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# **QUESTION 1**

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**120 Marks**

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**Company Accounts**

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**Past Exam Questions & Dublin Examination  
Board**

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### Past Exam Papers

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2019

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Past Paper

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Question 1

Company Account

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Liken Ltd

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1. Past Paper Question
2. Past Paper Marking Scheme
3. Adjustments Explained

**2019 - Liken Ltd - Question**

Linken Ltd, has an authorised capital of €1,200,000 divided into 700,000 ordinary shares at €1 each and 500,000 5% preference shares at €1 each. The following trial balance was extracted from its books at 31/12/2018:

	€	€
Land and buildings at cost	850,000	
Accumulated depreciation - land and buildings		55,000
Delivery vans (cost €155,000)	120,000	
Discount (net)		15,500
Profit and loss balance 01/01/2018		71,500
Stocks on hand 01/01/2018	64,500	
Debenture interest for the first three months	6,400	
3% Investments 01/04/2018	360,000	
Patents (incorporating 5 months investment income)	43,500	
Purchases and sales	1,045,000	1,590,000
Dividends paid	55,000	
Bad debts provision		4,000
Debtors and creditors	98,200	69,100
Bank		60,000
Salaries and general expenses (including suspense)	243,100	
7% Debentures (including €60,000 issued on 01/04/2018)		300,000
Issued share capital – ordinary shares		500,000
– 5% preference shares		200,000
VAT		6,800
Advertising	31,200	
Capital reserve	_____	_____45,000
	<u>2,916,900</u>	<u>2,916,900</u>

**The following information and instructions are to be taken into account:**

- (i) Stock at cost on 31/12/2018 was €75,400 – this figure includes damaged stock which cost €6,000 but which now has a net realisable value of 75% of cost.
- (ii) During the year, stock which had cost €7,000 was destroyed by fire. The insurance company agreed to pay compensation of €5,100.
- (iii) The cost of delivery vans is to be written off on a straight line basis over 5 years.

A full year's depreciation is to be charged in the year of acquisition and none in the year of disposal. Delivery vans have a 5% scrap value of the original cost.

NOTE: During the year a delivery van which had cost €25,000 in 2016 was traded in for €14,000 against a new delivery van costing €40,000. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock but was entered correctly in the bank account. This was the only entry made in respect of this transaction.

- (iv) It was discovered that goods had been sent to a customer on 31/12/2018 on a 'sale or return' basis. These goods had been entered in the books as a credit sale of €7,500 which is a mark-up on cost of 20%.
- (v) Patents are to be written off over a 5 year period commencing in 2018.
- (vi) The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct figure had been entered in the bank account) and discount received €460 entered only in the creditors account.
- (vii) The company revalued land and buildings at €975,000 on 01/01/2018. The land element of this new value is €150,000. The revaluation has yet to be included in the accounts. Buildings are to be depreciated at the rate of 2% of cost per annum.
- (viii) The figure for bank in the trial balance has been taken from the company's own records. However, a bank statement dated 31/12/2018 has arrived showing an overdraft of €62,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:
  - 1. A cheque received from a debtor for €5,600 had been dishonoured by the bank. This debtor had been declared bankrupt and had made a credit transfer for a first and final payment of 30c for every €1 euro owed.
  - 2. A direct debit to a local refuse company for €860 had not been recorded in the company's books.
  - 3. A cheque for fees of €2,500 issued to a director had not been presented for payment by 31/12/2018.
- (ix) The Directors recommend that:
  - 1. Provision should be made for both investment income due and debenture interest due.
  - 2. Provision for bad debts to be adjusted to 4% of debtors.
  - 3. The managing director should be paid a bonus commission of 5% on all sales in excess of €1,200,000.
  - 4. A transfer of €10,000 should be made from profit to the capital reserve.

**Required:**

- (a) Prepare a trading and profit and loss account for the year ended 31/12/2018. (75)
  - (b) Prepare a balance sheet as at 31/12/2018. (45)
- (120)**

## Q.1

## Trading Profit and Loss Account of Linken Ltd for the year ended 31/12/18 [1]

	€	€	€
Sales			1,582,500 [3]
<b>Less cost of sales</b>			
Opening stock		64,500 [3]	
Add purchases		<u>1,012,000</u> [6]	
		1,076,500	
Less closing stock		<u>(80,150)</u> [5]	<u>(996,350)</u>
Gross profit			586,150
<b>Less Expenses</b>			
<b>Administration</b>			
Patent written off		9,600 [4]	
Salaries and general expenses		246,620 [7]	
Depreciation - buildings		16,500 [4]	
Loss on damaged stock		<u>1,900</u> [3]	
		274,620	
<b>Selling and Distribution</b>			
Depreciation – delivery vans	32,300 [4]		
Advertising	31,200 [2]		
Loss on sale of van	1,500 [5]		
Bad debts	3,920 [3]		
Commission	<u>19,125</u> [3]	<u>88,045</u>	<u>(362,665)</u>
			223,485
<b>Other Operating Income</b>			
Discount received		15,960 [2]	
Reduction in bad debts provision		<u>372</u> [5]	<u>16,332</u>
<b>Operating Profit</b>			239,817
Investment income			8,100 [3]
Debenture interest			<u>(19,950)</u> [3]
Net profit			227,967
Less dividends paid		(55,000) [2]	
Transfer to capital reserve		<u>(10,000)</u> [2]	<u>(65,000)</u>
Retained profit			162,967
Profit and loss balance 01/01/2018			<u>71,500</u> [2]
Profit and loss balance 31/12/2018			<u>234,467</u> [3]

## Balance Sheet of Linken Ltd as at 31/12/2018

	Cost	Acc. Depreciation	NBV
	€	€	€
<b>Intangible Assets</b>			
Patents			38,400 [3]
<b>Tangible Fixed Assets</b>			
Buildings	975,000 [2]	16,500 [1]	958,500
Delivery vans	<u>170,000 [3]</u>	<u>57,800 [3]</u>	<u>112,200</u>
	<u>1,145,000</u>	<u>74,300</u>	1,070,700
<b>Financial Assets</b>			
3% Investments			<u>360,000 [2]</u>
			1,469,100
<b>Current Assets</b>			
Debtors	90,700 [4]		
Less provision for bad debts	<u>(3,628) [1]</u>	87,072	
Closing stock		80,150 [2]	
Investment Interest due		3,600 [2]	
Compensation due		<u>5,100 [2]</u>	
		175,922	
<b>Creditors: amounts falling due within 1 year</b>			
Creditors	69,100 [2]		
Commission due	19,125 [2]		
Debenture Interest due	15,750 [2]		
VAT	6,800 [2]		
Bank overdraft	<u>64,780 [4]</u>	<u>(175,555)</u>	<u>367</u>
Total net assets			<u>1,469,467</u>
<b>Financed by:</b>			
<b>Creditors: amounts falling due after 1 year</b>			
7% Debentures			300,000 [2]
<b>Capital and Reserves</b>	<b>Authorised</b>	<b>Issued</b>	
Ordinary shares @ €1 each	700,000	500,000 [1]	
Preference shares @ €1 each	<u>500,000</u>	<u>200,000 [1]</u>	
	<u>1,200,000</u>	700,000	
Revaluation reserve		180,000 [3]	
Capital reserve		55,000 [1]	
Profit and loss balance 31/12/2018		<u>234,467</u>	<u>1,169,467</u>
Capital employed			<u>1,469,467</u>

**Workings:**

1.	Sales	$1,590,000 - 7,500$	1,582,500
2.	Purchases	$1,045,000 - 7,000 - 26,000$	1,012,000
3.	Closing stock	$75,400 - 1,500 + 6,250$	80,150
4.	Patents	$(43,500 + 4,500) \div 5$	9,600
5.	Salaries and general exp.	$243,100 + 2,200 + 460 + 860$	246,620
6.	Depreciation – buildings	$(975,000 - 150,000) \times 2\%$	16,500
7.	Loss on damaged stock	$7,000 - 5,100$	1,900
8.	Depreciation vans	$(170,000 - 5\%) \div 5$	32,300
9.	Loss on sale of van	$25,000 - 14,000 - 9,500$	1,500
10.	Bad debts	$5,600 \times 70\%$	3,920
11.	Commission	$382,500 \times 5\%$	19,125
12.	Discount received	$15,500 + 460$	15,960
13.	Reduction in provision	$4,000 - 3,628$	372
14.	Investment income	$(360,000 \times 3\%) \times 9/12$	8,100
15.	Interest payable	$(240,000 \times 7\%) + (60,000 \times 7\% \times 9/12)$	19,950
16.	Patents	$48,000 - 9,600$	38,400
17.	Delivery vans	$155,000 - 25,000 + 40,000$	170,000
18.	Acc. depreciation - vans	$35,000 + 32,300 - 9,500$	57,800
19.	Debtors	$98,200 - 7,500$	90,700
20.	Investment income due	$8,100 - 4,500$	3,600
21.	Interest due	$19,950 - 4,200$	15,750
21.	Bank overdraft	$60,000 + 5,600 - 1,680 + 860$	64,780
21.	Bank overdraft	$62,280 + 2,500$	64,780
22.	Revaluation reserve	$(975,000 - 850,000) + 55,000$	180,000



