

1. (A) Sole Trader – Final Accounts

(120)

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) Sole Trader – Final Accounts (cont'd.)

(vii) (cont'd.)

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 €4,900 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.

(a) Prepare a Trading and Profit and Loss Account for the year ended 31/12/2022.

(75)

Trading, Profit and Loss Account (of Bobby Byrne)
for the year ended 31/12/2022 (1)

	€	€
Sales W1		1,491,800 (4)
<u>Less Cost of Sales</u>		
Stock 01/01/2022	72,300 (2)	
Purchases W2	834,768 (6)	
	907,068	
Less Stock 31/12/2022 W3	(92,540)(6)	
Cost of Goods Sold		(814,528)
Gross Profit		677,272
<u>Less Expenses</u>		
<u>Administration</u> ■■		
Salaries and General Expenses	124,400 (2)	
Insurance W4	22,400 (6)	
Rates	21,200 (2)	
Depreciation: Buildings ■ W6	14,000 (3)	
Office Equipment ■ W9	3,000 (3)	
	185,000	
<u>Selling & Distribution</u> ■■		
Discount W11	900 (4)	
Advertising	21,500 (2)	
Depreciation: Delivery Vans ■ W13	28,800 (6)	
	51,200	
Total Expenses		(236,200)
		441,072
<u>Add Operating Income</u>		
Profit on Sale of Delivery Van ■ W14	2,400 (6)	
Bad Debt Recovered ■ W16	4,000 (4)	
Reduction in Provision for Bad Debts ■ W18	1,340 (4)	
Rent Receivable	10,000 (2)	
	17,740	
Operating Profit		458,812
Add Investment Income ■ W19		4,000 (3)
		462,812
Less Mortgage Interest ■ W20		(8,800)(6)
Net Profit		●●●454,012 (3)

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.
- Allow 1 mark for correct word(s) if figure is incorrect or omitted.
- Deduct 1 mark for each missing heading in the Profit and Loss Account.

1. (A) Sole Trader – Final Accounts (cont'd.)

(b) Prepare a Balance Sheet as at 31/12/2022. (45)

Balance Sheet (of Bobby Byrne)
as at 31/12/2022

	€	€	€
	<u>Cost</u>	<u>Dep.</u>	<u>NBV</u>
Tangible Fixed Assets			
Land and Buildings W5, W7	1,100,000 (2)	—	1,100,000
Office Equipment W8, W10	20,000 (2)	13,000 (3)	7,000
Delivery Vans W12, W15	•146,000 (3)	86,400 (3)	59,600
	■1,266,000	■99,400	1,166,600
Financial Assets			
3% Investments			200,000 (1)
			1,366,600
Current Assets			
Stock 31/12/2022 W3		••92,540 (1)	
Debtors W17	46,500 (5)		
– Provision for Bad Debts W18	(1,860)(1)	44,640	
		<u>137,180</u>	
Less Creditors: amounts falling due within 1 year			
Mortgage Interest due W21		6,000 (3)	
Bank (Overdraft) W22		21,600 (4)	
Creditors W23		60,568 (6)	
VAT W24		••700 (3)	
PAYE, PRSI and USC		3,900 (1)	
		<u>(92,768)</u>	
Net Current Assets			44,412
Total Net Assets			<u>1,411,012</u>
Financed by:			
Creditors: amounts falling due after more than 1 year			
5% Fixed Mortgage ■			280,000 (1)
Capital and Reserves			
Capital 01/01/2022		494,000 (1)	
Add Revaluation Reserve W25		••220,000 (2)	
Add Net Profit		••454,012 (1)	
		1,168,012	
Less Drawings W26		(37,000)(2)	1,131,012
Capital Employed			<u>1,411,012</u>

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.
- Allow 1 mark for correct word(s) if figure is incorrect or omitted.
- Deduct 1 mark for the omission of total figures for 'Tangible Fixed Assets' in the Balance Sheet.
- Deduct 1 mark if '5% Fixed Mortgage' is shown within 'Capital and Reserves' section.

1. (A) Sole Trader – Final Accounts (cont'd.)

