', 'Distribution Costs', 'Administrative Expenses' or 'Other Operating Income' shown as individual figures and not as total figures only.
- Accept correct figure only.
- Penalise 1 mark if (i) 'Distribution Costs' shown after 'Administrative Expenses', (ii) 'Profit on sale of land', 'Investment Income' shown before 'Operating Profit' or (iii) 'Interest Payable' not shown last after 'Operating Profit'.
- Apply a maximum penalty of -4 for above deductions.

Workings:

	€		€
W1 Cost of Sales		W3 Administrative Expenses	204,000 (1)
Stock 01/01/2015	69,000 (1)	+ Auditors' Fees	8,500 (1)
+ Purchases	1,350,000 (1)	+ Directors' Fees	45,000 (1)
	1,419,000	+ Patent Royalties	16,000 (1)
- Stock 31/12/2015	(84,000)(1)	+ Depreciation: Buildings	
+ Patent written off [€63,000 ÷ 9 yrs.]	7,000 (1)	[70% of 2% of €760,000]	10,640 (1)
Figure transferred to P & L a/c	1,342,000 (1)	Figure transferred to P & L a/c	284,140 (1)
W2 Distribution Costs	177,000 (1)	W4 Other Operating Income	
+ Depreciation: Buildings		Rental Income	59,000 (1)
[30% of 2% of €760,000]	4,560 (1)	Commission	13,000 (1)
+ Depreciation: Vehicles		Patent Royalties	16,000 (1)
[20% of €330,000]	66,000 (1)	Figure transferred to P & L a/c	88,000 (1)
Figure transferred to P & L a/c	247,560 (1)	W5 Investment Income	6,100 (1)
		+ Investment Income due	8,900 (1)
		Figure transferred to P & L a/c	15,000
		W6 Interest Payable	
		Debenture Interest paid	15,000
		+ Debenture Interest due 31/12/2015	
		[7% of €250,000 - €15,000]	2,500
		Figure transferred to P & L a/c	17,500 (2)

6. Published Accounts (cont'd.)

(a) (cont'd.)

Balance Sheet of Fisher plc
for the year ended 31/12/2015 (26)

	€	€
<u>Fixed Assets</u>		
Intangible Assets (1) ■ W7		35,000 (2)
Tangible Assets W8	1,000,000 (3)	
Financial Assets	<u>250,000 (1)</u>	
		1,285,000
<u>Current Assets</u>		
Stock	84,000 (1)	
Debtors W9	226,400 (3)	
Bank	<u>47,900 (1)</u>	
		358,300
<u>Creditors: Amounts falling due within 1 year (1)</u>		
Trade Creditors	199,000 (1)	
Other Creditors W10	56,000 (3)	
Taxation W11	<u>117,000 (2)</u>	
		372,000
Net Current Assets		<u>(13,700)</u>
Total Assets less Current Liabilities		<u><u>1,271,300</u></u>
<u>Creditors: Amounts falling due within 1 year</u>		
7% Debentures 2020/2021		250,000 (1)
<u>Capital and Reserves</u>		
Issued Share Capital	650,000 (2)	
Reval. Reserve (1) ■■ W12	166,500 (2)	
Profit carried forward	204,800 (1)	<u>1,021,300</u>
		<u><u>1,271,300</u></u>

■ No mark awarded if 'Intangible Assets' not shown first.

■■ No mark awarded if 'Revaluation Reserve' shown after 'Profit carried forward'.

Workings:

	€	€	
W7 Intangible Assets		W10 Other Creditors	
Patent at 01/01/2015	42,000 (1)	Debenture Interest due	
– Patent w/o [€63,000 ÷ 9 years]	<u>(7,000)(1)</u>	[7% of €250,000 – €15,000]	2,500 (1)
Figure transferred to Balance Sheet	35,000	Auditors' Fees	8,500 (1)
		Directors' Fees	<u>45,000 (1)</u>
		Figure transferred to Balance Sheet	56,000
W8 Tangible Assets		W11 Taxation and Social Welfare	
Buildings (re-valued 31/12/2015)	830,000 (1)	VAT	62,000 (1)
Vehicles (cost)	330,000	Corporation Tax	<u>55,000 (1)</u>
– Acc. Dep. (1/1/2015)	(94,000)(1)	Figure transferred to Balance Sheet	117,000
– Dep. charge for year			
[20% of €330,000]	<u>(66,000)(1)</u>	W12 Revaluation Reserve	
	170,000	Increase in cost [€830,000 – €760,000]	70,000 (1)
Figure transferred to Balance Sheet	1,000,000	Accumulated Dep. 01/01/2015	81,300 (1)
		Depreciation charge for the year	
W9 Debtors	234,000 (1)	Buildings [2% of €760,000]	<u>15,200 (1)</u>
+ Inv. Interest due [€15,000 – €6,100]	<u>8,900 (1)</u>	Figure transferred to Balance Sheet	166,500
	242,900		
– Provision for Bad Debt	<u>(16,500)(1)</u>		
Figure transferred to Balance Sheet	226,400		

6. Published Accounts (cont'd.)

(a) (cont'd.)

Notes to the Accounts: (19)

1. Accounting policy for tangible fixed assets and stock (5)

- buildings were re-valued at the end of 2015 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 (1)
 - Vehicles: 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	81,200 (1)
Patent amortised	7,000 (1)
Directors' Remuneration	45,000 (1)
Auditors' Fees	8,500 (1)

3. Interest (2)

- interest payable on Debentures (repayable 2020/2021) (1) €17,500 (1)

4. Tangible Fixed Assets (7)

	<u>Land & Buildings</u>	<u>Vehicles</u>	<u>Total</u>
	€	€	€
Cost/Valuation at 01/01/2015	825,000 (1)	330,000	1,155,000
Disposal	(65,000)(1)	—	(65,000)
Revaluation surplus at 31/12/2015	70,000 (1)	—	70,000
Valuation at 31/12/2015	830,000	330,000	1,160,000
Depreciation at 01/01/2015	81,300	94,000	175,300
Depreciation charge for year	•15,200 (1)	•66,000 (1)	81,200
	96,500	160,000	256,500
Transfer on Revaluation	•(96,500)(1)	—	(96,500)
Depreciation at 31/12/2015	Nil	160,000	160,000
Net book value at 01/01/2015	743,700	236,000	979,700
Net book value at 31/12/2015	830,000	170,000	•1,000,000 (1)

- Allow full marks for student's own figure if consistent with previous work.

6. Published Accounts (cont'd.)

- (b) (i) State how a company should deal with a Contingent Liability which is possible but unlikely. (7)
- it is not necessary to make a provision in the accounts (2)
 - however, a note in the accounts (2) should show the nature of the liability (1), an estimate of the amount (1) and an opinion regarding the outcome (1)
- ** Figures in brackets show the breakdown of marks if answer incomplete.
** Accept student's own wording if equivalent meaning conveyed.
- (ii) What is the purpose of an audit? (8)
- to enable the auditor, in keeping with the requirements of the Companies Acts, to report on the truth and fairness (2) shown by:
 - the balance sheet (2)
 - the profit or loss shown by the profit and loss account (2)
 - any other information required to be disclosed in the financial accounts (2)
- ** Figures in brackets show the breakdown of marks if answer incomplete.
** Accept student's own wording if equivalent meaning conveyed.
** Accept other appropriate material.