**2019 -Liken Ltd - Adjustments**

**Working 1 - Closing Stock**

Cost	75400	Cost	73900
Damaged	6000	S o R	6250
	69400		80150
NRV	4500		
	73900		

**Working 2 - Purchases**

Cost	1045000		1019000	
Cheque	26000	Fire	7000	
	1019000		1012000	T

**Working 3 - Compensation**

**5,100** CA BS

**Working 4 - Loss on stock**

Cost	7000		
Compo	5,100		
	1,900	Exp (s & d)	

**Working 5 - Depreciation**



Debtors	Decrease	1% =	7500/120
Closing stock	Increase		62.5
		100% =	6250

Sales

Cost	1590000	
S o R	7500	
	<b>1582500</b>	T

**Working 7 - Debtors**

Debtors	98200	
S o R	7500	
	<b>90700</b>	BS CA

**Working 8 - Investment Income**

360000 \* 3% \* 9/12

**8100** O I

**Working 9 - Investment Income Due**

8100 * 5/9	
4500	
<b>3600</b>	BS CA due

**Working 10 - Patents Written off**

43500	48000/5	
4500	<b>9600</b>	Exp



245300

245760

246620 Exp

**Working 15 - Discount**

Discount 15500 (Discount Received = Income = Cr)  
Add Sus 460  
15960 Add OI

**Working 16 - Buildings**

975000 FB BS

**Working 17 - Revaluation Reserve**

L \* B 850000 revaluation 125000  
Revalue 975000 Acc Dep 55000  
125000 180000 BS FB

**Working 18 - Dep Buildings**

825000 \* 2%  
16500 Bs FA

**Working 19 - Bank**

Bank	60000	OD	bank	65600	Bank	63920
Bankrupt	<u>5600</u>		Cheque	<u>1680</u>	Cheque	<u>860</u>
	<u>65600</u>			<u>63920</u>		<u>64780</u>

**Working 20 - Bad Debt**

100% = 5600  
70% = 3920 Exp

Don't need to reduce from debtors because when we received the cheque we reduce debtors already

30% = **1680** Bank

**Working 21 - Bad Debts Provision**

Debtors	90700	(W6)	
	90700	* 4%	
	<b>3628</b>	Less Debtors	New CA)
Old	4000		
New	3628		
	<b>372</b>	(Decrease) OI	

**Working 22 - Commission**

Sales	1582500	1200000	
	382500	*5%	
	<b>19125</b>	Exp	BS CL

**Working 23 - Transfer to capital**

10000 Less O I

**working 20 - Capital Reserve**

Capital	45000	
Transfer	10000	
	<b>55000</b>	BS FB Capital

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2015

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Past Paper

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Question 1

Company Accounts

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Melba LTD

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1. Past Paper Question
2. Past Paper Marking Scheme
3. Adjustments Explained

Melba Ltd, has an Authorised Capital of €1,500,000 divided into 1,100,000 Ordinary Shares at €1 each and 400,000 4% Preference Shares at €1 each. The following Trial Balance was extracted from its books at 31/12/2014:

	€	€
Buildings at cost	713,000	
Delivery vans (cost €250,000)	170,000	
Discount (Net)		12,200
Profit and loss balance 01/01/2014	62,200	
Stocks on hand 01/01/2014	74,500	
Debenture interest for the first six months	16,200	
3% Investments 01/01/2014	350,000	
Patents (incorporating 4 months investment income)	21,500	
Purchases and sales	1,120,000	1,495,000
Dividends paid	25,000	
Bad debts provision		4,000
Debtors and creditors	99,200	81,100
Bank		50,000
Salaries and general expenses (including suspense)	231,100	
8% Debentures		400,000
Issued share capital – ordinary shares		500,000
– 4% preference shares		300,000
VAT		5,000
Advertising	9,600	
Capital reserve		45,000
	<u>2,892,300</u>	<u>2,892,300</u>

The following information and instructions are to be taken into account:

- (i) Stocks at 31/12/2014 at cost were €80,400 – this figure includes damaged stock which cost €6,600 but which now has a net realisable value of €3,200.



- (ii) Patents, incorporating 4 months investment income, are to be written off over a 5 year period commencing in 2014.
- (iii) The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount allowed €400 entered only in the discount account.
- (iv) During the year, stock which had cost €6,000 was destroyed by fire. The insurance company agreed to pay compensation of €5,000.
- (v) Provide for depreciation on delivery vans at the annual rate of 15% of cost from the date of purchase to the date of sale. NOTE: On 31/03/2014 a delivery van which had cost €30,000 on 31/03/2011 was traded in against a new van which cost €56,000. An allowance of €8,000 was given on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction.
- (vi) A new warehouse was purchased during the year for €100,000 plus VAT 13%. The amount paid to the vendor was entered in the buildings account. No entry was made in the VAT account.
- (vii) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2014 has arrived showing an overdraft of €46,690. A comparison of the bank account and the bank statement has revealed the following discrepancies:
  - 1. Two months investment income had been paid directly into the bank.
  - 2. A payment from a liquidator was received directly into the bank. This represented a first and final payment of 25c in the euro in respect of a debt of €4,000.
  - 3. A cheque issued to an advertising firm for €560 had not been presented for payment by 31/12/2014.
- (viii) The Directors recommend that:
  - 1. Provision be made for both Investment Income and Debenture Interest due.
  - 2. Provision for bad debts to be adjusted to 4% of debtors.
  - 3. Buildings to be depreciated by 2% of cost.
  - 4. The managing director should be paid a bonus commission of 3% on all sales in excess of €900,000 and a further 5% in excess of all sales above €1,200,000.

**Required:**

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2014. (75)
  - (b) Prepare a Balance Sheet as at 31/12/2014. (45)
- (120 marks)

## Trading and Profit and Loss Account for the year ending 31/12/2014

[1]

		€	€	€
Sales				1,495,000 [3]
<b>Less Cost of Sales</b>				
Stock			74,500 [3]	
Add Purchases	W 1		<u>1,066,000</u> [8]	
			1,140,500	
Less Stock 31/12/2014	W 2		<u>(77,000)</u> [6]	<u>(1,063,500)</u>
Gross Profit				431,500
<b>Less Expenses</b>				
<b>Administration</b>				
Patent written off	W 3	5,000 [4]		
Salaries and General expenses	W 5	231,700 [7]		
Loss on damaged stock	W 6	1,000 [3]		
Depreciation – Buildings	W 7	14,000 [3]	251,700	
<b>Selling and Distribution</b>				
Depreciation – Delivery van	W 8	40,425 [4]		
Loss on sale of van	W 9	8,500 [5]		
Bad debts	W 10	3,000 [3]		
Advertising		9,600 [3]		
Sales commission	W 12	<u>32,600</u> [3]	<u>94,125</u>	
				<u>(345,825)</u>
				85,675
<b>Add Operating Income</b>				
Discount		12,200 [2]		
Reduction in Provision for bad debts	W 11	<u>208</u> [5]		<u>12,408</u>
Operating profit				98,083
Investment Income	W 4			<u>10,500</u> [3]
				108,583
Debenture Interest	W13			<u>(32,000)</u> [3]
<b>Net Profit</b>				76,583
<b>Less Dividends paid</b>				<u>(25,000)</u> [2]
Retained Profit				51,583
Profit and Loss Balance 1/1/2014				<u>(62,200)</u> [2]
Profit and Loss Balance 31/12/2014				<u>(10,617)</u> [2]

