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

1. Answer (A) OR (B)

1(A). Company Final Accounts

Aiken Ltd has an Authorised Capital of €800,000 divided into 600,000 Ordinary Shares at €1 each and 200,000 5% Preference Shares at €1 each. The following Trial Balance was extracted from its books on 31/12/2021:

	€	€
Land and Buildings at cost	740,000	
Accumulated depreciation - Land and Buildings		38,000
Office Equipment (cost €55,000)	42,000	
Delivery Vans (cost €120,000)	95,000	
Patents (incorporating four months' investment income)	44,100	
Discount (Net)		12,800
Profit and Loss balance 01/01/2021		33,100
3% Investments (acquired on 01/06/2021)	90,000	
Stock on hand 01/01/2021	85,600	
Purchases and Sales	940,000	1,380,000
Debenture Interest for the first three months	3,600	
Dividends paid	25,500	
Debtors and Creditors	82,600	57,000
Bank		22,400
Bad Debts Provision		3,000
6% Debentures (including €70,000 issued on 01/09/2021)		270,000
PAYE, PRSI and USC		32,200
Advertising	5,400	
Salaries and General Expenses (including Suspense)	189,600	
Issued Share Capital – Ordinary Shares		400,000
– 5% Preference Shares		100,000
VAT	12,600	
Capital Reserve		25,000
Directors' Fees	17,500	
	2,373,500	2,373,500

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

(i) Stock at cost on 31/12/2021 was €93,400. This figure includes fire-damaged stock which cost €9,000 but which now has a net realisable value of 70% of cost.

(ii) Patents, which incorporate four months' investment income, are to be written off over a six-year period that commenced in 2020.

(iii) The figure for Advertising is for an 18-month campaign which began on 01/11/2021.

(iv) Goods with a retail selling price of €10,000 were returned to a supplier. The selling price was cost plus 25%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry has been made in respect of the restocking charge.

(v) Provide for depreciation on Delivery Vans at the annual rate of 15% per annum on cost. It is company policy to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

NOTE: During the year a delivery van which had cost €30,000 in 2018 was traded in for €17,000 against a new delivery van costing €42,000. The cheque for the net amount of this transaction was entered correctly 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.

(vi) It was discovered that goods had been dispatched to a customer on 31/12/2021 on a 'sale or return' basis. These goods had been entered in the books as a credit sale of €25,000, which is a mark-up on cost of 25%.

(vii) The company revalued Land and Buildings at €950,000 on 01/01/2021. The land element of this new value is €130,000. The revaluation has yet to be included in the accounts. Buildings are to be depreciated at the rate of 2% of cost per annum.

(viii) The suspense figure arises as a result of the incorrect figure for Debenture Interest (although the correct figure had been entered in the bank account) and Discount Allowed €1,500 entered only in the discount account.

(ix) The figure for Bank in the Trial Balance has been taken from the firm's records. However, a bank statement dated 31/12/2021 shows an overdraft of €12,650. A comparison of the bank account and the bank statement has revealed the following discrepancies:

1. A VAT refund of €4,200 had been paid directly into the firm's bank account.
2. Investment Income of €450 had been paid directly into the firm's bank account.
3. A cheque issued to a director for fees €3,900 had not been presented for payment.
4. A cheque for €1,200 had been lodged directly into the firm's bank account on behalf of a debtor in respect of a debt previously written off. This represents 60% of the original debt and the debtor has undertaken to pay the remainder of the debt in January 2022.

(x) The Directors recommend that:

1. Office Equipment to be depreciated by 20% of book value.
2. Provision to be made for both Investment Income due and Debenture Interest due.
3. A transfer of €12,000 should be made from profit to the Capital Reserve.
4. Provision for bad debts to be adjusted to 4% of debtors.

You are required to:

(a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2021. (75)

(b) Prepare a Balance Sheet as at 31/12/2021. (45)

(120 marks)