

Q.4  
(a)

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**Profit and Loss Account of Beech PLC for the year ended 31/12/2021 [1]**

|                                             |     |                 |
|---------------------------------------------|-----|-----------------|
| Turnover                                    | [2] | 1,200,000       |
| Cost of sales                               | [5] | (585,000)       |
| Gross profit                                |     | 615,000         |
| Distribution costs                          | [4] | (116,000)       |
| Administrative expenses                     | [5] | (359,500)       |
|                                             |     | 139,500         |
| Other operating income                      | [2] | <u>47,000</u>   |
| Operating profit                            |     | 186,500         |
| Profit on sale of land                      | [2] | 250,000         |
| Investment income                           | [2] | <u>6,000</u>    |
|                                             |     | 442,500         |
| Interest payable                            | [3] | <u>(10,400)</u> |
| Profit on ordinary activities before tax[1] |     | 432,100         |
| Taxation                                    | [2] | <u>(62,000)</u> |
| Profit after taxation                       |     | 370,100         |
| Dividends paid                              | [2] | <u>(24,000)</u> |
| Profit retained for year                    |     | 346,100         |
| Profit brought forward at 01/01/2021        | [2] | (26,000)        |
| Profit carried forward at 31/12/2021        | [3] | <u>320,100</u>  |

| <b>Workings</b> |                         |                                              |         |
|-----------------|-------------------------|----------------------------------------------|---------|
| 1.              | Cost of Sales           | $65,000 + 605,000 + 5,000 - 90,000$          | 585,000 |
| 2.              | Distribution Costs      | $4,000 + 76,000 + 36,000$                    | 116,000 |
| 3.              | Administrative Expenses | $60,000 + 258,000 + 6,500 + 13,000 + 22,000$ | 359,500 |

## Notes to the Accounts

### 1. Accounting Policy Notes

#### Tangible Fixed Assets [4]

Buildings were revalued at the end of this year and have been included in the accounts at their revalued amount.

Depreciation is calculated in order to write off the value or cost of tangible fixed assets over their estimated useful economic life, as follows:

- Buildings 2% per annum straight line basis
- Delivery vans 20% per annum straight line basis

*Stocks* are valued on a first in first out basis at the lower of cost and net realisable value.

### 2. Operating Profit [3]

|                                                    |          |
|----------------------------------------------------|----------|
| The operating profit is arrived at after charging: | <b>€</b> |
| Depreciation on tangible fixed assets              | 49,000   |
| Patent amortised                                   | 5,000    |
| Directors fees                                     | 60,000   |
| Auditors fees                                      | 6,500    |

### 3. Interest payable [2]

Interest payable on 8% debentures €160,000 (Repayable by **2026**) €10,400

### 4. Tangible Fixed Assets [5]

| <b>Tangible Fixed Assets</b>      | <b>Buildings</b> | <b>Vehicles</b> | <b>Total</b>     |
|-----------------------------------|------------------|-----------------|------------------|
| Cost or valuation 01/01/2021      | 900,000          | 180,000         | 1,080,000        |
| Disposal                          | (100,000)        |                 | <u>(100,000)</u> |
| Value at 31/12/2021               | 800,000          | 180,000         | 980,000          |
| <b>Depreciation at 01/01/2021</b> |                  | 70,000          | 70,000           |
| Depreciation charge for year      | 13,000           | 36,000          | 49,000           |
|                                   | 13,000           | 106,000         | 119,000          |
| <b>Net book value 01/01/2021</b>  | 900,000          | 110,000         | 1,010,000        |
| <b>Net book value 31/12/2021</b>  | 787,000          | 74,000          | 861,000          |

### 5. Dividends [2]

|                      |              |         |
|----------------------|--------------|---------|
| Ordinary dividends   | 5c per share | €18,000 |
| Preference dividends | 6c per share | €6,000  |