**Balance Sheet as at 31/12/2014**

		Cost	Acc.Dep	Net	Total
		€	€	€	€
<b>Intangible Fixed Assets</b>					
<b>Patents</b>					<b>20,000 [3]</b>
<b>Tangible Fixed Assets</b>					
Buildings	W 7	700,000 [2]	14,000 [1]	686,000	
Delivery Vans	W 14 & 15	<u>276,000 [3]</u>	<u>106,925 [3]</u>	<u>169,075</u>	
		<u>976,000</u>	<u>120,925</u>	<u>855,075</u>	855,075
<b>Financial Assets</b>					
<b>3% Investments</b>					<b><u>350,000 [2]</u></b>
					<b>1,225,075</b>
<b>Current Assets</b>					
Stock				77,000 [2]	
Debtors	W 16		94,800 [4]		
Less provision			<u>(3,792) [1]</u>	91,008	
Insurance Company				5,000 [3]	
Investment income due	W 9			5,250 [3]	
VAT	W 17			<u>8,000 [3]</u>	
				186,258	
<b>Creditors: amounts falling due within one year</b>					
Creditors			81,100 [2]		
Bank	W 18		47,250 [4]		
Commission due			32,600 [2]		
Debenture interest due	W 13		<u>16,000 [2]</u>	(176,950)	9,308
					<u>1,234,383</u>
<b>Financed by</b>					
<b>Creditors: amounts falling due after more than one year</b>					
<b>8% Debentures</b>					<b>400,000 [2]</b>
<b>Capital and Reserves</b>		<b>Authorised</b>		<b>Issued</b>	
Ordinary shares @ €1 each		1,100,000		500,000 [1]	
4% Preference shares @ €1 each		<u>400,000</u>		<u>300,000 [1]</u>	
		<u>1,500,000</u>		800,000	
Capital Reserve				45,000 [1]	
Profit and Loss Balance				<u>(10,617)</u>	834,383
<b>Capital Employed</b>					<b><u>1,234,383</u></b>

### Question 1 - workings

1.	Purchases	$1,120,000 - 6,000 - 48,000$		1,066,000
2.	Closing stock	$80,400 - 3,400$		77,000
3.	Patents	$(21,500 + 3,500) * 5$		5,000
4.	Investment income	$[350,000 \times 3\%]$	=	10,500
	Investment income due	$10,500 - 3,500 - 1,750$		5,250 (due)
5.	Salaries and general expenses	$231,100 + 200 + 400$		231,700
6.	Fire Damage Loss	$6,000 - 5,000$		1,000 (P &L)
7.	Depreciation - Buildings	$[713,000 - 13,000] = 700,000 \times 2\%$		14,000
8.	Depreciation - Delivery van	$33,000 + 1,125 + 6,300$ $37,500 + 2,925$		40,425
9.	Loss on sale of van	$30,000 - 8,000 - 13,500$		8,500
10.	Bad Debts a/c	$4,000 - 1,000$		3,000
11.	Reduction in Bad debts provision	$4,000 - 3,792$		208 (cr)
12.	Sales Commission	$595,000 \times 3\%$	=	17,850
		$295,000 \times 5\%$	=	<u>14,750</u>
				32,600
13.	Debenture interest	$400,000 \times 8\%$		32,000
	Debenture interest due	$32,000 - 16,200 + 200$		16,000 (due)
14.	Delivery vans at cost	$250,000 + 56,000 - 30,000$		276,000
15.	Provision for Dep – vans	$80,000 + 40,425 - 13,500$		106,925
16.	Debtors	$99,200 - 4,000 - 400$		94,800
17.	VAT	$5,000 - 13,000$		8,000 Current Asset
18.	Bank Overdraft	$50,000 - 1,750 - 1,000$		47,250
	Bank Overdraft	$46,690 + 560$		47,250

Penalties: One mark each for the omission of two headings in the Profit & Loss Account and Authorised Capital in the Balance Sheet [3 x 1 mark].

**2015 - Melba Ltd - Adjustments**

**Working 1 - Closing Stock**

Cost	80400	
Damaged	6600	
	73800	
NRV	3200	
	<b>77000</b>	T / BS CA

**Working 2 - Investment Income**

350000 \* 3%

<b>10500</b>	O I
10500	* 4/12
3500	
7000	BS CA

**Working 3 - Investment income due**

10500	/12		Income	7000
875	*2		Bank	1750
1750			<b>5250</b>	BS CA

**Working 4 - Patents**

21500	25000 / 5
3500	<b>5000</b> Exp
25000	

**Working 5 - Patents W/O**

25000	
<b>5000</b>	
<b>20000</b>	BS FA

**Working 6 - Debenture Interest**

400000	* 8%	<b>32000</b>	Less O I
32000	* 6/12		
16000			

Paid	16200	
Should	<u>16000</u>	
	<u>200</u>	Reduce suspense by 2200

**Working 7 - Debenture Interest Due**

Interest	32000	
Paid	<u>16000</u>	BS CL

**Working 8 - Salaries**

Salaries	231100	Salaries	231300
Add Sus	<u>200</u>	Sus	400
	<u>231300</u>		<b>231700</b> Exp

**Working 9 -Debtors**

Debtors	99200	Debtors	98800	
less Sus	<u>400</u>	Bad debt	4000	
	<u>98800</u>		<u>94800</u>	BS CL

**Working 10 - Purchases**

Purchases	1120000	Purchaseds	1072000	
Cheque	<u>48000</u>	Fire	6000	
	<u>1072000</u>		<u>1066000</u>	T

**Working 11 - Compensation**

	<u>5000</u>	BS CA
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**Working 12 - Loss on Stock**

Fire	6000	
Compo	<u>5000</u>	
	<u>1000</u>	Exp

**Working 13 - Depreciation**

Vans				Acc Dep				Disposal			
Bal b/d	250000	Disposal	30000	Disposal	13500	Bal b/d	80000	Vans	30000	Acc dep	13500
Bank	<u>56000</u>	Bal c/d	<u>276000</u>	Bal c/d	<u>106925</u>	P & L	<u>40425</u>			Trade in	8000
	306000		306000		<u>120425</u>		120425			P & L	<u>8500</u>
Bal b/d	<u>276000</u>	BS FA				Bal b/d	<u>106925</u>	BS FA	<u>30000</u>		<u>30000</u>

31.03.11 - 31.12.11	9	30000	* 15% * 9/12	3375
01.01.12 - 31.12.12	12	30000	* 15%	4500
01.01.13 - 31.12.13	12	30000	* 15%	4500
01.01.14 - 31.03.14	3	30000	* 15% * 3/12	1125
				<u>13500</u>

220000	* 15 %	33000
30000	* 15% * 3/12	1125
56000	* 15% * 9/12	6300
		<u>40425</u>

**Working 14 - VAT**

100,000	* 13%	VAT	5000	CL
13,000		Building	13,000	
			<u>8,000</u>	BS CA

**Working 15 - Dep Buildings**

713000 - 13000		700000 * 2%	Acc	<u>14000</u>	BS FA
700,000		<u>14000</u>	Dep		

**Working 16 - Bank**

Cpst	50000	Bank	48,250	
Income	<u>1,750</u>	Bad Debt	1000	
	<u>48,250</u>		<u>47,250</u>	BS CL



**Working 17 - Bad Debts**

100% =	4000		Total	4000
25% =	1000	Exp	Bad dEbt	1000
				<b>3000</b> Exp

**Working 18 - Bad Debts Provision**

Debtors	94800	(W6)		
	94800	* 4%		
	<b>3792</b>	Less Debtors		
Old	4000			
New	3792			
	<b>208</b>	(Decrease) OI		

**Working 19 - Bad Debts Provision**

700000 * 2%		Acc Dep	<b>14000</b>	BS FA
<b>14000</b>	Exp			

**Working 20 - Commission**

1495000 - 900000			1495000 -		
	595000 * 3%	17850	1200000		
			295000		
	595000 * 3%	17850	295000 * 5%	14750	
	17850				
	14750				
	<b>32600</b>				

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2012

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Past Paper

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Question 1  
Company Account

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West Ltd

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1. Past Paper Question
2. Past Paper Marking Scheme
3. Adjustments Explained

**2012 - West Ltd - Question**

West Ltd, has an Authorised Capital of €1,600,000 divided into 1,100,000 Ordinary Shares at €1 each and 500,000 4% Preference Shares at €1 each.

