

## 7. Published Accounts

Atkinson plc has an authorised share capital of €900,000 divided into 600,000 ordinary shares at €1 each and 300,000 8% preference shares at €1 each. The following trial balance was extracted from the books at 31/12/2015.

	€	€
Vehicles at cost	290,000	
Vehicles - accumulated depreciation on 01/01/2015		104,000
6% Investments	250,000	
Buildings at cost	700,000	
Buildings - accumulated depreciation on 01/01/2015		121,300
Investment income		5,400
Debtors and creditors	129,000	94,000
Stock 01/01/2015	91,000	
Patent 01/01/2015	33,000	
Administrative expenses	203,000	
Distribution costs	121,000	
Purchases and sales	1,165,000	1,799,700
Rental income		46,000
Profit on the sale of land		35,000
Dividends paid	43,000	
Bank	90,000	
VAT		21,300
Profit and loss account at 01/01/2015		72,000
Issued capital		
Ordinary shares		480,000
8% Preference shares		120,000
Provision for bad debts		15,500
7% Debentures 2018/2019		200,000
Discount		13,000
Debenture interest paid	<u>12,200</u>	
	<u>3,127,200</u>	<u>3,127,200</u>

The following information is relevant:

- (i) Stock on 31/12/2015 is €76,000.
- (ii) The patent was acquired on 01/01/2011 for €77,000. It is being amortised over 7 years in equal instalments. This amortisation is to be included in cost of sales.
- (iii) Provide for debenture interest due, investment income due, auditors' fees €18,000, directors' fees €26,000 and corporation tax €56,000.
- (iv) Included in administrative expenses is the receipt of €8,250 for rental income.
- (v) During the year, land adjacent to the company's premises, which had cost €85,000 was sold for €120,000. At the end of the year the company revalued its buildings to €800,000 and wishes to incorporate this value in this year's accounts.
- (vi) Provide for depreciation: Buildings 2% straight line.  
Vehicles 20% of cost.
- (vii) A former employee has made a claim of €60,000 for unfair dismissal. The company's legal advisers have advised that the company will probably be liable for the full amount.

### Required:

- (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. Dividends
  4. Tangible fixed assets
  5. Contingent liability. (88)
- (b)
  - (i) Explain why it is important that financial statements are properly regulated.
  - (ii) How does the European Union regulate the presentation of accounts? (12)

**(100 marks)**