1. (B) Company Final Accounts including a Manufacturing Account

Texas Ltd has an authorised capital of €1,500,000 divided into 1,000,000 ordinary shares at €1 each and 500,000 5% preference shares at €1 each.
The following trial balance was extracted from the books on 31/12/2021:

	€	€
Plant and machinery (cost €380,000)	305,000	
Factory buildings (cost €930,000)	880,000	
Hire of special equipment	52,800	
General factory overheads (including suspense)	108,800	
Stocks on hand 01/01/2021		
Finished goods	39,800	
Raw materials	42,600	
Work in progress	49,200	
Direct factory wages	150,000	
Purchase of raw materials	680,800	
Royalty payments	38,600	
Sale of scrap materials		6,700
Selling expenses	49,000	
Administration expenses	68,200	
Sales		1,490,000
Discount (net)		6,500
Rent		22,000
4% Investments acquired on 01/04/2021	260,000	
Profit and loss balance 01/01/2021		82,000
PAYE, PRSI & USC		21,600
6% Debentures (including €50,000 issued on 01/04/2021)		290,000
Dividends paid	33,500	
Bank		73,600
Debtors and creditors	74,000	59,900
Issued share capital - ordinary shares		550,000
- 5% preference shares		230,000
	2,832,300	2,832,300

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

(i) Stocks on hand at 31/12/2021:

	Finished goods	€58,200
	Raw materials	€37,600
	Work in progress	€43,800

(ii) It was discovered that finished goods had been sent to a customer on 31/12/2021 on a 'sale or return' basis. These goods had been recorded as a credit sale of €20,500 which is a mark-up on cost of 25%.

(iii) The suspense figure arises as a result of discount allowed €500 entered only in the discount account and credit purchases of raw materials €8,000 entered on the incorrect side of the creditor account.

(iv) During 2021 Texas Ltd built an extension to the warehouse. The work was carried out by the firm's own employees. The cost of their labour €32,000 was included in factory wages. The materials, costing €28,000 were taken from stocks. No entry had been made in the books in respect of this extension.

(v) Included in the figure for sale of scrap materials is €4,500 received from the sale of an old machine on 30/06/2021. This machine had cost €20,000 on 01/04/2016.

(vi) Provision should be made for depreciation as follows:
Plant and machinery at the annual rate of 15% of cost from the date of purchase to the date of sale.
Buildings at 2% of the cost at 31/12/2021. Depreciation on buildings is to be allocated 75% to factory and the remainder to office administration.

(vii) 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 €66,000.
A comparison of the bank account and the bank statement revealed the following discrepancies:
1. A cheque for €900 had been lodged directly into the firm's bank account on behalf of a debtor in respect of a debt previously written off. This represented 60% of the original debt and the debtor has undertaken to repay the remainder in January 2022.
2. A cheque for €8,500 issued to a supplier had been entered in the books (cash book and ledger) as €5,800.
3. A cheque for €9,400 issued to a supplier had not been presented for payment by 31/12/2021.

(viii) Provision should be made for the following:
1. Investment income due and debenture interest due.
2. The creation of a provision for bad debts equal to 6% of debtors on 31/12/2021.
3. The Sales Director should be paid a bonus commission of 2% on all sales greater than €1,000,000, increasing to 4% on any sales above €1,400,000.

Required:

(a) Prepare a manufacturing, 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)