**The following Trial Balance was extracted from its books at 31/12/2011:**

	€	€
Buildings at cost	800,000	
Delivery Vans (cost €260,000)	180,000	
Discount (Net)		10,400
Profit and Loss Balance 01/01/2011	25,100	
Stocks on hand 01/01/2011	71,200	
Debenture interest for the first four months	5,600	
4% Investments 01/01/2011	300,000	
Patents (incorporating 3 months investment income)	20,400	
Purchases and Sales	1,140,000	1,444,700
Dividends paid	23,300	
Bad Debts Provision		3,000
Debtors and Creditors	98,400	82,200
Bank		33,000
Salaries and general expenses (including Suspense)	194,300	
9% Debentures		180,000
Issued Share Capital – Ordinary Shares		700,000
– 4% Preference Shares		400,000
Directors fees	40,200	
Advertising	4,800	
Capital Reserve		50,000
	<u>2,903,300</u>	<u>2,903,300</u>

**The following information and instructions are to be taken into account:**

- (i) Stocks at 31/12/2011 at cost were €81,200 – this figure includes damaged stock which cost €5,400 but which now has a net realisable value of €2,300.
- (ii) Patents, which incorporated 3 months investment income, are to be written off over a 4 year period commencing in 2011.
- (iii) The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount allowed €450 entered only in the discount account.
- (iv) During the year, stock which had cost €5,000 was destroyed by fire. The Insurance Company agreed to pay compensation of €4,000. The loss is to be treated as a separate item in the profit and loss account.
- (v) Provide for depreciation on delivery vans at the annual rate of 10% of cost from the date of purchase to the date of sale. NOTE: On 31/3/2011 a delivery van which had cost €28,000 on 30/6/2005 was traded in against a new van which cost €54,000. An allowance of €6,000 was given on the old van. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction.
- (vi) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/2011 has arrived showing an overdraft of €31,280. A comparison of the bank account and the bank statement has revealed the following discrepancies:
  - 1. A cheque for €640 issued to a supplier had been entered in the books (cash book and ledger) as €460.
  - 2. A credit transfer of €900 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
  - 3. A cheque for fees €1,000 issued to a director had not yet been presented for payment.
- (vii) The advertising payment is for an 18 month campaign which began on 01/10/2011.
- (viii) The Directors recommend that:
  - 1. Provision be made for both Investment Income and Debenture Interest due.
  - 2. Provision for bad debts to be adjusted to 4% of debtors.
  - 3. Buildings to be depreciated by 2% of cost.

**You are required to prepare a:**

- (a) Trading and Profit and Loss Account for the year ended 31/12/2011.  
(75)
- (b) Balance Sheet as at 31/12/2011.  
(45)

**(120 marks)**

### Trading and Profit and Loss Account for the year ending 31/12/2011

		€	€		€
Sales					1,444,700 [3]
Less Cost of Sales					
Stock 01/01/2011			71,200 [3]		
Add Purchases	W1		<u>1,087,000 [8]</u>		
			1,158,200		
Less Stock 31/12/2011	W2		<u>(78,100) [5]</u>		<u>(1,080,100)</u>
Gross Profit					364,600
<b>Less Expenses</b>					
<b>Administration</b>					
Patent written off	W3	5,850 [4]			
Salaries and General expenses	W4	194,950 [7]			
Directors fees		40,200 [2]			
Depreciation – Buildings	W5	<u>16,000 [3]</u>	257,000		
<b>Selling and Distribution</b>					
Bad debts	W 14	2,100 [3]			
Depreciation –Delivery van	W6	27,950 [4]			
Increase in Provision for Bad Debts	W7	798 [5]			
Loss on sale of van	W8	5,900 [5]			
Loss on insured stock		1,000 [3]			
Advertising	W9	<u>800 [4]</u>	<u>38,548</u>		<u>(295,548)</u>
					69,052
<b>Add Operating Income</b>					
Discount					<u>10,400 [2]</u>
Operating profit					79,452
Investment Income	W10				<u>12,000 [3]</u>
					91,452
Less Debenture Interest	W11				<u>(16,200) [3]</u>
<b>Net Profit</b>					75,252
Less Appropriation					
Dividend paid					<u>(23,300) [2]</u>
Retained Profit					51,952
Profit and Loss Balance 01/01/2011					<u>(25,100) [2]</u>
Profit and Loss Balance 31/12/2011					<u>26,852 [3]</u>

## Balance Sheet as at 31/12/2011

		Cost €	Accumulated Depreciation €	Net €	Total €
<b>Intangible Fixed Assets</b>					
Patents					17,550 [3]
<b>Tangible Fixed Assets</b>					
Buildings	W 5	800,000 [2]	16,000 [1]	784,000	
Delivery Vans	W12 & 13	<u>286,000 [3]</u>	<u>91,850 [3]</u>	<u>194,150</u>	
		<u>1,086,000</u>	<u>107,850</u>	<u>978,150</u>	978,150
<b>Financial Assets</b>					
9% Investments					<u>300,000 [2]</u>
					1,295,700
<b>Current Assets</b>					
Stock			78,100 [2]		
Insurance Company			4,000 [3]		
Debtors	W14	94,950 [4]			
Less provision		<u>(3,798) [1]</u>	91,152		
Advertising prepaid			4,000 [2]		
Investment income due			<u>9,000 [2]</u>	186,252	
<b>Creditors: Amounts falling due within one year</b>					
Creditors	W15		82,020 [3]		
Bank	W16		32,280 [4]		
Debenture interest due			<u>10,800 [2]</u>	<u>(125,100)</u>	<u>61,152</u>
					<u>1,356,852</u>
<b>Financed by</b>					
<b>Creditors: amounts falling due after more than one year</b>					
9% Debentures					180,000 [2]
<b>Capital and Reserves</b>			<b>Authorised</b>	<b>Issued</b>	
Ordinary shares @ €1 each			1,100,000 [1]	700,000 [1]	
11% Preference shares @ €1 each			<u>500,000 [1]</u>	<u>400,000 [1]</u>	
			<u>1,600,000</u>	1,100,000	
Capital Reserve				50,000 [2]	
Profit and Loss Balance				<u>26,852</u>	<u>1,176,852</u>
Capital Employed					<u>1,356,852</u>

### Question 1 workings

1. Purchases	$1,140,000 - 5,000 - 48,000$	1,087,000
2. Closing stock	$81,200 - 3,100$	78,100
3. Patent	$(20,400 + 3,000) * 4$	5,850
4. Salaries and general expenses	$194,300 + 650$ $[450 + 200]$	194,950
5. Depreciation Buildings	$2\% \times 800,000$	16,000
6. Depreciation Delivery van	$6,500 + 21,450$ $26,000 + 1,950$ $23,200 + 700 + 4,050$ $5,800 + 700 + 21,450$	27,950
7. Provision for bad debts	$3,798 - 3,000$	798
8. Loss on sale of van	$28,000 - 6,000 - 16,100$	5,900
9. Advertising	$4,800 - 4,000$	800
10. Investment Income	$9,000 + 3,000$	12,000
11. Debenture Interest	$5,600 + 10,800 - 200$	16,200
12. Delivery vans at cost	$260,000 + 54,000 - 28,000$	286,000
13. Provision for Dep – vans	$80,000 + 27,950 - 16,100$	91,850
14. Debtors	$98,400 - 3,000 - 450$	94,950
Bad Debts	$3,000 - 900$	2,100
15. Creditors	$82,200 - 180$	82,020
16. Bank Overdraft	$33,000 + 180 - 900$	32,280

**Penalties:** Deduction of 2 x 1 mark for the omission of two expense headings in Profit & Loss Account.



**2012 - West Ltd- Adjustments**

**Working 1 - Closing Stock**

Cost	81200	
Damaged	5400	
	75800	
NRV	2300	
	<b>78100</b>	T / BS CA

**Working 2 - Investment Income**

300000 * 4%		
	<b>12000</b>	O I

**Working 3 - Investment Income due**

12000 * 3/12		
	3000	
	<b>9000</b>	BS CA

**Working 4 - Patents W/O**

20400		23400 / 4
	3000	
	<b>23400</b>	<b>5850</b> Exp

**Working 5 - Patents**

Amount	23400	
W/O	5850	
	<b>17550</b>	

**Working 6 - Debenture Interest**

180000	* 9%	<b>16200</b>	Less O
16200	* 4/12		I
5400			

Paid	5600	
Should	<u>5400</u>	
	<u>200</u>	Reduce suspense by 2200

**Working 7 - Debenture Interest Due**

Amount	16200	
Paid	5400	
	<b><u>10800</u></b>	BS CL

**Working 8 - Salaries**

Salaries	194300	Salaries	194500
Add Sus	<u>200</u>	Add	
	<u>194500</u>	Sus	450
			<b><u>194950</u></b> Exp

**Working 9 - Debtors**

Debtors	98400		97950
Less Sus	<u>450</u>	Debt	3000
	<u>97950</u>		<b><u>94950</u></b> BSCA

