

6. Service Company Accounts

The following were included among the assets and liabilities of Tara Health Centre Ltd on 1/1/2011: Buildings and Grounds €700,000; Equipment €80,000; Furniture €42,000; Stock of health food for sale €5,800; Heating oil €600; Creditors for supplies to Health Centre €3,100; 5% Investments €75,000; Contract cleaning prepaid €750; Clients' fees paid in advance €4,200; Authorised Capital €750,000 and Issued Capital €665,000.

All fixed assets have 3 years' accumulated depreciation on 1/1/2011.

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

Receipts and Payments Account of Tara Health Centre Ltd for year ended 31/12/2011

	€		€
Balance at Bank 1/1/2011	12,800	Laundry	3,620
Clients' fees	328,200	Wages and Salaries	84,280
Investment Income	3,200	Repayment of €80,000 loan on	
Shop receipts	114,600	1/7/2011 with 20 months' interest	92,000
Balance c/d	3,800	Equipment	12,000
		New extension 1/1/2011	150,000
		Contract cleaning	8,400
		Light and heat	8,900
		Insurance	16,400
		Telephone	2,600
		Purchases – shop	68,100
		Purchases – supplies	16,300
	<u>462,600</u>		<u>462,600</u>

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

- (i) Closing stocks at 31/12/2011: Shop €6,600; Heating oil €820.
- (ii) Cleaning is done under contract payable monthly in advance and includes a payment of €540 for January 2012.
- (iii) Clients' fees include fees for 2012 of €6,400. Clients' fees in arrears at 31/12/2011 €800.
- (iv) The closing figure for bank does not take into account a dishonoured cheque €300 received from a client and lodged in late December.
- (v) Wages and Salaries include €36,000 per annum paid to the receptionist, who also runs the shop. It is estimated that 40% of this salary, €380 of the light and heat, €1,800 of the insurance and €410 of the telephone are attributable to the shop.
- (vi) Creditors for supplies to the Health Centre at 31/12/2011 are €2,800.
- (vii) Electricity due on 31/12/2011 €350.
- (viii) Depreciation to be provided as follows:
 - Buildings 2% of cost for the full year
 - Equipment 20% of cost per annum
 - Furniture 20% of cost per annum.
- (ix) On 31/12/2011, Tara Health Centre Ltd decided to re-value Buildings at €920,000.

You are required to:

- (a) Calculate the company's reserves (profit and loss balance) on 1/1/2011. (20)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2011. (12)
- (c) Prepare the Profit and Loss Account of Tara Health Centre Ltd for the year ended 31/12/2011. (36)
- (d) Prepare the Balance Sheet of Tara Health Centre Ltd on 31/12/2011. (32)

(100 marks)