

## 1(A). Company Final Accounts

(120)

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

**1(A). Company Final Accounts (cont'd.)**

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.

## 1(A). Company Final Accounts (cont'd.)

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

(75)

**Trading, Profit and Loss Account (of Aiken Ltd)**  
for the year ended 31/12/2021 (1)

	€	€
Sales <b>W1</b>		1,355,000 (3)
<u>Less Cost of Sales</u>		
Stock 01/01/2021	85,600 (2)	
Purchases <b>W2</b>	915,800 (5)	
	1,001,400	
Less Stock 31/12/2021 <b>W3</b>	(110,700)(5)	
Cost of Goods Sold		(890,700)
<b>Gross Profit</b>		<u>464,300</u>
<u>Less Expenses</u>		
<u>Administration Expenses</u> <b>■</b>		
Salaries and General Expenses <b>W4</b>	191,700 (5)	
Directors' Fees	17,500 (2)	
Patents written off <b>W5</b>	9,000 (5)	
Depreciation: Buildings <b>W7</b>	16,400 (3)	
Office Equipment <b>W9</b>	8,400 (3)	
	<u>243,000</u>	
<u>Selling &amp; Distribution Expenses</u> <b>■</b>		
Advertising <b>W11</b>	600 (3)	
Depreciation: Delivery Vans <b>W13</b>	19,800 (3)	
	<u>20,400</u>	
		(263,400)
		<u>200,900</u>
<u>Operating Income</u>		
Profit on the Sale of Delivery Van <b>W15</b>	500 (5)	
Bad Debts recovered <b>W16</b>	2,000 (5)	
Reduction in Provision for Bad Debts <b>W18</b>	724 (5)	
Discount (Net) <b>■</b>	12,800 (2)	
		16,024
Operating Profit		216,924
Investment Income <b>W19</b>		1,575 (4)
Debenture Interest <b>W21</b>		(13,400)(4)
<b>Net Profit</b>		<u>205,099</u>
Less Dividends paid	25,500 (2)	
Less Transfer to Capital Reserve	12,000 (2)	
		(37,500)
Retained Profit		167,599
Profit and Loss balance 01/01/2021		33,100 (2)
Profit and Loss balance 31/12/2021		<u>200,699 (4)</u>

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.
- Allow 1 mark for correct word(s) if figure is incorrect or omitted.
- Deduct 1 mark for each missing heading in the Profit and Loss Account.

## 1(A). Company Final Accounts (cont'd.)

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

(45)

<b>Balance Sheet (of Aiken Ltd)</b>			
as at 31/12/2021			
	€	€	€
	<u>Cost</u>	<u>Dep.</u>	<u>NBV</u>
<b>Intangible Fixed Assets</b>			
Patents <b>W5</b>			••36,000 (1)
<b>Tangible Fixed Assets</b>			
Buildings <b>W6, W3</b>	950,000 (2)	16,400 (2)	933,600
Office Equipment <b>W10</b>	55,000 (1)	21,400 (2)	33,600
Delivery Vans <b>W12, W14</b>	132,000 (3)	31,300 (3)	100,700
	■ 1,137,000	69,100	1,067,900
<b>Financial Fixed Assets</b>			
3% Investments			90,000 (1)
			1,193,900
<b>Current Assets</b>			
Stock 31/12/2021 <b>W3</b>		••110,700 (1)	
Advertising prepaid <b>W11</b>		••4,800 (1)	
Debtors <b>W17</b>	56,900 (4)		
Less Provision for Bad Debts <b>W18</b>	••(2,276)(1)	54,624	
Investment Income due <b>W19</b>		225 (2)	
VAT <b>W20</b>		8,400 (2)	
		178,749	
<b>Less Creditors: amounts falling due within 1 year</b>			
Debenture Interest due ■ <b>W21</b>		10,400 (2)	
Creditors <b>W22</b>		57,800 (2)	
Bank (Overdraft) <b>W23</b>		16,550 (4)	
PAYE, PRSI and USC		32,200 (1)	
		(116,950)	
Net Current Assets			61,799
<b>Total Net Assets</b>			1,255,699
<b>Financed by:</b>			
<b>Creditors: amounts falling due after more than 1 year</b>			
6% Debentures ■■■			270,000 (1)
<b>Capital and Reserves</b>			
	<u>Auth'd.</u>	<u>Issued</u>	
Ordinary Shares @ €1	600,000 (1)	400,000 (1)	
5% Preference Shares @ €1	200,000 (1)	100,000 (1)	
	800,000	500,000	
Revaluation Reserve <b>W24</b>		248,000 (2)	
Capital Reserve <b>W25</b>		37,000 (2)	
Profit and Loss balance 31/12/2021		••200,699 (1)	985,699
<b>Capital Employed</b>			1,255,699

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.
- Allow 1 mark for correct word(s) if figure is incorrect or omitted.
- Deduct 1 mark for the omission of total cost figure for 'Fixed Assets' in the Balance Sheet.
- Deduct 1 mark if '6% Debentures' is shown within 'Capital and Reserves' section.