**Workig 10 - Purchases**

Purchases	1140000		1135000
Stock	5000	Cheque	48000

1135000

1087000

T

**Working 11 - Compensation**

**4000** BS CA

**Working 12 - Loss on Stock**

Stock	5,000	
Comp	4,000	
	<b>1,000</b>	Exp (s & d)

**Working 13 - Depreciation**

Vans				Acc Dep				Disposal			
Bal b/d	260000	Disposal	28000	Disposal	16100	Bal b/d	80000	Vans	28000	Acc dep	
Bank	54000	Bal c/d	286000	Bal c/d	91850	P & L	<b>27950</b>			Trade	
	<u>314000</u>		<u>314000</u>		<u>107950</u>		<u>107950</u>			in	
Bal b/d	<b>286000</b>	BS FA				Bal b/d	<b>91850</b>	BS FA	<u>28000</u>	P & L	
30.06.05 - 31.12.05		6	28000 * 10% * 6/12		1400						
01.01.06 - 31.12.06		12	28000 * 10%		3000						
01.01.07 - 31.12.07		12	28000 * 10%		3000						
01.01.08 - 31.12.08		12	28000 * 10%		3000			16100			
01.01.09 - 31.12.09		12	28000 * 10%		3000						
01.01.10 - 31.12.10		12	28000 * 10%		3000						
01.01.11 - 31.03.11		3	28000 * 10% * 3/12		700						
		69			<u>17100</u>						



**Working 18 - Provision for Bad**

**Debts**

Debtors	94950	(W6)	New	3798	
	94950	* 4%	old	3000	
	<b>3798</b>	BS CA	Inc	<b>798</b>	S & D Exp

**Working 19 - Dep Buildings**

800000 \* 2%

<b>16000</b>	Admin Exp BS FA
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2007

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Past Paper

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Question 1  
Company Account

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Amber Ltd

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1. Past Paper Question
2. Past Paper Marking Scheme
3. Adjustments Explained

**2007 - Amber Ltd - Question**

Amber Ltd., has an Authorised Capital of €1,800,000 divided into 1,200,000 Ordinary Shares at €1 each and 600,000 10% Preference Shares at €1 each.

The following Trial Balance was extracted from its books at 31/12/2006:

	€	€
Buildings at cost	902,000	
Delivery Vans (cost €280,000)	190,000	
Discount (Net)		10,800
Profit and Loss Balance 1/1/2006	17,200	
Stocks on hand 1/1/2006	75,200	
Debenture interest for the first four months	5,000	
9% Investments 1/1/06	320,000	
Patents (incorporating 3 months investment income)	24,800	
Purchase and Sales	1,320,000	1,760,000
Interim dividends for the first 6 months	48,000	
Bad Debts Provision		3,200
Debtors and Creditors	100,400	86,600
Bank		44,000
Salaries and general expenses	199,600	
8% Debentures		180,000
Issued Share Capital – Ordinary Shares		800,000
– 10% Preference Shares		400,000
Directors fees	48,000	
Rent	19,600	
Advertising (including Suspense)	14,800	
	<u>3,284,600</u>	<u>3,284,600</u>

The following information and instructions are to be taken into account:

- (i) Stocks at 31/12/2006 at cost was € 85,200 – this figure includes damaged stock which cost 6,600 but which now has a net realisable value of €2,600.
- (ii) Patents, which incorporated 3 months investment income, are to be written off over a 5 year period commencing in 2006.
- (iii) Provide for depreciation on delivery vans at the annual rate of 12 ½ % of cost from the date of purchase to the date of sale.

NOTE: On 31/3/06 a delivery van which had cost €24,000 on 30/6/00 was traded in against a new van which cost €56,000. An allowance of €10,000 was given on the old van. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock. This was the only entry made in the books in respect of this transaction.

- (iv) The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry had been made in the bank account) and discount received €700 entered only in the creditors account.
- (v) During 2006 a store room which cost €40,000 and stock which cost €12,000 were destroyed by fire. A new store was built by the firm's own workers. The cost of their labour €19,000 had been treated as a business expense and the materials costing €51,000 were taken from the firm's stocks. The insurance company has agreed to contribute €52,000 in compensation for the fire damage. No adjustment had been made in the books in respect of the old or new store.
- (vi) The figure for bank in the Trial Balance has been taken from the firm's bank account. However, a bank statement dated 31/12/06 has arrived showing an overdraft of €43,560. A comparison of the bank account and the bank statement has revealed the following discrepancies:
  1. A cheque for €670 issued to a supplier had been entered in the books (cash book and ledger) as €760.
  2. A credit transfer of €750 had been paid direct to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €1.
  3. A cheque for fees €400 issued to a director had not yet been presented for payment.
- (vii) The Directors recommend that:
  - a) The Preference dividend due be paid.
  - b) A final dividend on ordinary shares be provided bringing the total dividend up to 11 cent per share.
  - c) Provision be made for both Investment income and Debenture Interest due.
  - d) Provision for bad debts be adjusted to 4% of debtors.
  - e) Buildings to be depreciated by 2% of cost.

**You are required to prepare a:**

- (a) Trading and Profit and Loss Account for the year ended 31/12/2000 (75)
- (b) Balance Sheet as at 31/12/2000 (45)



## Trading and Profit and Loss Account for the year ending 31/12/2006

		€	€	€
Sales				1,760,000 [3]
Less Cost of Sales				
Stock			75,200 [3]	
Add Purchases	W 1		<u>1,211,000 [8]</u>	
			1,286,200	
Less Stock 31/12/2006	W 2		<u>(81,200)[4]</u>	<u>(1,205,000)</u>
Gross Profit				555,000
<b>Less Expenses</b>				
<b>Administration</b>				
Patent written off	W 3	6,400 [4]		
Salaries and General expenses	W 4	180,600 [3]		
Directors fees		48,000 [2]		
Rent		19,600 [2]		
Depreciation – Buildings		<u>18,640 [3]</u>	273,240	
<b>Selling and Distribution</b>				
Bad Debts written off		1,750 [3]		
Advertising	W 5	15,700 [6]		
Depreciation –Delivery van	W 6	38,000 [4]		
Increase in bad debts provision	W 7	<u>716 [4]</u>	<u>56,166</u>	<u>(329,406)</u>
				225,594
<b>Add Operating Income</b>				
Discount	W 8		11,500 [4]	
Profit on Sale of Van	W 9		<u>3,250 [4]</u>	<u>14,750</u>
Operating Profit				240,344
Investment Income	W 10			<u>28,800 [3]</u>
				269,144
Debenture Interest	W 11			<u>(14,400)[3]</u>
<b>Net Profit</b>				254,744
<b>Less Appropriations</b>				
Preference Dividend paid			20,000 [2]	
Ordinary dividend paid			28,000 [2]	
Preference dividend due			20,000 [2]	
Ordinary dividend due			<u>60,000 [2]</u>	<u>(128,000)</u>
Retained Profit				126,744
Profit and Loss Balance 1/1/2006				<u>(17,200)[1]</u>
Profit and Loss Balance 31/12/2006				<u>109,544 [3]</u>

**Balance Sheet as at 31/12/2006**

	Cost €	Acc.Dep €	Net €	Total €
<b>Intangible Fixed Assets</b>				
Patents (32,000 – 6,400)				25,600 [3]
<b>Tangible Fixed Assets</b>				
Buildings W12	932,000 [3]	18,640 [1]	913,360	
Delivery Vans W13 & 14	<u>312,000 [3]</u>	<u>110,750 [3]</u>	<u>201,250</u>	
	<u>1,244,000</u>	<u>129,390</u>	<u>1,114,610</u>	1,114,610
<b>Financial Assets</b>				
9% Investments				<u>320,000 [2]</u>
				1,460,210
<b>Current Assets</b>				
Stock W15		81,200 [2]		
Debtors	97,900 [2]			
Less provision	<u>(3,916) [1]</u>	93,984		
Insurance Company		52,000 [1]		
Investment income due		<u>21,600 [3]</u>	248,784	
<b>Creditors: Amounts falling due within one year</b>				
Creditors W16		86,690 [3]		
Bank W17		43,160 [5]		
Preference dividend due		20,000 [2]		
Ordinary dividend due		60,000 [2]		
Debenture interest due		<u>9,600 [3]</u>	(219,450)	<u>29,334</u>
				<u>1,489,544</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than one year</b>				
8% Debentures				180,000 [2]
<b>Capital and Reserves</b>		<b>Authorised</b>	<b>Issued</b>	
Ordinary shares @ €1 each		1,200,000	800,000 [2]	
11% Preference shares @ €1 each		<u>600,000</u>	<u>400,000 [2]</u>	
		<u>1,800,000</u>	1,200,000	
Profit and Loss Balance			<u>109,544</u>	<u>1,309,544</u>
<b>Capital Employed</b>				<u>1,489,544</u>

