

## 6. Service Firm

The following were included in the assets and liabilities of the New Era Gym and Health Centre Ltd, on 01/01/2011:

Buildings and Grounds €520,000; Equipment €75,000; Vehicles at cost €60,000; Stock in shop €3,600; Stock of heating oil €1,800; Creditors for supplies to Gym and Health Centre €1,500; 5% Investments €40,000; Contract cleaning prepaid €300; Clients deposits paid in advance €5,000. The Authorised Capital of the company was €400,000 and the Issued Capital was €350,000.

**All fixed assets have 3 years accumulated depreciation on 01/01/2011.**

The following is a Receipts and Payments Account for the year ended 31/12/2011:

### Receipts and Payments Account of New Era Gym & Health Centre Ltd for year ended 31/12/2011

	€		€
Balance at Bank 01/01/2011	6,500	Laundry	3,000
Clients fees	320,000	Telephone	1,400
Investment Income	1,100	Wages & Salaries	84,300
Shop receipts	42,000	Repayment of €30,000 loan on 01/04/2011	
Balance 31/12/2011	108,600	with 15 months interest	36,000
		Equipment	20,000
		New extension	220,000
		New vehicle	40,000
		Contract cleaning	3,400
		Light and heat	3,300
		Insurance	6,200
		Purchases – shop	26,000
		Purchases – supplies	<u>34,600</u>
	<u>478,200</u>		<u>478,200</u>

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

- (i) Closing stock at 31/12/2011: Shop €1,600, Heating oil €400.
- (ii) Cleaning is done under contract payable monthly in advance and includes a payment of €700 for January 2012.
- (iii) Clients fees includes fees for 2012 of €5,500. Clients fees in arrears at 31/12/2011 €600.
- (iv) Wages and Salaries include €20,000 per annum paid to the secretary, who also runs the shop. It is estimated that 40% of this salary and €300 of the light and heat, €900 of the insurance and €400 of the telephone is attributable to the shop.
- (v) Creditors for supplies to the Gym & Health Centre at 31/12/2011 are €2,000.
- (vi) Electricity due on 31/12/2011 €340.
- (vii) Depreciation to be provided as follows:
  - Buildings 2% of cost for the full year
  - Equipment 10% of cost for the full year
  - Vehicles 20% of cost per annum from date of purchase to date of sale.
 The vehicle held on 01/01/2011 was purchased on 01/01/2008 and was traded in on 01/07/2011 against a new vehicle. The trade in allowance was €8,000 against a new vehicle valued at €48,000.
- (viii) On 31/12/2011 the New Era Gym and Health Centre Ltd decided to re-value buildings at €850,000.

### Required:

- (a) Calculate the company's reserves (profit and loss balance) on 01/01/2011. (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2011. (10)
- (c) Prepare a Profit and Loss Account of New Era Gym and Health Centre Ltd for the year ended 31/12/2011. (36)
- (d) Prepare a Balance Sheet on 31/12/2011. (30)
- (e) The company now wishes to purchase equipment for the new extension. Advise the company on how to fund the expected cost of €150,000. (6)

**(100 marks)**