

Published Accounts

Capital PLC

100 Marks

Step by Step

Approach

STEP BY STEP APPROACH FOR ANSWERING THE PUBLISHED ACCOUNTSProfit and Loss Account

- Step 1 Calculate the Turnover Figure
- Step 2 Calculate the cost of sales
- Step 3 Calculate the distribution costs
- Step 4 Calculate the Administration costs
- Step 5 Calculate Other Operating Income
- Step 6 Any Exceptional Items
- Step 7 Calculate Investment Income Due
- Step 8 Calculate Debenture Interest Due

Balance Sheet

- Step 9 Calculate the Tangible Assets Total
- Step 10 Calculate Debtors Figures
- Step 11 Calculate Other Creditors
- Step 12 Calculate the Taxation Figure
- Step 13 Calculate the Revaluation Reserve

Step 1 - Calculate the turnover figureTurnover

1. Check in the question to see if there are any sales returns
2. The sales return will be on the Dr side of the trial balance and call return inwards
3. To calculate the turnover figure, use the sales figure in the trial balance and take away the return inwards figure
4. This will give you the turnover figure

Working 1 - Turnover

Sales	€1,800,300	
Return Inwards	<u>€20,300</u>	
Turnover	€1,780,000	P & L

Step 2 - Cost of Sales

The cost of sales can be made up of the following

Opening Stock	x	(Given in the Question)
+ Cost of manufacturing	x	(If given in the question or Trial balance)
+ Purchases	x	(If given in the question or Trial balance)
- Purchases Returns	(x)	(If given in the question or Trial balance)
+ Carriage Inwards	x	(If given in the question or Trial balance)
+ Import Duty	x	(If given in the question or Trial balance)
- Closing Stock	(x)	(If given in the question or Trial balance)
+ Manufacturing Wages	x	(If given in the question or Trial balance)
+ Dep of machinery	x	(If given in the question or Trial balance)

In this question the Cost of sales will be made up of the following

Working 2 - Cost of Sales

Opening Stock	€91,000	Form the Trial Balance
Add Purchases	€1,170,000	From the Trial Balance
Add Carriage In	€6,600	From the Trial Balance
Add Patents	€7,000	Working 4 / Adjustment (ii)
Less Closing stock	<u>(€86,000)</u>	Adjustment (i)
	€1,186,000	P & L

Adjustment (i)

The closing stock figure of €86,000 will be used to calculate the Cost of sales figure and also put in the current asset in the Balance Sheet

Working 3 - Closing Stock

Closing stock €86,000 P & L and BS CA

Adjustment (ii)

1. Calculate the patent figure to be included in the Cost of Sales
2. The calculate the Cost of sale figure

Working 4 - Patent

Patent amount = €63,000 €63,000 / 9
 Amortised = 9 years €7,000 (Amortised each year)
 Got the patents in 2014 so we have amortised €21,000 so far (€7,000 * 3 years)

Figure for the Balance Sheet (Intangible Asset)

Cost	€63,000	
Amortised	<u>€21,000</u>	(€7,000 * 3)
Value	€42,000	

Step 3 - Calculate the Distribution Costs

The Distribution Cost can be made up of the following

Selling Expenses	x	(If given in the question or Trial balance)
+ Bad Debts / provision for bad debts	x	(If given in the question or Trial balance)
+ Advertising	x	(If given in the question or Trial balance)
+ Carriage Out	x	(If given in the question or Trial balance)
+ Dep of Vans	x	(If given in the question or Trial balance)
+ Commission Payable	x	(If given in the question or Trial balance)
+ Showroom Expenses	x	(If given in the question or Trial balance)
+ Delivery Vans Expenses	x	(If given in the question or Trial balance)
+ Dep of Showroom	x	(If given in the question or Trial balance)

In this question the Distribution Costs will be made up of the following

Working 5 - Distribution Costs

Amount	€144,000	Form the Trial Balance
Royalties	€15,000	Adjustment (iv) and other operating Income
Buildings (w6)	€6,080	Adjustment (vi)
Vehicles (w6)	<u>€32,800</u>	Adjustment (vi)
	€197,880	P & L

Adjustment (vi)

Working 6 - DepreciationBuildings

€760,000 * 2%

€15,200

Of this €15,200 40% is for Distribution Costs and 60% is for Administration Costs. So

€15,200 * 40% = €6,080

€15,200 * 60% = €9,120

Motor Vehicles

NOTE - Depreciation for Motor Vehicles is calculated using the reducing balance method which is $\text{Cost} - \text{Dep} = \text{NBV}$ - it is the NBV figure that will be used to calculate depreciation. These figures will be taken from the Trial Balance

$$\begin{aligned} &€280,000 - €116,000 && €164,000 * 20\% \\ &= €164,000 && = €32,800 \quad \text{P \& L / BS (use to calculate the tangible} \\ &&& \text{asset figure)} \end{aligned}$$

Step 4 - Calculate the Administration Costs

The Administration Cost can be made up of the following

Administration Wages and Salaries	x	
+ General Expenses	x	(If given in the question or Trial balance)
+ Rent and Rates	x	(If given in the question or Trial balance)
+ Insurance	x	(If given in the question or Trial balance)
+ Directors fees	x	(If given in the question or Trial balance)
+ Auditors fees	x	(If given in the question or Trial balance)
+ Discount	x	(If given in the question or Trial balance)
+ Dep Buildings	x	(If given in the question or Trial balance)
+ Dep Vehicles	x	(If given in the question or Trial balance)
+ Legal Fees	x	(If given in the question or Trial balance)
+ Dismissal of an employee	x	(If given in the question or Trial balance)