### Question 1 - workings

1. Purchases	$1,320,000 - 46,000 - 12,000 - 51,000$	1,211,000
2. Closing stock	$85,200 - 4,000$	81,200
3. Patent	$(24,800 + 7,200) \div 5$	6,400
4. Salaries and Gen. expenses	$199,600 - 19,000$	180,600
5. Advertising	$14,800 + 200 + 700$	15,700
6. Depreciation Delivery van	$32,000 + 750 + 5250$ $8,750 + 29,250$	38,000
7. Provision for bad debts	$3,912 - 3,200$	716 dr
8. Discount	$10,800 + 700$	11,500
9. Profit on sale of van	$24,000 - 10,000 - 17,250$	3,250
10. Investment Income	$21,600 + 7,200$	28,800
11. Debenture Interest	$5,000 - 200 + 9,600$	14,400
12. Buildings	$902,000 - 40,000 + 70,000$	932,000
13. Delivery vans at cost	$280,000 + 56,000 - 24,000$	312,000
14. Provision for Dep. – Vans	$90,000 + 38,000 - 17,250$	110,750
15. Debtors	$100,400 - 2,500$	97,900
16. Creditors	$86,600 + 90$	86,690
17. Bank Overdraft as per trial balance	$44,000 - 90 - 750$ $42,760 + 400$	43,160

2007 - Amber Ltd - Adjustments

**Working 1 - Closing Stock**

Cost	85200	
Damaged	6600	
	78600	
NRV	2600	
	<b>81200</b>	T / CA

**Working 2 - Investment Income**

320000 \* 9%

**28800** O I

28800 \* 3/12

7200 Incorporated in patents

**Working 3 - Investment Income due**

28800

7200

**21600** BS CA

due

**Working 4 - Patents**

24800

7200

**32000**

32000/5

**6400** Exp

**25600** BS FA

Intangible Asset



180000 \* 8%  
**14400** Less OI

14400 \* 4/12  
 4800

Paid	5000	
Should	<u>4800</u>	
	<u>200</u>	Reduce Debenture paid by 200

**Working 8 - Debenture Interest due**

Amount	14400	
Paid	4800	
	<u><b>9600</b></u>	BS CL

**Working 9 - Discount**

Amount	10800	
Sus	700	
	<u><b>11500</b></u>	Add OI

**Working 10 - Advertising**

Amount	14800	
Interest	200	
Discount	<u>700</u>	
	<u><b>15700</b></u>	Exp (a)

**Working 11 - Building**

Amount	902000
Damaged	-40000
	<u>862000</u>

Amount	862000
Labour	19000
Materials	51000
	<u>932000</u>

BS FA

**Working 12 - Salaries**

Amount	199600
Labour	19000
	<u>180600</u>

Exp (a)

**Workin 13 - Compo**

52000 BS CA

**Working 14 - Bank**

Amount	44000
Creditor	90
	<u>43910</u>

Amount	43910
Debt	750

	<u>43160</u>
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BS CL

**Working 15 - Creditor**

Amount	86600
Bank	90
	<u>86690</u>

BS CL

**Working 16 - Bad Debt**

30% =	750	Debt	2500
1% =	750/30	Paid	750
	25		<b>1750</b> Exp (s & d)
100% =	100 * 25		
	2500		

**Working 17 - Debtors**

Amount	100400	
Bad debt	2500	
	<b>97900</b>	BS CA

**Working 18 - Preference Share**

400,000 * 10%	Yearly	40000
40000 Yearly Amount	Paid	20000
	Due	<b>20000</b> App & BS CL

Half has been paid as part of the intern dividend

**Working 19 - Ordinary Shares**

Interim	48000	28000 /800000
Preference	20000	0.035
Ordinary	<b>28000</b>	

Have paid 3.5 c per ordinary share  
 Advise to increase this to 11c  
 11c  
 3.5c



Need to increase  
each ordinary share  
by 7.5 c

\_\_\_\_\_  
7.5c

800000 \* .075

**60000** Ordinary Due

App & BS CL

**Working 20 - Provision for Bad Debts**

Debtors 97900 \* 4%  
**3916** BS CA

Old 3200  
New 3916

**716** Exp (s & d) Increase

**working 21 - Dep Buildings**

**932000** \* 2% BS FA  
**18640** Exp (a) / BS FA

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2019

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Dublin Examination Board

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Question 1

Company Accounts

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Hill Ltd

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1. Past Paper Question
2. Past Paper Marking Scheme
3. Adjustments Explained

**2019 - Hill Ltd - Question**

Hill Ltd has an Authorised Capital of €1,900,000 divided into 1,300,000 Ordinary Shares at €1 each and 600,000 4% Preference Shares at €1 each. The following Trial Balance was extracted from its books on 31/12/2018:

	€	€
Buildings (cost €1,250,000)	1,100,000	
Delivery Vans (cost €310,000)	220,000	
Office Equipment (cost €45,000)	35,000	
Patents (incorporating four months' investment income)	30,500	
3% Investments (01/06/2018)	150,000	
Discount (Net)		12,700
Profit and Loss balance 01/01/2018	51,000	
6% Debentures (including €80,000 issued on 31/03/2018)		280,000
Stock 01/01/2018	83,200	
Purchases and Sales	1,460,000	1,880,000
Bad Debts provision		5,200
Debtors and Creditors	102,600	87,500
PAYE, PRSI and USC		22,200
Dividends paid	28,000	
Bank		35,000
VAT		15,000
Advertising	48,000	
Issued Share Capital – Ordinary Shares		800,000
– 4% Preference Shares		400,000
Salaries and General Expenses (including Suspense)	245,700	
Capital Reserve		20,000
Debenture Interest for the first three months	3,600	
	<b>3,557,600</b>	<b>3,557,600</b>

**The following information and instructions are to be taken into account:**

- (i) Stock on 31/12/2018 at cost was €91,200. This figure includes damaged stock which cost €5,600 and now has a net realisable value of €2,000.
- (ii) Patents, incorporating 4 months' investment income, are to be written off over a 5-year period commencing in 2018.
- (iii) The suspense figure arises as a result of the incorrect figure for debenture interest and a VAT payment of €2,500 entered on the incorrect side of the VAT account. Both transactions were entered correctly in the bank account.
- (iv) A debtor who owed Hill Ltd €24,000 sent a cheque for €23,500 in full settlement. No entry was made in the books in respect of this transaction.
- (v) During the year, a store room which cost €20,000 and stock which cost €12,000 were destroyed by fire. A new store was built by the firm's own workers. The cost of their labour €28,000 had been treated as a business expense and the materials costing €62,000 were taken from the firm's stocks. The insurance company has agreed to contribute €30,000 in compensation for the fire damage. No adjustment had been made in the books in respect of the old store, the destroyed stock or the new store.
- (vi) Provide for depreciation on delivery vans at the annual rate of 15% of cost from the date of purchase to the date of sale.

NOTE: On 31/05/2018 a delivery van which had cost €44,000 on 31/08/2015 was traded in against a new van that cost €58,000. An allowance of €20,000 was given on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction.

- (vii) The figure for Advertising is for a 24-month campaign which began on 01/06/2018.
- (viii) A creditor who was owed €12,800 accepted office equipment with a book value of €11,600 in full settlement of the debt. The office equipment had cost €16,000. No entry was made in the books in respect of this transaction. Provide for depreciation on office equipment held on 31/12/2018 at the rate of 20% of cost.
- (ix) No record has been made in the books for 'goods in transit' on 31/12/2018. The invoice for these goods has been received for €18,450 including VAT at 23%.
- (x) The Directors recommend that:
  - 1. Provision be made for both Investment Income and Debenture Interest due.
  - 2. Provision for bad debts to be adjusted to 5% of debtors.
  - 3. Buildings to be depreciated by 2% of cost.
  - 4. The managing director should be paid a bonus commission of 2.5% on all sales in excess of €1,250,000 and a further 4% in excess of all sales above €1,500,000.

**You are required to:**

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2018. (75)
- (b) Prepare a Balance Sheet as at 31/12/2018. (45)

**(120 marks)**

(a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2018.

