

## 7. Service Firm

The following were included in the assets and liabilities of All Whites Ltd, a dental clinic on 01/01/2022:

Clinic at cost €800,000; equipment at cost €130,000; contract cleaning prepaid €400; stock of dental supplies for use in clinic €7,000; stock of dental products for shop €8,000; creditors for dental supplies to the clinic €3,000; fees due from private patients €2,100; investment interest due €800.

The authorised capital of the company was €800,000 and the issued capital was €450,000.

**All fixed assets have 3 years accumulated depreciation on 01/01/2022.**

The following is a receipts and payments account for the year ended 31/12/2022:

### Receipts and Payments Account of All Whites Ltd for year ended 31/12/2022

	€		€
Balance at bank 01/01/2022	54,000	Light and heat	8,300
Receipts from private patients	198,000	Contract cleaning of clinic	9,200
Receipts from medical card scheme	106,000	Postage	1,500
Interest on 4% investments (4 months)	1,600	Insurance	6,300
Sale of dental products in shop	53,000	Purchases – dental products for shop	23,000
Sale of equipment (cost €15,000)	5,400	Purchases – dental supplies for clinic	31,500
		Telephone and broadband	1,900
		Wages and salaries	72,000
		Equipment	27,500
		Rates	11,600
		Repayment of a bank loan plus 16 months interest at 3% per annum on 01/08/2022	83,200
	<u>          </u>	Balance at bank 31/12/2022	<u>142,000</u>
	<u>418,000</u>		<u>418,000</u>

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

- (i) Closing stock at 31/12/2022: dental supplies €1,800; products for sale in shop €6,200; heating oil €400.
- (ii) Cleaning is carried out by a contractor payable monthly in advance and includes a payment of €750 for January 2023.
- (iii) Fees received from private patients include €4,700 for work to be carried out in 2023. Fees due on 31/12/2022 from private patients and medical card scheme are €1,800 and €2,700 respectively.
- (iv) The closing bank balance does not take into account bank charges €90 and a dishonoured cheque €950 which was received from a private patient in respect of fees for work carried out in 2022.
- (v) Wages and salaries include €26,000 per annum paid to the secretary, who also runs the shop. It is estimated that 30% of this salary, €1,150 of the insurance, €1,500 of light and heat and €600 of the telephone and broadband are attributable to the shop.
- (vi) Creditors for dental supplies at 31/12/2022 were €3,800.
- (vii) Depreciation is to be provided as follows:  
Clinic - 2% of cost per annum.  
Equipment - 20% of cost per annum.

The depreciation policy of the firm for equipment is to charge a full year's depreciation in the year of acquisition and none in the year of disposal. During the year equipment which cost €15,000 in 2019 was sold for €5,400. On the same day new equipment was purchased for €27,500.

- (viii) On 31/12/2022 All Whites Ltd decided to revalue the clinic to €950,000.

**Required:**

- (a) Prepare a statement of the company's reserves (profit and loss balance) on 01/01/2022. (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2022.  
(Show workings.) (10)
- (c) Prepare a profit and loss account for the year ended 31/12/2022. (38)
- (d) Prepare a balance sheet on 31/12/2022. (24)
- (e) All Whites Ltd is considering increasing fees for its private patients by 10% due to increased running costs. Explain with reference to the accounts the advice you would give to the management of All Whites Ltd in relation to this proposed increase in fees. (10)

**(100 marks)**