

## 6. Service Firm

The following were included among the assets and liabilities of the Fine Health Centre Ltd on 01/01/2016: Buildings and Grounds €630,000; Equipment €60,000; Vehicles at cost €80,000; Stock in shop €4,100; Stock of heating oil €1,700; Creditors for supplies to Health Centre €3,400; 5% Investments €70,000; Contract cleaning prepaid €650; Clients' deposits paid in advance €4,700.

The Authorised Capital of the company was €700,000 and the Issued Capital was €575,000.

**All fixed assets have 3 years' accumulated depreciation on 01/01/2016.**

The following is the Receipts and Payments Account for the year ended 31/12/2016:

### Receipts and Payments Account of Fine Health Centre Ltd for year ended 31/12/2016

Receipts	€	Payments	€
Balance at bank 01/01/2016	13,800	Laundry	3,400
Clients' fees	333,200	Telephone	2,600
Investment income	2,500	Wages and salaries	86,300
Shop receipts	64,600	Repayment of €70,000 loan on 01/05/2016	
Balance 31/12/2016	154,200	with 18 months' interest	75,400
		Equipment	18,000
		New extension	250,000
		New vehicle	40,000
		Contract cleaning	4,600
		Light and heat	4,900
		Insurance	8,700
		Purchases – shop	38,100
		Purchases – supplies	36,300
	<u>568,300</u>		<u>568,300</u>

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

- (i) Closing stocks at 31/12/2016: Shop €3,600; Heating oil €700.
- (ii) Cleaning is done, under contract, payable monthly in advance and includes a payment of €550 for January 2017.
- (iii) Clients' fees include €7,300 for 2017. Fees due from clients at 31/12/2016 were €900.
- (iv) Wages and salaries include €26,000 per annum paid to the secretary, who also runs the shop. It is estimated that 30% of this salary and €350 of the light and heat, €900 of the insurance and €400 of the telephone are attributable to the shop.
- (v) Creditors for supplies to the Health Centre at 31/12/2016 are €2,700.
- (vi) Electricity due on 31/12/2016 €380.
- (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.
  - On 01/09/2016, a vehicle which cost €30,000 on 01/01/2013 was traded in against a new vehicle which cost €45,000. An allowance of €5,000 was given on the old vehicle.
- (viii) On 31/12/2016, Fine Health Centre Ltd decided to re-value buildings at €950,000.

**You are required to:**

- (a) Calculate the company's reserves (profit and loss balance) on 01/01/2016. (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2016. (10)
- (c) Prepare a Profit and Loss Account for the year ended 31/12/2016. (36)
- (d) Prepare a Balance Sheet on 31/12/2016. (30)
- (e) The company now wishes to purchase equipment for the new extension. Advise the company on how to fund the expected cost of €240,000. (6)

**(100 marks)**