## 1(A). Company Final Accounts (cont'd.)

<b>Workings:</b>	€	€
<b>W1</b> Sales		
Figure taken from the Trial Balance	1,380,000 (1)	
– Goods on 'Sale or Return' basis	(25,000)(2)	
Figure transferred to Trading a/c	<u>1,355,000</u>	
<b>W2</b> Purchases		
Figure taken from the Trial Balance	940,000 (1)	
– Payment for new delivery van		
[€42,000 – €17,000]	(25,000)(2)	
– Restocking Charge (10% of cost price)		
[10% of (€10,000 × 100/125)]	<u>800 (2)</u>	
Figure transferred to Trading a/c	<u>915,800</u>	
<b>W3</b> Stock 31/12/2021		
Figure taken from additional notes	93,400 (1)	
– Damaged Stock		
[€9,000 – (70% of €9,000/€6,300)]	(2,700)(2)	
– Goods on 'Sale or Return' basis		
[€25,000 × 100/125]	<u>20,000 (2)</u>	
Figure transferred to Trading a/c	<u>110,700</u>	
Figure transferred to Balance Sheet	<b>••110,700 (1)</b>	
<b>W4</b> Salaries and General Expenses		
Figure taken from the Trial Balance	189,600 (1)	
+ Debenture interest error		
[€3,600 – (6% of €200,000 × 3/12)]	600 (2)	
+ Discount Allowed omitted	<u>1,500 (2)</u>	
Figure transferred to Profit & Loss a/c	<u>191,700</u>	
<b>W5</b> Patents		
Figure taken from the Trial Balance	44,100 (1)	
+ 4 months' Investment Income		
[3% of €90,000 × 4/12]	<u>900 (2)</u>	
Value of Patents 01/01/2021	<u>45,000</u>	
Patents written off in current year		
Value written off [€45,000 ÷ 5]	<b>••9,000 (2)</b>	
Figure transferred to Profit & Loss a/c	<u>9,000</u>	
* 2020 has already been written off so therefore only 5 years out of 6 remaining.		
Value of Patents 31/12/2021		
Value of Patents 01/01/2021	45,000	
– Value written off in current year	<b>••(9,000)</b>	
Figure transferred to Balance Sheet	<u>36,000 (1)</u>	
<b>W6</b> Buildings		
Cost of Buildings 01/01/2021	740,000 (1)	
+ Transfer to Revaluation Reserve		
01/01/2021 [€950,000 – €740,000]	<b>•210,000 (1)</b>	
Figure transferred to Balance Sheet	<u>950,000</u>	
<b>W7</b> Depreciation: Buildings		
Value of Buildings 31/12/2021	950,000	
Depreciation charge for the year		
[2% (1) of (€950,000 (1) – €130,000(1))]	<b>••16,400 (3)</b>	
Figure transferred to Profit & Loss a/c	<u>16,400</u>	
<b>W8</b> Accumulated Depreciation: Buildings		
Accumulated Depreciation 01/01/2021	38,000 (1)	
– Transfer to Revaluation Reserve		
01/01/2021	(38,000)	
+ Depreciation charge for the year	<b>••16,400 (1)</b>	
Figure transferred to Balance Sheet	<u>16,400</u>	
<b>W9</b> Depreciation: Office Equipment		
Depreciation charge for the year		
[20% (1) of €42,000 (2)]	<u>8,400 (3)</u>	
Figure transferred to Profit & Loss a/c	<u>8,400</u>	
<b>W10</b> Depreciation: Office Equipment		
Accumulated Depreciation 01/01/2021		
[€55,000 – €42,000]	13,000 (1)	
+ Depreciation charge for the year	<b>••8,400 (1)</b>	
Figure transferred to Balance Sheet	<u>21,400</u>	
<b>W11</b> Advertising		
Figure taken from the Trial Balance	5,400 (1)	
– Advertising prepaid 31/12/2021		
[€5,400 ÷ 18 × 16]	(4,800)(2)	
Figure transferred to Profit & Loss a/c	<u>600</u>	
Figure transferred to Balance Sheet	<b>••4,800 (1)</b>	
<b>W12</b> Delivery Vans		
Cost of Delivery Vans 01/01/2021	120,000 (1)	
– Cost of Delivery Van traded in	(30,000)(1)	
+ Cost of new Delivery Van	<u>42,000 (1)</u>	
Figure transferred to Balance Sheet	<u>132,000</u>	
<b>W13</b> Depreciation: Delivery Vans		
Depreciation charge for the year		
[15% (1) of <b>••€132,000 (2)</b> ]	<u>19,800 (3)</u>	
Figure transferred to Profit & Loss a/c	<u>19,800</u>	
<b>W14</b> Accumulated Depreciation: Delivery Vans		
Accumulated Depreciation 01/01/2021		
[€120,000 – €95,000]	25,000 (1)	
+ Depreciation charge for the year	<b>••19,800 (1)</b>	
– Depreciation of delivery van to date		
of sale [15% of €30,000 × 3 yrs.]	<b>••(13,500)(1)</b>	
Figure transferred to Balance Sheet	<u>31,300</u>	
<b>W15</b> Profit on Sale of Delivery Van		
Depreciation of delivery van prior to sale		
2018: (full year) [15% of €30,000]	4,500	
2019: (full year) [15% of €30,000]	4,500	
2020: (full year) [15% of €30,000]	4,500	
2021: (no depreciation)	<u>–</u>	
Total depreciation to date of sale	<u>13,500 (3)</u>	
Allowance received for Delivery Van	17,000 (1)	
Book value on date of sale		
Cost of Delivery Van	30,000 (1)	
– Depreciation to date	<b>••(13,500)</b>	
Figure transferred to Profit & Loss a/c	<u>(16,500)</u>	
	<u>500</u>	

