6. Published Accounts

Capital plc has an authorised share capital of €800,000 divided into 600,000 ordinary shares at €1 each and 200,000 8% preference shares at €1 each. The following trial balance was extracted from the books at 31/12/2017:

	€	€
Delivery vans at cost	280,000	
Delivery vans - accumulated depreciation on 01/01/2017		116,000
6% Investments (purchased 01/04/2017)	300,000	
Buildings at cost	760,000	
Buildings - accumulated depreciation on 01/01/2017		81,300
Investment income		8,400
Debtors and creditors	139,000	108,000
Stock 01/01/2017	91,000	
Patent 01/01/2017	42,000	
Administrative expenses	205,000	
Distribution costs	144,000	
Purchases and sales	1,170,000	1,800,300
Carriage in	6,600	
Returns inwards	20,300	
Rental income		28,000
Profit on the sale of land		87,000
Dividends paid	55,000	
Bank	82,000	
VAT		34,200
Profit and loss account at 01/01/2017	42,500	
Issued capital		
Ordinary shares		600,000
8% Preference shares		120,000
Provision for bad debts		28,500
7% Debentures 2022/2023		300,000
Discount		39,000
Debenture interest paid	13,300	
	3,350,700	3,350,700

The following information is relevant:

(i) Stock on 31/12/2017 was €86,000.

(ii) The patent was acquired on 01/01/2014 for €63,000. It is being amortised over 9 years in equal instalments. This amortisation is to be included in cost of sales.

(iii) Provision should be made for debenture interest due, investment income due, auditors' fees €16,000, directors' fees €32,000 and corporation tax €49,000.

(iv) Included in distribution costs is the receipt of €15,000 for patent royalties.

(v) During the year, land adjacent to the company's premises, which had cost €80,000 was sold for €167,000. At the end of the year the company revalued its buildings to €850,000 and wishes to incorporate this value in this year's accounts.

(vi) Depreciation on buildings is to be provided at the rate of 2% p.a. straight line, and is to be allocated 40% to distribution costs and 60% to administration expenses. There was no purchase or sale of buildings during the year. Delivery vans are to be depreciated at the rate of 20% per annum on a **reducing balance** basis.

(vii) The company is being sued by a former employee who is claiming unfair dismissal and is seeking damages of €100,000. Company legal advisors have stated that it is unlikely that any compensation will have to be paid to the former employee. The company has received an invoice for legal fees to the value of €5,000 which must be provided for.

(viii) On the 31/12/2017, Capital plc entered into a preliminary contract agreement with Stewarts Ltd (a construction company) to build an extension to its premises at a cost of €400,000. It also intends to carry out improvements to existing premises at a cost of €120,000.

Required:

(a) Prepare the published profit and loss account for the year ended 31/12/2017 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. Capital expenditure commitments note
5. Tangible fixed assets. (90)

(b) Explain how an auditor safeguards the interests of shareholders. (10)

(100 marks)