

SECTION 1 (120 marks)
Answer **Question 1** OR any **TWO** other questions

1. Sole Trader – Final Accounts

The following trial balance was extracted from the books of S. Heighway on 31/12/2019:

	€	€
Land and buildings (cost €795,000)	770,000	
Delivery vans (cost €250,000)	186,000	
Equipment at cost	128,800	
Purchases and sales	1,080,000	1,867,000
VAT		3,100
PAYE, PRSI, USC		3,450
Bank		48,800
Debtors and creditors	97,500	84,300
Salaries and general expenses, (incorporating suspense)	381,750	
Stock 01/01/2019	62,900	
Provision for bad debts		4,500
Mortgage interest paid for first three months	8,400	
Advertising	56,800	
Discount (net)		8,500
Drawings	50,000	
Investment interest received		2,500
Capital		750,000
6% Investments (01/07/2019)	250,000	
8% Fixed mortgage (including €60,000 issued on 01/04/2019)	_____	<u>300,000</u>
	<u>3,072,150</u>	<u>3,072,150</u>

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

- (i) Stock at cost on 31/12/2019 was €69,800. This figure includes water damaged stock which cost €10,600 but which now has a net realisable value of 15% of cost.
- (ii) No record has been made in the books for 'goods in transit' on 31/12/2019. The invoice for these goods was received showing the recommended retail selling price of €24,500, which is cost plus 25%.
- (iii) Provide for depreciation on delivery vans at the annual rate of 20% per annum on cost from the date of purchase to the date of sale.
NOTE: on 31/03/2019 a delivery van which had cost €48,000 on 31/10/2016 was traded in against a new van which cost €64,000. An allowance of €26,000 was given on the old van. The cheque for the net amount of this transaction was entered in the bank account but was incorrectly treated as a purchase of trading stock. These were the only entries made in the books in respect of this transaction.
- (iv) A new warehouse was purchased during the year for €90,000 plus VAT @ 13.5%. The amount paid to the vendor was entered in the land and buildings account. No entry was made in the VAT account.
- (v) Buildings are to be depreciated at the rate of 2% per annum on cost (land at cost was €500,000). It was decided to revalue the land and buildings at €900,000 on 31/12/2019.
- (vi) The suspense figure arises as a result of the incorrect figure for mortgage interest (although the correct entry had been entered in the bank account) and a VAT payment of €3,700 entered only in the bank account.
- (vii) The figure for bank in the trial balance has been taken from the business bank account. However, a bank statement dated 31/12/2019 has arrived showing an overdraft of €32,000. A comparison of the bank account and the bank statement has revealed the following discrepancies:
 - 1. A credit transfer for €1,000 had been received on 31/12/2019 in respect of a debt of €1,500 previously written off as bad. The debtor has agreed to pay the remainder within two months. No entry was made in the books to record this transaction.
 - 2. A cheque for €16,500 issued to a supplier had been entered in the books (cash book and ledger) as €15,600.
 - 3. A cheque for €2,500 issued to a supplier had been returned. This had not been entered in the books.
 - 4. A cheque for advertising €14,200 has not been presented for payment.
- (viii) Provide for both investment income due and mortgage interest due.
(Note: 20% of mortgage interest for the year is to be attributed to the private section of the building.)
- (ix) Provision for bad debts is to be adjusted to 4% of debtors.

Required:

- (a) Prepare the trading and profit and loss account of S. Heighway for the year ended 31/12/2019. (75)
- (b) Prepare the balance sheet of S. Heighway as at 31/12/2019. (45)

(120 marks)