

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

1. Answer (A) OR (B)

(A) Sole Trader – Final Accounts

The following Trial Balance was extracted from the books of Bobby Byrne on 31/12/2022:

	€	€
Land and Buildings (cost €950,000)	894,000	
Office Equipment (cost €35,000)	21,000	
Delivery Vans (cost €140,000)	62,000	
Sales		1,529,000
Purchases	858,000	
Stock 01/01/2022	72,300	
PAYE, PRSI and USC		3,900
Discount (Net)	2,500	
5% Fixed Mortgage (including €80,000 received on 01/10/2022)		280,000
3% Investments (acquired on 01/05/2022)	200,000	
Bank		31,700
Debtors and Creditors	82,300	68,900
Salaries and General Expenses	124,400	
Insurance (including Suspense)	25,600	
Advertising	21,500	
Mortgage Interest paid for the first six months	5,600	
Drawings	34,800	
Provision for Bad Debts		3,200
VAT		4,500
Rent		10,000
Rates	21,200	
Capital		494,000
	2,425,200	2,425,200

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

- (i) Stock at cost on 31/12/2022 was €68,800. This figure includes fire-damaged stock which cost €8,600, but which now has a net realisable value of 30% of cost.
- (ii) Goods with a retail selling price of €9,600 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.
- (iii) Provide for depreciation on Delivery Vans at the annual rate of 20% of cost from the date of purchase to the date of sale.
Note: On 30/04/2022, a Delivery Van which had cost €36,000 on 01/07/2019 was traded in against a new van which cost €42,000. An allowance of €18,000 was given on the old van. The cheque for the net amount of this transaction was entered 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.
- (iv) The suspense figure arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and a VAT payment of €3,800 entered only in the bank account.
- (v) Goods were sent to a customer on a 'sale or return' basis on 31/12/2022. These goods were recorded in the books as a credit sale of €37,200, which is a mark-up on cost of 25%.
- (vi) A creditor who was owed €12,600 accepted office equipment with a book value of €11,000 in full settlement of the debt. The office equipment had cost €15,000. No entry was made in the books in respect of this transaction. Provide for depreciation on office equipment held on 31/12/2022 at the rate of 15% of cost.
- (vii) The figure for Bank in the Trial Balance has been taken from the firm's records. However, a bank statement dated 31/12/2022 shows an overdraft of €16,700. A comparison of the bank account and the bank statement has revealed the following discrepancies:
 - 1. A credit transfer for €2,600 had been received on 31/12/2022 from a debtor in respect of a debt previously written off. This represents 65% of the original debt. The debtor has agreed to pay the remainder within three months. No entry was made in the books to record this transaction.
 - 2. Investment Income earned in 2022 was lodged directly into the firm's bank account.
 - 3. A cheque for €3,500 issued to a supplier had been returned. This had not been entered in the books.
 - 4. A cheque for €4,800 in respect of Rates had not been presented for payment by 31/12/2022.
- (viii) Buildings are to be depreciated at the rate of 2% of cost per annum (land at cost was €250,000). It was decided to re-value the land and buildings at €1,100,000 on 31/12/2022.
- (ix) Provide for Mortgage Interest due.
Note: 20% of mortgage interest for the year is to be attributed to the private section of the building.
- (x) Provision for Bad Debts is to be adjusted to 4% of Debtors.

You are required to:

- (a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2022. (75)
- (b) Prepare a Balance Sheet as at 31/12/2022. (45)

(120 marks)