

Question 1 (b) Final Accounts of a company

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Trading Profit and Loss Account of McCormack Ltd for the year ended 31/12/2021 [1]

		€	€	€
Sales				1,850,000 [1]
Less Cost of Sales				
Opening stock			51,500 [2]	
Purchases	N1		875,600 [7]	
Less closing stock	N2		(75,400) [4]	(851,700)
Gross Profit				998,300
Less Expenses				
Distribution Costs				
Bad Debts written off	N3	10,500 [4]		
Increase in Bad Debt Provision	N4	134 [4]		
Advertising		8,400 [3]		
Sales Commission		32,000 [2]	51,034	
Administration Expenses				
Patents written off	N5	16,250 [4]		
Dep: Equipment	N6	70,400 [5]		
Loss on Disposal Equip	N7	400 [4]		
Dep: Land & Building	N8	12,800 [4]		
Loss on Fire	N9	5,000 [3]		
Wages & Salaries		196,700 [3]		
Insurance		25,000 [3]		
Directors Fees	N10	98,000 [4]	424,550	(475,584)
Add Operating Income				522,716
Bad Debt Recovered	N11		12,000 [3]	
Discount			17,500 [1]	<u>29,500</u>
Operating Profit				552,216
Investment Income	N12			<u>2,250</u> [3]
				554,466
Less Debenture Interest	N13			<u>(20,100)</u> [4]
Net Profit before Taxation				534,366
Taxation				<u>(60,000)</u> [1]
Net Profit after Taxation				474,366
Less Dividends paid				<u>(65,100)</u> [1]
Retained profit				409,266
Capital Reserve				<u>(250,000)</u> [1]
				159,266
P&L balance 01/01/2021				127,000 [1]
P&L balance 31/12/2021				<u>286,266</u> [2]

Balance Sheet of McCormack Ltd as at 31/12/2021

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	Cost	Acc Dep	NBV
Intangible Fixed Assets			
Patents N14			48,750 [2]
Tangible Fixed Assets			
Land & Buildings	1,640,000 [1]	12,800 [1]	1,627,200
Equipment N15 and N16	440,000 [1]	131,800 [3]	308,200
	2,080,000	144,600	1,935,400
Financial Assets			
Investments			75,000 [1]
Current Assets			
Closing Stock		75,400 [1]	
Debtors N17	237,800 [4]		
Less Bad debts provision	(7,134) [1]	230,666	
Investment Income due N18		1,250 [2]	
Fire Insurance		115,000 [2]	
VAT		1,000 [2]	
		423,316	
Creditors: amounts falling due within 1 year			
Creditors N19	75,000 [4]		
Bank N20	53,900 [6]		
Debenture Interest due N21	12,600 [2]		
Directors Fees due N22	7,000 [2]		
PAYE & PRSI	27,700 [1]		
Taxation due	60,000 [1]	(236,200)	187,116
			2,246,266
Financed By			
Creditors: amounts falling due after 1 year			
6% Debentures			360,000 [2]
Share Capital	Authorised	Issued	
Ordinary shares @ €1 each	1,500,000[1]	1,000,000 [1]	
4% Preference shares @ €1 each	1,000,000[1]	350,000 [1]	
	2,500,000	1,350,000	
Reserves			
Capital reserve		250,000 [1]	
Profit & Loss balance		286,266 [1]	1,886,266
Capital Employed			2,246,266

Question 1 B

N1 Purchases	$905,000 - 7,400 - 22,000$	875,600
N2 Closing stock	$82,800 - 7,400$	75,400
N3 Bad debts	$4,500 \div 30 \times 70$	10,500
N4 Provision for bad debts	$7,000 - 7,134$	134
N5 Patents written off	$(64,000 + 1,000) \div 4$	16,250
N6 Depreciation equipment	$440,000 \times (96\% \div 6)$	70,400
N7 Loss on sale	$65,000 - 41,600 - 23,000$	400
N8 Depreciation buildings	$(1,640,000 - 1,000,000) \times 2\%$	12,800
N9 Loss on fire	$120,000 - 115,000$	5,000
N10 Directors fees	$91,000 + 7,000$	98,000
N11 Bad debts recovered	$9,000 + 3,000$	12,000
N12 Investment income	$(75,000 \times .04) \div 12 \times 9$	2,250
N13 Debenture interest	$18,000 + 2,100$ OR $7,500 + 12,600$	20,100
N14 Patents	$65,000 - 16,250$	48,750
N15 Equipment – cost	$460,000 - 65,000 + 45,000$	440,000
N16 Equipment – AD	$103,000 + 70,400 - 41,600$	131,800
N17 Debtors	$249,800 - 15,000 + 3,000$	237,800
N18 Investment income due	$2,250 - 1,000$	1,250
N19 Creditors	$81,500 - 7,400 + 900$	75,000
N20 Bank	$68,300 - 900 - 4,500 - 9,000$	53,900
N20 Bank	$48,950 + 4,950$	53,900
N21 Interest due	$20,100 - 7,500$	12,600
N22 Commission due	$(1,850,000 - 1,500,000) \times .02$	7,000

Question 2

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(a) Reconciliation of operating profit to net cash flow from operating activities. {13}

		€	
Operating Profit		227,000	[1]
Depreciation charge for the year	W1	45,400	[3]
Less Profit on Sale of Fixed Assets	W2	(1,000)	[3]
Less Increase in Stock		(36,000)	[2]
Less Increase in Debtors		(13,400)	[2]
Increase in Creditors		9,000	[2]
Net Cash Inflow from Operating Activities		231,000	

Workings

1	Depreciation Expense Machinery	$209,000 - 187,600$	30,400	45,400
		$+9,000 =$		
	Depreciation Expense Building	$75,000 - 60,000 =$	15,000	
2	Profit on Sale of Machinery	$41,000 - 33,000 - 9,000$	=	1,000
3	Investment Income Received	$950 + 3,800 - 1,050$	=	3,700
4	Debenture Interest Paid	$2,000 + 12,000 - 2,600$	=	11,400
5	Taxation Paid	$48,000 + 66,000 - 52,000$	=	62,000
6	Payment for purchase of Buildings	$850,000 - 732,000$		118,000
	Cost of disposed Machinery	$438,000 - 397,000$		41,000
	Depreciation to date on Disposed Machinery			9,000