In this question the Administration Costs will be made up of the following

Working 7 - Administration Costs

Amount	€205,000	Form the Trial Balance
Dep Buildings	€9,120	From w6
Directors Fees	€32,000	Adjustment (iii)
Auditors Fees	€16,000	Adjustment (iii)
Legal Fees	<u>€5,000</u>	Adjustment (vii) / and Other Creditors
	€267,120	P & L

Step 5 - Calculate Other Operating Income

The Distribution Cost can be made up of the following

Discount Received	x	(If given in the question or Trial balance)
+ Commission Received	x	(If given in the question or Trial balance)
+ Rental Income Received	x	(If given in the question or Trial balance)
+ Royalties	x	(If given in the question or Trial balance)

In this question the Other Operating income will be made up of the following

Working 7 - Other Operating Income

Rental Income	€28,000	Form the Trial Balance
Discount	€39,000	From the Trial Balance
Royalties	<u>€15,000</u>	Working 4 / Adjustment (iv)
	€82,000	P & L

NOTE - Remember the Income items will be on the Cr side of the Trial Balance

Step 6 - Any Exceptional Items

An exceptional Item is any profit or loss made on the sale of a Fixed Asset. There is an exceptional item in this question from the sale of the land (adjustment v)

Working 8 - exceptional Item

Received	€167,000	Adjustment (v)
Cost	<u>€80,000</u>	Adjustment (v)
	€87,000	P & L

Step 7 - Calculate Investment Income Due

Adjustment (iii)**Working 9 - Investment Income Due**

Investment Income	€300,000	Trial Balance
Rate	6%	Question
Invested / purchases	01/04/2017	Trial Balance (only have for 9 months)

$€300,000 * 6% * 9/12$	Yearly €13,500
Yearly Investment Income	€13,500 (P & L)
	Paid <u>€8,400</u> Trial Balance
	Due €5,100 Debtors

Step 8 - Calculate Debenture Interest Due
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Adjustment (iii)**Working 10 - Debenture Interest Due**

Debenture Interest	€300,000	Trial Balance
Rate	7%	Trial Balance

$€300,000 * 7%$

Yearly Debenture Interest €21,000 (P & L)

Yearly €21,000

Paid €13,300 Trial Balance

Due €7,700 Other Creditors

Step 9 - Calculate Tangible Asset Total

You have to calculate the one total figure for tangible asset to put in the publish account for the balance sheet.

Working 11 - Tangible Assets

<u>Vehicles</u>			<u>Buildings</u>		
Cost	€280,000	Trial Balance	Revalued	€850,000	Adjustment (v)
DEP 01.01.	(€116,000)	Trial Balance			
DEP 31.12	<u>(€32,800)</u>	Working 6			
	€131,200				
 <u>Tangible Total</u>					
Vehicles	€131,200				
Buildings	<u>€850,000</u>				
	€981,200	BS Tangible Assets			

Step 10 - Calculate Debtor Figure

The Debtors figure will be made up of the

debtors	x	Trial Balance
+ income due	x	Usually a working
- provision for bad debts	<u>x</u>	Trial Balance
	x	

Working 12 - Debtors

debtors	€139,000	Form the Trial Balance
+ income due	€5,100	From working 9
- provision for bad debts	<u>(€28,500)</u>	From the Trial Balance
	€115,600	

Step 11 - Calculate Other Creditors Figure

The Other Creditor figure is made up of the other figures that the business owes money to except creditors and will be made up of the

Debenture Interest due	x	Usually form a working
+ Auditors Fees	x	if given in an adjustment
+ Directors Fee	x	if given in an adjustment
+ Legal	<u>x</u>	if given in an adjustment
	x	

Working 13 - Other Creditors

Debenture Interest due	€7,700	Working 10
+ Auditors Fees	€16,000	Adjustment (iii)
+ Directors Fee	€32,000	Adjustment (iii)
+ Legal	<u>€5,000</u>	Adjustment (vii)
	€60,700	BS CL

Adjustment (vii) - Sued By and employee

The company is being sued by an employee, but the legal advisor says the employee will lose. For the time and effort, we owe the legal team €5,000. This figure will go in the administration cost and the other creditors in the Balance Sheet as we owe this money

€5,000	Administration
	Other Creditors

Step 12 - Calculate the Taxation Figure
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The taxation figure is made up of the Tax figure and the VAT figure

Taxation	x	Given in the Trial balance or in an adjustment
+ VAT	<u>x</u>	Given in the Trial Balance
	x	

Working 14 - Taxation

Taxation	€49,000	Adjustment (iii)
+ VAT	<u>€34,200</u>	Trial Balance
	€83,200	BS CL

Step 13 - Calculate the Revaluation Reserve
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Remember the Revaluation Reserve is made up of 3 figures

Increase in the Value of Buildings	x	Might have to calculate this
+ Dep at the start of the year 01.01	x	Given in the Trial Balance
+ Dep for this year 31.12.	<u>x</u>	Usually as part of an adjustment
	x	

Adjustment (v)

Working 15 - Revaluation Reserve

Increase in the Value of Buildings	€90,000	Might have to calculate this
+ Dep at the start of the year 01.01	€81,300	Given in the Trial Balance
+ Dep for this year 31.12.	<u>€15,200</u>	w6
	€186,500	