Question 6

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

		€	
Turnover		2,040,600	[2]
Cost of sales	**W 1**	(1,253,000)	[5]
Gross profit		787,600	
Distribution costs	**W 2**	(240,040)	[4]
Administrative expenses	**W 3**	(276,560)	[6]
		271,000	
Other Operating income	**W 4**	96,500	[4]
Operating profit		367,500	
Investment income	**W 5**	12,000	[3]
Profit on sale of land		80,000	[2]
		459,500	
Interest payable	**W 6**	(10,000)	[3]
Profit on ordinary activities before taxation		449,500	[1]
Tax on profit on ordinary activities		(60,000)	[2]
Profit on ordinary activities after taxation		389,500	
Dividend paid		(50,000)	[2]
Profit retained for year		339,500	
Profit brought forward at 1/1/2012		85,000	[2]
Profit carried forward at 31/12/2012		424,500	[4]

Penalties: Up to 5 marks for incorrect sequence

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Balance Sheet of Moorsfields plc as at 31/12/2012

		€		€		€	
Fixed Assets							
Intangible Assets	**W 7**					30,000	[2]
Tangible Assets						1,086,000	[2]
Financial Assets						300,000	[1]
						1,416,000	
Current Assets							
Stock		85,000	[1]				
Debtors	**W 8**	235,300	[3]				
Bank		57,800	[1]	378,100			
Creditors: amounts falling due within 1 year			[1]				
Trade Creditors		184,000	[2]				
Taxation	**W 9**	134,000	[2]				
Other Creditors	**W 10**	43,500	[3]	(361,500)			
Net current assets						16,600	
Total assets less current liabilities						1,432,600	
Creditors: amounts falling due after more than 1 year							
5% Debentures						200,000	[2]
Capital and Reserves							
Issued shares				650,000	[2]		
Revaluation Reserve	**W 11**			158,100	[3]		
Profit carried forward				424,500	[1]	1,232,600	
						1,432,600	

Notes to the Accounts

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1. **Accounting policy notes for tangible fixed assets and stocks** [5]
Tangible fixed assets
Buildings were revalued at the end of 2012 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 or cost of tangible fixed assets over their estimated useful economic life as follows:

Buildings	2% per annum straight line
Delivery vans	15% of cost
Stocks -	Stocks are valued on a First in First out basis (FIFO) at the lower of cost and net realisable value.

2. **Operating Profit** [5]
The operating profit is arrived at after charging:

Depreciation on tangible fixed assets	56,600
Patent amortised	6,000
Directors remuneration	35,000
Auditors fees	6,500

3. **Interest payable** [2]
Interest payable on Debentures [Repayable during years 2017/2018] 10,000

4. **Tangible fixed Assets** [7]

Assets	**Land & Buildings**	**Vehicles**	**Total**
Value 1/1/2012	950,000	260,000	1,210,000
Disposal	(70,000)		(70,000)
Revaluation surplus	90,000		90,000
Value 31/12/2012	970,000	260,000	1,230,000
Depreciation:			
Balance 1/1/2012	50,500	105,000	155,500
Depreciation charge for year	17,600	39,000	56,600
	68,100	144,000	212,100
Transfer on revaluation	(68,100)		(68,100)
Depreciation 31/12/2012	Nil	144,000	144,000
Net Book Value 1/1/2012	899,500	155,000	1,054,500
Net Book Value 31/12/2012	970,000	116,000	1,086,000

Workings:

W 1	Cost of Sales	72,000 + 1,260,000 - 85,000 + 6,000	=	1,253,000
W 2	Distribution Costs	194,000 + 7,040 + 39,000	=	240,040
W 3	Administrative Expenses	206,000 +6,500 +35,000 +10,560 +18,500	=	276,560
W 4	Other operating income	64,000 + 14,000 + 18,500	=	96,500
W 5	Investment Income	4,200 + 7,800	=	12,000
W 6	Debenture interest payable	5% x 200,000	=	10,000
	Debenture interest due	10,000 - 8,000	=	2,000
W 7	Patents	$\frac{60,000}{10}$ = 6,000. 36,000 – 6,000	=	30,000
W 8	Debtors	240,000 – 12,500 + 7,800	=	235,300
W 9	Taxation	74,000 + 60,000	=	134,000
W 10	Other creditors	2,000 + 6,500 + 35,000	=	43,500
W11	Revaluation Reserve	90,000 + 50,500 + 17,600	=	158,100

(b)

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Bodies/Institutions [4]
- The Government – Legislation
- The European Union – Directives
- Accounting Standards Board – FRS's and SSAP's
- The Stock Exchange – Listing Rules

What is an Audit? [4]
An audit is an examination of the financial statements of an enterprise by an appointed auditor. The Audit is conducted by an auditor who is independent. The auditor expresses an opinion and certifies whether the accounts give a true and fair view of the financial position of the business.
The Companies Acts require the auditor to certify that the accounts give a *true and fair view* of the financial position of the business.

A qualified Auditor's Report [7]
A qualified auditor's report is when an auditor in his/her opinion is ***not satisfied*** or is unable to conclude that all or any of the following apply:
- The financial statements give a true and fair view of the state of affairs of the company at the end of the year.
- The financial statements are prepared in accordance with the Companies Acts.
- All the information necessary for the audit was available.
- The information given by the directors is consistent with the financial statements.
- The net assets are more than 50% of the called up capital.

The report will state the elements of the accounts that are unsatisfactory.