

Published Accounts

Moorfields PLC

2013

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 figure

Turnover

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. There are no sale returns in this question

Working 1 - Turnover

Sales	€2,040,600	From the Trail Balance P & L
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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	€72,000	From the Trial Balance
Add Purchases	€1,260,000	From the Trial Balance
Add Patents	€6,000	Working 4 / Adjustment (ii)
Less Closing stock	<u>(€85,000)</u>	Adjustment (i)
	€1,253,000	P & L

Adjustment (i)

The closing stock figure of €85,000 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	€85,000	Adjustment (i)
		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 =	€60,000	Adjustment (ii)	€60,000 / 10
Amortised =	10 years		€6,000 Cost of Sales (Amortised each year)

Figure for the Balance Sheet (Intangible Asset)

Cost	€36,000	Taken from the Trial Balance
Amortised	<u>€6,000</u>	Working 4
Value	€30,000	Intangible Asset BS

NOTE Remember the patents were got in 2008 and we are doing the statements for 2012. So, use the patents figure in the trail balance

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	€194,000	From the Trial Balance
Buildings (w6)	€7,040	Adjustment (iv)
Vehicles (w6)	<u>€39,000</u>	Adjustment (iv)
	€240,040	P & L

Adjustment (vi)**Working 6 - Depreciation****Buildings**

€880,000 * 2%	€17,600 * 40% =	€7,040
= €17,600	€17,600 * 60% =	€10,560

In the question it says 40% of building depreciation is for distribution costs and 60% is for administration costs

Motor Vehicles

€260,000 * 15%		
= €39,000	P & L (Distribution Costs) / BS (use to calculate the tangible asset figure)	

Step 4 - Calculate the Administration Costs

The Administration Costs 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)
+ Liable Court Case	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	€206,000	From the Trial Balance
Dep Buildings	€10,560	From w6 / Adjustment (iv)
Directors Fees	€35,000	Adjustment (iii)
Auditors Fees	€6,500	Adjustment (iii)
Discount	<u>€18,500</u>	Adjustment (vi) / and Other operating Income
	€276,560	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)
+ Decrease in the provision for bad debts	x	(If given in the question or Trial balance)

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

Working 8 - Other Operating Income

Rental Income	€64,000	From the Trial Balance
Discount	€18,500	Adjustment (vi)
Royalties	<u>€13,000</u>	From the Trial Balance
	€96,500	P & L (Other Operating Income)

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 9 - Exceptional Item

Received	€150,000	Adjustment (v)
Cost	<u>€70,000</u>	Adjustment (v)
	€80,000	P & L (Exceptional Item)

Also can be taken from the Trial Balance

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 12 - Tangible Assets

<u>Vehicles</u>			<u>Buildings</u>		
Cost	€260,000	Trial Balance	Revalued	€970,000	Adjustment(iv)
DEP 01.01.	(€105,000)	Trial Balance			
DEP 31.12	<u>(€39,000)</u>	Working 6			
	€116,000				

Tangible Total

Vehicles	€116,000	
Buildings	<u>€970,000</u>	
	€1,086,000	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 13 - Debtors

debtors	€140,000	Form the Trial Balance
+ income due	€12,500	From working 10
- provision for bad debts	<u>(€7,800)</u>	From the Trial Balance
	€253,300	BS Debtors

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
+ Unfair Dismissal	x	if given in an adjustment
+ Legal	<u>x</u>	if given in an adjustment
	x	

Working 14 - Other Creditors

Debenture Interest due	€2,000	Working 11
+ Auditors Fees	€35,000	Adjustment (iii)
+ Directors Fee	<u>€6,500</u>	Adjustment (iii)
	€43,500	BS CL

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 15 - Taxation

Taxation	€60,000	Adjustment (iii)
+ VAT	<u>€74,000</u>	From the Trial Balance
	€134,000	BS CL

Step 13 - Calculate the Revaluation Reserve

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.	x	Usually as part of an adjustment
	X	

Adjustment (v)**Working 16 - Revaluation Reserve**

Increase in the Value of Buildings	€90,000	Might have to calculate this
+ Dep at the start of the year 01.01	€50,500	Given in the Trial Balance
+ Dep for this year 31.12.	<u>€17,600</u>	w6
	€158,100	
Revalued Amount	€950,000	
Old Value	<u>€860,000</u>	
Rev Res	€90,000	