

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

1. (A) Company Final Accounts

Nolan Ltd has an authorised capital of €1,400,000 divided into 900,000 ordinary shares at €1 each and 500,000 8% preference shares at €1 each.

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

	€	€
Premises at cost	850,000	
Accumulated depreciation on premises		41,000
Delivery vans at cost	120,000	
Accumulated depreciation on delivery vans		24,200
Patents (incorporating 3 months investment income)	60,000	
6% Investments (acquired on 01/04/2021)	200,000	
Stock 01/01/2021	48,000	
Purchases and sales	460,000	898,000
Directors' fees (incorporating suspense)	65,000	
Salaries and general expenses	211,000	
Debtors and creditors	61,000	54,000
Advertising	30,000	
Provision for bad debts		3,800
Dividends paid	47,000	
Profit and loss balance 01/01/2021	52,000	
8% Debentures (including €100,000 issued on 30/06/2021)		400,000
Bank	17,000	
Issued share capital - ordinary shares		500,000
- 8% preference shares	_____	<u>300,000</u>
	<u>2,221,000</u>	<u>2,221,000</u>

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

- (i) Stock at cost on 31/12/2021 was €75,000. This includes stock that cost €7,000 but which now only has a net realisable value of 60% of its original cost.
- (ii) Goods were sent to a customer on a 'Sale or Return' basis on 31/12/2021. These goods were recorded in the books as a credit sale. The recommended retail selling price of these goods was €4,800, which is cost plus 20%.
- (iii) Patents are to be written off over 8 years commencing in 2021.
- (iv) During the year €12,000 in stock and €28,000 of buildings were destroyed by fire. The insurers agreed to pay compensation of €38,000. A new storeroom was built by the company's own employees. The cost of their labour was €30,000 which was included in the salaries and general expenses figure. The materials, costing €35,000 were taken from existing stock. No record has yet been made in the books for the fire or new storeroom and no compensation has yet been received.
- (v) The suspense figure arises as a result of the incorrect treatment of discount received €800 entered only in the creditor's account and sales returns of €300 entered only in the debtor's account.
- (vi) The advertising payment is for an 18 month campaign which began on 01/10/2021.
- (vii) The figure for bank in the trial balance has been taken from the company's own records. However the bank statement dated 31/12/2021 has arrived showing a balance of €24,880.

A comparison of the bank account and the bank statement revealed the following discrepancies:

- 1. Investment income of €3,000 had been paid directly into the bank.
 - 2. A credit transfer for €2,000 had been received on 31/12/2021 in respect of a debtor who has recently been declared bankrupt. This represents a first and final payment of 40c in the €1 owed.
 - 3. A cheque issued to a creditor for €740 had been entered in the books (cash book and ledger) as €470.
 - 4. A cheque of €3,150 issued to a creditor had not been presented for payment by 31/12/2021.
- (viii) Provision should be made for the following:
- 1. Premises to be depreciated by 2% of cost per annum.
 - 2. Delivery vans to be depreciated by 30% of the net book value.
 - 3. Debenture interest due and investment income due.

Required:

- (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)