(75)

Trading, Profit and Loss Account (of Hill Ltd) for  
the year ended 31/12/2018 (1)

	€	€
Sales		1,880,000 (2)
<u>Less Cost of Sales</u>		
Stock	83,200 (2)	
01/01/2018		
Purchases W1	1,363,000 (9)	
	1,446,200	
Less Stock 31/12/2018 W2	(102,600) (5)	
Cost of Goods Sold		(1,343,600)
<b>Gross Profit</b>		<u>536,400</u>
<u>Less Expenses</u>		
<u>Administration Expenses</u> []		
Salaries & General Expenses W3	213,300 (7)	
Patents written off [] W4	6,400 (5)	
Loss on Insured Store and Stock W5	2,000 (5)	
Depreciation: Buildings W7	26,400 (3)	
Office Equipment W10	5,800 (3)	
	<u>253,900</u>	
<u>Selling &amp; Distribution Expenses</u> []		
Sales Commission W12	30,950 (4)	
Advertising W13	14,000 (3)	
Loss on Sale of Delivery Van [] W14	5,850 (5)	
Depreciation: Delivery Vans W16	47,725 (5)	
	<u>98,525</u>	<u>(352,425)</u>
		183,975
<b>Operating Income</b>		
Reduction in Bad Debts prov. [] W19	1,270 (3)	
Discount (Net) [] W20	13,400 (3)	14,670
Operating Profit		198,645
Investment Income [] W21		2,625 (2)
Debenture Interest [] W23		<u>(15,600) (2)</u>
<b>Net Profit</b>		185,670
Less Dividends paid		<u>(28,000) (2)</u>
Retained Profit		157,670
Profit and Loss balance 01/01/2018		<u>(51,000) (2)</u>
Profit and Loss balance 31/12/2018		••• <u>106,670 (2)</u>

• Allow 1 mark for student's own figure.

•• Allow full marks for student's own figure if consistent with previous work.

••• Accept correct figure only.

[] Allow 1 mark for correct word(s) if figure is incorrect or omitted.

[] Deduct 1 mark for each missing heading in the Profit and Loss Account.

(b) Prepare a Balance Sheet as at 31/12/2018.

(45)

Balance Sheet (of Hill Ltd) as  
at 31/12/2018

	€	€	€
	<u>Cost</u>	<u>Dep.</u>	<u>NBV</u>
<b>Intangible Fixed Assets</b>			
Patents W4			•• 25,600 (1)
<b>Tangible Fixed Assets</b>			
Buildings W6,8	1,320,000 (3)	176,400 (2)	1,143,600
Office Equip. W9,11	29,000 (1)	11,400 (3)	17,600
Delivery Vans W15,17	324,000 (2)	119,575 (3)	204,425
	▮ 1,673,000	307,375	1,365,625
<b>Financial Fixed Assets</b>			
3% Investments			<u>150,000 (1)</u>
			1,541,225
<b>Current Assets</b>			
Stock 31/12/2018 W2		•• 102,600 (1)	
Compensation due 31/12/2018 W5		•• 30,000 (1)	
Advertising prepaid W13		•• 34,000 (1)	
Debtors W18	78,600 (3)		
Less Bad Debts provision W19	•• (3,930) (1)	74,670	
Investment Income due W22		•• 1,125 (2)	
		<u>242,395</u>	
<u>Less Creditors: amounts falling due within 1 year</u>			
Sales Commission due W12		•• 30,950 (1)	
Debenture Interest due W24		12,600 (2)	
Creditors W25		93,150 (4)	
PAYE, PRSI and USC		22,200 (1)	
VAT W26		6,550 (3)	
Bank (Overdraft) W27		<u>11,500 (2)</u>	
		(176,950)	
Net Current Assets			65,445
<b>Total Net Assets</b>			<u>1,606,670</u>
<b>Financed by:</b>			
<u>Creditors: amounts falling due after more than 1 year</u>			
6% Debentures W23			280,000 (1)
<b>Capital and Reserves</b>			
	<u>Auth'd.</u>	<u>Issued</u>	
Ord. Shares @ €1	1,300,000 (1)	800,000 (1)	
4% Pref. Shares @ €1	<u>600,000 (1)</u>	<u>400,000 (1)</u>	
	1,900,000	1,200,000	
Capital Reserve		20,000 (1)	
Profit & Loss Balance		•• 106,670 (1)	<u>1,326,670</u>
<b>Capital Employed</b>			<u>1,606,670</u>

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.
- ▮ Allow 1 mark for correct word(s) if figure is incorrect or omitted.

- ▣ Deduct 1 mark for the omission of total cost figure for 'Fixed Assets' in the Balance Sheet.
- ▣▣ Deduct 1 mark if '6% Debentures' is shown within 'Capital and Reserves' section.

**Workings:**

	€		€
<b>W1</b> Purchases		<b>W9</b> Office Equipment	
Figure taken from Trial Balance	1,460,000 (1)	Cost of Office Equipment (01/01/2018)	45,000
– Stock destroyed by fire	(12,000)(2)	– Office Equipment given to creditor	<u>(16,000)(1)</u>
– Materials for new store	(62,000)(2)	Figure transferred to Balance Sheet	29,000
– Payment for new delivery van	(38,000)(2)		
+ Goods in Transit [€18,450 × 100/123]	<u>15,000(2)</u>	<b>W10</b> Depreciation: Office Equipment	
Figure transferred to Trading a/c	1,363,000	Depreciation charge for the year	
		[20% of €29,000]	•• 5,800 (3)
		Figure transferred to Profit & Loss a/c	<u>5,800</u>
<b>W2</b> Stock 31/12/2018			
Figure taken from Trial Balance	91,200 (1)	<b>W11</b> Depreciation: Office Equipment	
– Damaged Stock [€5,600 – €2,000]	(3,600)(2)	Accumulated Depreciation	
+ Goods in Transit [€18,450 × 100/123]	<u>15,000(2)</u>	01/01/2018	
Figure transferred to Trading a/c	102,600	[€45,000 – €35,000]	10,000 (1)
Figure transferred to Balance Sheet	•• 102,600 (1)	– Dep. to date on office equipment given to creditor [€16,000 – €11,600]	<u>(4,400)(1)</u>
			5,600
<b>W3</b> Salaries and General Expenses		Depreciation charge for the year	•• 5,800 (1)
Figure taken from Trial Balance	245,700 (1)	Figure transferred to Balance Sheet	<u>11,400</u>
+ Debenture interest error	600 (2)		
– VAT payment error [€2,500 × 2]	(5,000)(2)	<b>W12</b> Sales Commission	
– Labour for new store	<u>(28,000)(2)</u>	[€1,880,000 – 1,250,000] × 2.5%	15,750 (2)
Figure transferred to Profit & Loss a/c	213,300	[€1,880,000 – 1,500,000] × 4%	<u>15,200(2)</u>
		Figure transferred to Profit & Loss a/c	30,950
		Figure transferred to Balance Sheet	•• 30,950 (1)
<b>W4</b> Patents			
Figure taken from Trial Balance	30,500 (1)	<b>W13</b> Advertising	48,000 (1)
+ Investment Income Error		– Advertising prepaid 31/12/2018	
[3% of €150,000 × 4/12]	•• 1,500 (2)	[€48,000 × 17/24]	<u>(34,000)(2)</u>
Value of Patents 01/01/2018	<u>32,000</u>	Figure transferred to Profit & Loss a/c	14,000
Patents written off in current year		Figure transferred to Balance Sheet	•• 34,000 (1)
Value written off [1/5 of €32,000]	•• 6,400 (2)		
Figure transferred to Profit & Loss a/c	<u>6,400</u>	<b>W14</b> Loss on Sale of Delivery Van	
Value of Patents 31/12/2018		Depreciation to date:	
Value of Patents 01/01/2018	32,000	[15% of €44,000 × 4/12] (4 months)	2,200 (1)
– Value written off in current year	<u>6,400</u>	[15% of €44,000 × 2] (2 years)	13,200 (1)
Figure transferred to Balance Sheet	•• 25,600 (1)	[15% of €44,000 × 5/12] (5 months)	<u>2,750(1)</u>
		Total depreciation to date of sale	18,150
<b>W5</b> Loss on Insured Stock and Store		Book value on date of sale	
Compensation due from Insurance	30,000 (1)	Cost of Delivery Van	44,000 (1)
– Value of store destroyed	(20,000)(2)	– Depreciation to date	<u>(18,150)</u>
– Value of stock destroyed	<u>(12,000)(2)</u>	Allowance received	<u>(20,000)(1)</u>
Figure transferred to Profit & Loss a/c	(2,000)	Figure transferred to Profit & Loss a/c	5,850
Compensation due 30/12/2018	<u>30,000(1)</u>		
Figure transferred to Balance Sheet	30,000		
		<b>W15</b> Delivery Vans	
<b>W6</b> Buildings		Cost of Delivery Vans 01/01/2018	310,000
Cost of Buildings 01/01/2018	1,250,000		
– Value of store destroyed	(20,000)(1)	– Cost of Del. Van traded in 31/05/2018	(44,000)(1)
+ Labour used in new store	28,000 (1)	+ Cost of new Delivery Van 31/05/2018	<u>58,000(1)</u>
+ Materials used in new store	<u>62,000(1)</u>	Figure transferred to Balance Sheet	324,000



