

## 6. Published Accounts

Gayle Ltd. has an Authorised Capital of €800,000 divided into 600,000 Ordinary Shares at €1 each and 200,000 9% Preference Shares at €1 each. The following Trial Balance was extracted from its books at 31/12/2004.

	€	€
Vehicles at cost	220,000	
Vehicles – Accumulated Dep on 1/1/2004		33,000
Investment Income		10,000
Buildings at cost	700,000	
Buildings – Accumulated Dep on 1/1/2004		42,000
Debtors and Creditors	289,000	163,000
9% Investments	240,000	
Stock at 1/1/2004	73,000	
Patent at 1/1/2004	40,000	
Administration expenses	172,000	
Purchases and Sales	1,150,000	1,880,000
Rental Income		60,000
8% Debentures 2008/2009		200,000
Distribution Costs	248,000	
Profit on Sale of Land		65,000
Bank	48,000	
VAT		71,000
Interim Dividends	24,000	
Profit and Loss at 1/1/2004		52,000
Issued Capital		
Ordinary Shares		400,000
Preference Shares		200,000
Provision for Bad Debts		27,000
Debenture Interest Paid	12,000	
Discount		13,000
	<u>3,216,000</u>	<u>3,216,000</u>

The following information is relevant:

- (i) Stock on 31/12/2004 is €96,000.
- (ii) The Patent was acquired on 1/1/2000 for €80,000. It is being amortised over 8 years in equal instalments. The amortisation is to be included in cost of sales.
- (iii) On 1/7/2004, the Ordinary shareholders received an interim dividend of €15,000 and the Preference shareholders received €9,000. The directors propose the payment of the Preference dividend due and a final dividend on Ordinary shares to bring that total dividend up to 7c per share.
- (iv) Provide for Debenture Interest due, Investment Interest due, Auditors fees €9,500, Directors fees €50,000 and Corporation tax €87,000.
- (v) Depreciation is to be provided for on Buildings at a rate of 2% straight line and is to be allocated 20% on Distribution costs and 80% on Administration expenses. There was no purchase or sale of buildings during the year. Vehicles are to be depreciated at the rate of 20% of cost.
- (vi) During the year land adjacent to the company's premises, which had cost €80,000 was sold for €145,000. At the end of the year the company re-valued its Buildings at €900,000. The company wishes to incorporate this value in this year's accounts.
- (vii) Included in Administration expenses is the receipt of €12,000 for Patent royalties.

**You are required to:**

- (a) Prepare the published Profit and Loss account for the year 31/12/2004 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. Dividends.
  5. Tangible fixed assets.
- (b) State three items of information that must be included in a Directors' Report.
- (c) Explain the term "exceptional item" and give an example.

(84)

(9)

(7)

**(100 marks)**