Question 6

40

Profit and Loss Account of Zodiac PLC for year ended 31/12/2008

	€	
Turnover	2,005,000	[2]
Cost of Sales	(1,346,000)	[5]
Gross Profit	659,000	
Distribution Costs	(260,880)	[4]
	398,120	
Administrative Expenses	(286,720)	[6]
	111,400	
Other Operating Income	76,000	[4]
Operating Profit	187,400	
Investment income	22,400	[3]
Profit on sale of land	72,000	[2]
	281,800	
Interest payable	(18,000)	[3]
Profit on ordinary activities before tax	263,800	[1]
Taxation	(62,000)	[2]
	201,800	
Dividend paid	(72,000)	[2]
	129,800	
Profit brought forward at 1/1/2008	84,000	[2]
Profit carried forward at 31/12/2008	213,800	[4]

Workings

Cost of Sales	81,000 + 1,340,000 + 14,000 – 89,000	=	1,346,000
Distribution Costs	198,000 + 6,880 + 56,000	=	260,880
Administrative Expenses	212,000 + 7,400 + 40,000 + 10,320 + 17,000	=	286,720
Other Operating Income	48,000 + 11,000 + 17,000	=	76,000
Debtors	243,000 – 14,500 +16,800	=	245,300
Other Creditors	7,400 + 40,000 + 3,000	=	50,400
Investment Income	5,600 + 16,800	=	22,400
Revaluation Reserve	90,000 + 52,800 + 17,200	=	160,000
Taxation	62,000 + 66,000	=	128,000

Balance Sheet of Zodiac PLC as at 31/12/2008

26

			€
Fixed Assets			
Intangible Assets			14,000 [2]
Tangible Assets			1,062,000 [2]
Financial Assets			320,000 [1]
			1,396,000
Current Assets			
Stock	89,000 [1]		
Debtors	245,300 [3]		
Bank	62,900 [1]	397,200	
Creditors: amounts falling due within 1 year:	[1]		
Trade Creditors	191,000 [2]		
Taxation	128,000 [2]		
Other Creditors	50,400 [3]		
		(369,400)	
Net Current Assets			27,800
Total assets less Current Liabilities			1,423,800
Creditors: amounts falling due after more than 1 year			
6% Debentures			300,000 [2]
Capital and Reserves			
Issued shares		750,000 [2]	
Revaluation Reserve		160,000 [3]	
Profit carried forward		213,800 [1]	
			1,123,800
			1,423,800

Notes to the Accounts

19

1. **Accounting policy notes on Tangible Fixed Assets and Stock** [5]
Buildings were revalued at the end of 2008 and have been included in the accounts at their revalued amount. Vehicles are shown at cost. Depreciation is calculated in order to write off the value of the tangible assets over their estimated useful economic life, as follows:

Buildings	2% per annum – straight line basis.
Delivery vans	20% of cost.
Stocks	Stocks are valued on a first in first out basis at the lower of cost and net realisable value.

2. **Operating Profit** [5]
Operating profit is arrived at after charging;

Depreciation on Tangible Assets	73,200
Patent amortised	14,000
Directors remuneration	40,000
Auditors fees	7,400

3. Interest payable [2]

Interest payable on debentures (Repayable by **2013/2014)** 18,000

4. Tangible Fixed Assets [7]

	Land &Buildings	**Vehicles Cost**	**Total**
1/1/2008	**920,000**	280,000	1,200,000
Disposal	**(60,000)**		(60,000)
Revaluation surplus 31/12/2008	**90,000**		90,000
Value at 31/12/2008	950,000	280,000	1,230,000
Depreciation 1/1/2008	52,800	112,000	164,800
Depreciation charge for year	**17,200**	**56,000**	73,200
	70,000	168,000	238,000
Transfer on Revaluation	**(70,000)**		(70,000)
Depreciation 31/12/2008	Nil	168,000	168,000
Net Book Value 1/1/2008	867,200	168,000	1,035,200
Net Book Value 31/12/2008	950,000	112,000	**1,062,000**

(b)

15

(i) Directors Report [9]

A Directors Report must contain the following:

- The amount to be transferred to Reserves.
- A report of any changes in the nature of the company's business during the year.
- A fair review of the development of the business of the company during the year and of the position at the end of the year.
- The principal activities of the company and any changes therein.
- Details of any important events affecting the company since the end of the year.
- Any likely future developments in the business.
- An indication of activities in the field of research and development.
- Significant changes in fixed assets.
- Details of own shares purchased.
- A list of the company's subsidiaries and affiliates.
- Evaluation of the company's compliance with it's safety statement.
- Details of directors' share holdings and dealings during the year.

(ii) Exceptional Item [6]

This is a material item of significant size. It is a profit or loss that must be shown separately in the Profit and Loss Account because of size.

Example - Profit or loss on sale of a fixed asset or large bad debt.