Figure transferred to Balance Sheet 1,320,000

<b>W7</b> Depreciation:		<b>W16</b> Depreciation: Delivery Vans	
Buildings	Cost of Buildings 31/12/2018	Depreciation charge for the year [15% of (€310,000 – €44,000)] [15% of €44,000 × 5/12] (5 months) [15% of €58,000 × 7/12] (7 months)	39,900 (1) 2,750 (2) 5,075 (2)
		Figure transferred to Profit & Loss a/c	47,725

1,320,000  
Depreciation charge for the year  
[2% of €1,320,000]

•• 26,400 (3)

Figure transferred to Profit & Loss a/c

26,400

<b>W8</b> Depreciation: Buildings		<b>W17</b> Depreciation: Delivery Vans	
Accumulated Depreciation 01/01/2018 [€1,250,000 – €1,100,000]	150,000 (1)	Accumulated Depreciation 01/01/2018	90,000 (1)
		+ Depreciation charge for the year	•• 47,725 (1)
		– Depreciation of van to date of sale	•• (18,150) (1)
		Figure transferred to Balance Sheet	119,575

150,000 (1)  
Depreciation charge for the year

•• 26,400 (1)

Figure transferred to Balance Sheet

176,400

• Allow 1 mark for student's own figure.

•• Allow full marks for student's own figure if consistent with previous work.



	[3% of €150,000 × 7/12]	• 2,625 (2)			
	Figure transferred to Profit & Loss a/c	<u>2,625</u>			
				– VAT on credit purchases in Transit [€18,450 × 23/123]	<u>(3,450)(1)</u>
				Figure transferred to Balance Sheet	6,550
<b>W22</b>	Investment Income due				
	Investment Income receivable	**2,625 (1)	<b>W27</b>	Bank (Overdraft)	
	– Investment Income incorporated in Patents [3% of €150,000 × 4/12]	<u>(1,500)(1)</u>		Figure taken from Trial Balance	35,000 (1)
	Figure transferred to Balance Sheet	1,125		– Debtor payment not recorded <b>W18</b>	<u>(23,500)(1)</u>
				Figure transferred to Balance Sheet	11,500

- Allow 1 mark for student's own figure.
- **Allow full marks for student's own figure if consistent with previous work.**

**2019 - Hill Ltd - Adjustments**

**Working 1 - Closing Stock**

Cost	91200	Cost	87600	
Damaged	5600	GIT	15000	
	<u>85600</u>		<u>102600</u>	T / CA
NRV	2000			
	<u>87600</u>			

**Working 2 - Investment Income**

150000 \* 3% \* 7/12

**2625** O I

2625 \* 4/7

1500 Incorporated in patents

**Working 3 - Investment Income due**

2625

1500

**1125** BS CA due

**Working 4 - Patents**

30500

1500

32000

32000/5

**6400** Exp

**25600** BS FA Intangible Asset

**Working 5 - Debenture Interest**

200000 \* 6%

12000

80000 \* 6% \* 9/12

3600

**15600** Less O I

12000 \* 3/12  
3000

Paid	3600	
Should	<u>3000</u>	
	<u>600</u>	Reduce Debenture paid by 600

Should Happen

**Working 6 - Debenture Interest due**

Amount	15600	
Paid	3000	
	<u>12600</u>	BS CL

VAT	
	2500

**Working 7 - salaries and general Expenses**

Salaries	245700	
Interest	600	
VAT	<u>-5000</u>	
	<u>241300</u>	P & L (A)

take out 2500 , correct 2500

Cost	241300	
Building	-28000	
	<u>213300</u>	P & L (a)

**Working 8 - VAT**

Amount	15000	Amount	10000
Paid	<u>-5000</u>	VAT	<u>-3450</u>
	<u>10000</u>		<u>6550</u> BS CL

**Working 9 - Debtor**

Amount	102600
--------	--------

Less Debt	24000	
	<u>78600</u>	BS CA

**Working 10 - Bank**

Amount	35000	
Debtors	23500	
	<u>11500</u>	BS CL

**Working 11 - Discount**

Amount	12700	COst	12200	
Allowed	500	Received	1200	
	<u>12200</u>		<u>13400</u>	Add OI

**Working 12 - Compensation**

<u>30,000</u>	CA BS
---------------	-------

**Working 13 - Buildings**

Cost	1250000	Cost	1230000	
Store	<u>-20000</u>	Wages	28000	
	<u>1230000</u>	Materials	62000	
			<u>1320000</u>	BS FA

**Working 14 - Purchases**

Cost	1460000	Cost	1448000	Cost	1386000	Cost	1348000
Damage	-12000	Fire	-62000	Car	-38000	GIT	15000

1448000

1386000

1348000

1363000

T

**Working 15 - Loss on stock**

Compo	30000	
Store	-20000	
Stock	-12,000	
Loss	<b>2,000</b>	P & L (A)

**Working 16 - Depreciation Vans**

Vans			
Bal b/d	310000	Disposal	44000
Bank	58000	Bal c/d	324000
	<u>368000</u>		<u>368000</u>
Bal b/d	<b>324000</b>	BS FA	

Acc Dep			
Disposal	18150	Bal b/d	90000
Bal c/d	119575	P & L	<b>47725</b> Exp
	<u>137725</u>		<u>137725</u>
		Bal b/d	<b>119575</b> BS FA

Disposal			
Vans	44000	Acc dep	18150
		Trade in	20000
		P & L	<b>5850</b>
	<u>44000</u>		<u>44000</u>

31.08.2015 - 31.12.2015	4	266000 * 15%	39900
01.01.2016 - 31.12.2016	12	58000 * 15% * 7/12	5075
01.01.2017 - 31.12.2017	12	44000 * 15% * 5/12	2750
01.01.2018 - 31.05.2018	5		<u>47725</u>
	33		

44000 \* 15% \*  
33/12                      18150

**Working 17 - Advertising**

Advertising	48000 = 24 period		
48000/24		7 * 2000	<b>14000</b> P & L (S &D)
2000		17 * 2000	<b>34000</b> BS CA

**Working 18 - Dep Office Equipment**

<u>Office Equipment</u>				<u>Office Equipment</u>				<u>Office Equipment</u>			
Bal b/d	45000	Disposal	16000	Disposal	4400	Bal b/d	10000	Vans	16000	Acc dep	4400
		Bal c/d	29000	Bal c/d	11400	P & L	<b>5800</b> Exp	Discount	1200		12800
	<u>45000</u>		<u>45000</u>		<u>15800</u>		<u>15800</u>		<u>17200</u>		<u>17200</u>
Bal b/d	<b>29000</b>	BS FA				Bal b/d	<b>11400</b>	BS FA			
				29000 * 20%			5800				

**Working 19 - Creditors**

Amount	87500	Cost	74700
Payment	<u>12800</u>	GIT	18450
	<u><u>74700</u></u>		<b>93150</b>
	BS CL		BS CL

**Working 20 - Goods in transit**

Purchases	Increase
Creditors	Increase
Cl Stock	Increase



123% =	18450	Selling	18450
1% =	18450/123	Cost	<u>15000</u>
	150		<u><u>3450</u></u>
	150 *		
100% =	100		
	15000		

**Working 20 - Provision for Bad Debts**

Debtors	78600 * 5%	Old	5200
	<b>3930</b> BS CA	New	3930
			<u><b>1270</b></u> Add OI

**working 21 - Dep Buildings**

<b>1320000</b>	* 2%	BS FA	Acc Dep	150000
	P & L		This	
<b>26400</b>	(A)		YEar	26400
				<u><b>176400</b></u> BS FA

**Working 22 - Commission**

1880000	1880000	630000 * 2.5%	15750
<u>1250000</u>	<u>1500000</u>	380000 * 4%	15200
<u><u>630000</u></u>	<u><u>380000</u></u>		<u><b>30950</b></u> P & L (S&D)