Workings:	€	€
W1 Sales		
Figure taken from the Trial Balance	1,529,000 (2)	
– Goods on 'Sale or Return' basis	(37,200)(2)	
Figure transferred to Trading a/c	<u>1,491,800</u>	
W2 Purchases		
Figure taken from the Trial Balance	858,000 (2)	
+ Restocking Charge (10% of cost price)		
[10% of (€9,600 × 100/125)/€7,680]	768 (2)	
– Payment for new delivery van		
[€42,000 – €18,000]	(24,000)(2)	
Figure transferred to Trading a/c	<u>834,768</u>	
W3 Stock 31/12/2022		
Figure taken from additional notes	68,800 (2)	
– Damaged Stock [70% of €8,600 or		
€8,600 – (30% of €8,600/€2,580)]	(6,020)(2)	
+ Goods sent on 'Sale or Return' basis		
[€37,200 × 100/125]	<u>29,760 (2)</u>	
Figure transferred to Trading a/c	92,540	
Figure transferred to Balance Sheet	••92,540 (1)	
W4 Insurance		
Figure taken from the Trial Balance	25,600 (2)	
+ Mortgage interest error		
[€5,600 – (5% of €200,000 × 6/12)]	600 (2)	
– VAT payment not entered in ledger	(3,800)(2)	
Figure transferred to Profit & Loss a/c	<u>22,400</u>	
W5 Land and Buildings		
Cost of Land and Buildings 31/12/2022	950,000 (1)	
+ Transfer to Revaluation Reserve		
31/12/2022 [€1,100,000 – €950,000]	•150,000 (1)	
Figure transferred to Balance Sheet	<u>1,100,000</u>	
W6 Buildings		
Cost of Buildings 31/12/2022		
[€950,000 – €250,000]	700,000	
Depreciation charge for the year		
[2% (1) of (€950,000 (1) – €250,000(1))]	••14,000 (3)	
Figure transferred to Profit & Loss a/c	<u>14,000</u>	
W7 Accumulated Depreciation: Buildings		
Accumulated Depreciation 01/01/2022		
[€950,000 – €894,000]	56,000	
+ Depreciation charge for the year	••14,000	
	<u>70,000</u>	
– Revaluation Reserve 31/12/2022	(70,000)	
Figure transferred to Balance Sheet	<u>—</u>	
W8 Office Equipment		
Figure taken from the Trial Balance	35,000 (1)	
– Equipment given to creditor		
in full settlement of debt (cost)	(15,000)(1)	
Figure transferred to Balance Sheet	<u>20,000</u>	
W9 Depreciation: Office Equipment		
Depreciation charge for the year		
[15% (1) of €20,000 (2)]	••3,000 (3)	
Figure transferred to Profit & Loss a/c	<u>3,000</u>	
W10 Accumulated Depreciation: Office Equipment		
Accumulated Depreciation 01/01/2022		
[€35,000 – €21,000]	14,000 (1)	
+ Depreciation charge for the year	••3,000 (1)	
	<u>17,000</u>	
– Depreciation on office equipment		
given to creditor [€15,000 – €11,000]	(4,000)(1)	
Figure transferred to Balance Sheet	<u>13,000</u>	
W11 Discount (Net / Allowed)		
Figure taken from the Trial Balance	2,500 (2)	
– Discount received from creditor		
[€12,600 – €11,000]	(1,600)(2)	
Figure transferred to Profit & Loss a/c	<u>900</u>	
W12 Delivery Vans		
Cost of Delivery Vans 01/01/2022	140,000 (1)	
– Cost of Delivery Van traded in	(36,000)(1)	
+ Cost of new Delivery Van	<u>42,000 (1)</u>	
Figure transferred to Balance Sheet	<u>146,000</u>	
W13 Depreciation: Delivery Vans		
Depreciation charge for the year		
[20% of €140,000 × 4/12]	9,333 (3)	
[20% of €146,000 × 8/12]	<u>19,467 (3)</u>	
Figure transferred to Profit & Loss a/c	<u>28,800</u>	
Or		
Depreciation: Delivery Vans		
Depreciation charge for the year		
[20% of (€140,000 – €36,000)]	20,800 (2)	
[20% of €36,000 × 4/12]	2,400 (2)	
[20% of €42,000 × 8/12]	<u>5,600 (2)</u>	
Figure transferred to Profit & Loss a/c	<u>28,800</u>	
W14 Profit on Sale of Delivery Van		
Depreciation of delivery van prior to sale		
2019: [20% of €36,000 × 6/12]	3,600 (1)	
2020: [20% of €36,000] (full year)	7,200 (1)	
2021: [20% of €36,000] (full year)	7,200 (1)	
2022: [20% of €36,000 × 4/12]	<u>2,400 (1)</u>	
Total depreciation to date of sale	<u>20,400</u>	
Allowance received for Delivery Van	18,000 (1)	
Book value on date of sale		
Cost of Delivery Van	36,000 (1)	
– Depreciation to date	••(20,400)	
Figure transferred to Profit & Loss a/c	<u>(15,600)</u>	
	<u>2,400</u>	

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.

