

4. Published Accounts

Beech plc has an authorised capital of €1,500,000 divided into 900,000 ordinary shares at €1 each and 600,000 6% preference shares at €1 each.

The following trial balance was extracted from its books on 31/12/2021:

	€	€
Issued capital		
360,000 ordinary shares at €1 each		360,000
100,000 6% preference shares at €1 each		100,000
Patents 01/01/2021	20,000	
Land and buildings	800,000	
Delivery vans at cost	180,000	
Delivery vans – accumulated depreciation on 01/01/2021		70,000
5% Investments	120,000	
Debtors and creditors	47,000	68,000
Purchases and sales	605,000	1,200,000
Stock 01/01/2021	65,000	
Directors' fees	60,000	
Salaries and general expenses	258,000	
Advertising	76,000	
Profit on sale of land		250,000
Rental Income		25,000
Dividends paid	24,000	
Profit and loss account 01/01/2021	26,000	
8% Debentures (2026) including €40,000 debentures issued on 01/10/2021		160,000
Bank		33,000
VAT		<u>15,000</u>
	<u>2,281,000</u>	<u>2,281,000</u>

The following information is also relevant:

- (i) Stock on 31/12/2021 was €90,000.
- (ii) The patent was acquired on 01/01/2017 for €40,000. It is being amortised over 8 years in equal instalments. The amortisation is to be included in the cost of sales.
- (iii) Included in administrative expenses is the receipt of €22,000 for patent royalties.
- (iv) During the year land, which had cost €100,000, was sold for €350,000. The remaining land had cost €150,000.
- (v) Depreciation is to be provided as follows:
Delivery vans at the rate of 20% of cost per annum straight line and buildings at the rate of 2% of cost per annum straight line. There was no purchase or sale of buildings during the year.
- (vi) Provide for debenture interest due, investment income due, auditors' fees €6,500, sales commission of 2% on sales in excess of €1,000,000 and corporation tax €62,000.

Required:

- (a) Prepare the published profit and loss account for the year ended 31/12/2021 in accordance with the Companies Act and appropriate accounting standards showing the following notes:

- 1. Accounting policy note for tangible fixed assets and stock.
- 2. Operating profit.
- 3. Interest payable.
- 4. Dividends.
- 5. Tangible fixed assets.

(52)

- (b) (i) Explain the purpose of an auditor's report.
(ii) State three items of information that must be included in a directors' report. (8)

(60 marks)