• Allow 1 mark for student's own figure.

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## 1(A). Company Final Accounts (cont'd.)

<b>Workings (cont'd.)</b>	€	€	
<b>W16</b> Bad Debt recovered		<b>W21</b> Debenture Interest	
Bank (60% recovered)	1,200 (2)	Debenture Interest charge for the year	
+ Debtors [(€1,200 ÷ 60) × 40]	<u>800 (3)</u>	[6% of €200,000] (full year)	12,000 (2)
Figure transferred to Profit & Loss a/c	<u>2,000</u>	[6% of €70,000 × 4/12] (4 months)	<u>1,400 (2)</u>
		Figure transferred to Profit & Loss a/c	13,400
<b>W17</b> Debtors		Debenture Interest due	
Figure taken from the Trial Balance	82,600 (1)	Debenture Interest payable for the year	••13,400 (1)
– Goods on 'Sale or Return' basis	(25,000)(1)	Debenture Interest paid	3,600
– Discount Allowed omitted	(1,500)(1)	– Interest error <b>W4</b>	<u>(600)</u>
+ Bad Debt recovered <b>W16</b>	<u>••800 (1)</u>	Figure transferred to Balance Sheet	<u>10,400</u>
Figure transferred to Balance Sheet	<u>56,900</u>		
<b>W18</b> Provision for Bad Debts		<b>W22</b> Creditors	
Figure taken from the Trial Balance	3,000 (2)	Figure taken from the Trial Balance	57,000 (1)
– New provision [4% of €56,900] <b>W17</b>	<u>••(2,276)(3)</u>	+ Restocking charge	
Reduction in Provision for Bad Debts	<u>724</u>	[10% of (€10,000 × 100/125)]	<u>800 (1)</u>
Figure transferred to Profit & Loss a/c	724	Figure transferred to Balance Sheet	<u>57,800</u>
Figure transferred to Balance Sheet	<u>••2,276 (1)</u>	<b>W23</b> Bank (Overdraft)	
<b>W19</b> Investment Income		Figure taken from the Trial Balance	22,400 (1)
Investment Income receivable		– VAT refund received	(4,200)(1)
[3% of €90,000 × 7/12] (7 months)	<u>•1,575 (4)</u>	– Investment Income received	(450)(1)
Figure transferred to Profit & Loss a/c	<u>1,575</u>	– Bad Debt recovered	<u>(1,200)(1)</u>
Investment Income due		Figure transferred to Balance Sheet	<u>16,550</u>
Investment Income receivable	<u>••1,575</u>	<b>W24</b> Revaluation Reserve	
– Investment Income incorporated		Increase in buildings valuation at	
in Patents [3% of €90,000 × 4/12]	(900)(1)	01/01/2021 [€950,000 – €740,000] <b>W6</b>	210,000 (1)
– Investment Income received in bank	<u>(450)(1)</u>	+ Accumulated Depreciation on	
Figure transferred to Balance Sheet	<u>225</u>	buildings 01/01/2021	<u>38,000 (1)</u>
		Figure transferred to Balance Sheet	<u>248,000</u>
<b>W20</b> VAT (payable to business)		<b>W25</b> Capital Reserve	
Figure taken from the Trial Balance	12,600 (1)	Figure taken from the Trial Balance	25,000 (1)
– VAT refund received in bank	<u>(4,200)(1)</u>	+ Transfer from Profit & Loss Account	<u>12,000 (1)</u>
Figure transferred to Balance Sheet	<u>8,400</u>	Figure transferred to Balance Sheet	<u>37,000</u>

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