1. (A) Sole Trader – Final Accounts (cont'd.)

Workings (cont'd.)	€	Workings (cont'd.)	€
W15 Accumulated Depreciation: Delivery Vans Accumulated Depreciation 01/01/2022 [€140,000 – €62,000] 78,000 (1) + Depreciation charge for the year ••28,800 (1) – Depreciation of delivery van to date of sale [20% of €36,000 × 34/12] ••(20,400)(1) Figure transferred to Balance Sheet 86,400		W21 Mortgage Interest due Correct figure for Mortgage Interest paid for first six months [5% of €200,000 × 6/12] (6 months) 5,000 Mortgage Interest payable for the year ••11,000 (1) – Mortgage Interest paid Figure taken from the Trial Balance 5,600 (1) – Suspense [€5,600 – ••€5,000] (600) ••(5,000)(1) Figure transferred to Balance Sheet 6,000	
W16 Bad Debt Recovered Bank 2,600 (2) + Debtors [€2,600 × 35/65] 1,400 (2) Figure transferred to Profit & Loss a/c 4,000		W22 Bank (Overdraft) Figure taken from the Trial Balance 31,700 (1) – Bad Debt recovered - payment not recorded in books W16 ••(2,600)(1) – Investment Income receivable [3% of €200,000 × 8/12] W19 ••(4,000)(1) – Cheque issued to supplier returned (3,500)(1) Figure transferred to Balance Sheet 21,600	
W17 Debtors Figure taken from the Trial Balance 82,300 (1) – Goods on 'Sale or Return' basis (37,200)(2) + Bad Debt Recoverable W16 [€4,000 – €2,600] ••1,400 (2) Figure transferred to Balance Sheet 46,500		W23 Creditors Figure taken from the Trial Balance 68,900 (1) + Restocking Charge (10% of cost price) [10% of (€9,600 × 100/125)]/€7,680] 768 (2) – Payment to creditor by way of transfer of office equipment (12,600)(2) + Cheque issued to supplier returned 3,500 (1) Figure transferred to Balance Sheet 60,568	
W18 Provision for Bad Debts Figure taken from the Trial Balance 3,200 (2) – New provision for Bad Debts [4% of ••€46,500] W17 ••(1,860)(2) Reduction in Provision for Bad Debts 1,340 Figure transferred to Profit & Loss a/c 1,340 Figure transferred to Balance Sheet ••1,860 (1)		W24 VAT (payable to business) Figure taken from the Trial Balance 4,500 (1) – VAT Payment omitted from books (3,800)(2) Figure transferred to Balance Sheet 700	
W19 Investment Income Income receivable for 8 months [3% (1) of €200,000 (1) × 8/12 (1)] •4,000 (3) Figure transferred to Profit & Loss a/c 4,000		W25 Revaluation Reserve Increase in Buildings Valuation [€1,100,000 – €950,000] W5 ••150,000 (1) + Depreciation on buildings [€56,000 + €14,000] W7 ••70,000 (1) Figure transferred to Balance Sheet 220,000	
W20 Mortgage Interest Mortgage Interest charge for the year [5% of €200,000] (full year) 10,000 (2) [5% of €80,000 × 3/12] (3 months) •1,000 (2) 11,000 or Mortgage Interest charge for the year [5% of €200,000 × 9/12] (9 months) 7,500 (2) [5% of €280,000 × 3/12] (3 months) •3,500 (2) 11,000 – Drawings [20% of ••€11,000] (2,200)(2) Figure transferred to Profit & Loss a/c 8,800		W26 Drawings Figure taken from the Trial Balance 34,800 (1) + Mortgage Interest attributed to private section of building [20% of ••€11,000] 2,200 (1) 37,000	

- Allow 1 mark for student's own figure.
- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.