

(B) Company Final Accounts

East Elm Ltd has an authorised capital of €1,400,000 divided into 900,000 ordinary shares of €1 each and 500,000 4% preference shares of €1 each. The following trial balance was extracted from its books at 31/12/2022:

	€	€
Land and buildings at cost	950,000	
Accumulated depreciation – land and buildings		120,000
Office equipment (cost €65,000)	32,000	
Delivery vans (cost €175,000)	135,000	
Stock on hand 01/01/2022	55,400	
Patent (incorporating 5 months investment income)	53,300	
Profit and loss balance 01/01/2022	59,000	
Discount (net)		5,100
Purchases and sales	758,000	1,150,000
Directors fees	23,300	
Debtors and creditors	92,300	65,200
Bank		33,400
Bad debts provision		6,200
Advertising	6,700	
3% Investments acquired on 01/02/2022	124,000	
Salaries and general expenses (incorporating suspense)	232,400	
Rent received		18,000
Debenture interest paid for the first 4 months	6,400	
6% Debentures (including €60,000 issued on 01/06/2022)		280,000
VAT	2,300	
Dividends paid	45,000	
PAYE, PRSI & USC		48,200
Capital reserve		39,000
Ordinary share capital		730,000
4% Preference share capital		<u>80,000</u>
	<u>2,575,100</u>	<u>2,575,100</u>

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

- (i) Stock at cost on 31/12/2022 was €95,200. This figure includes damaged stock which cost €7,200 but now has a net realisable value of 25% of cost.
- (ii) Patents (incorporating 5 months investment income) are being written off over a 6 year period which commenced in 2021.
- (iii) No record has been made in the books for 'goods in transit' on 31/12/2022. The invoice for these goods had been received for €19,680 including VAT at 23%.
- (iv) Goods with a retail selling price of €12,000 were returned to a supplier. This was correctly entered in the books. The retail selling price was cost plus 25%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry was made in respect of the restocking charge.
- (v) Provide for depreciation on delivery vans at the annual rate of 15% of cost from the date of purchase to the date of sale.
Note: On 30/04/2022 a delivery van which cost €36,000 on the 30/06/2019 was traded in against a new van which cost €45,000. An allowance of €18,000 was given on the old van. The bank transfer for the net amount of this transaction was entered correctly 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 these transaction.
- (vi) The suspense figure arises as a result of the incorrect figure for debenture interest (although the correct entry was made in the bank account) and a payment of €4,500 for PAYE, PRSI & USC entered on the incorrect side of the PAYE, PRSI & USC account, (the correct entry was made in the bank account).
- (vii) The company revalued the land and buildings at €1,100,000 on 01/01/2022. The land element of this new value is €300,000. The revaluation has yet to be reflected in the accounts. Buildings are depreciated at the rate of 2% of cost per annum.
- (viii) The figure for bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2022 has arrived showing a bank overdraft figure of €31,200. A comparison of the bank account and the bank statement has revealed the following discrepancies:
 - 1. A credit transfer of €900 had been paid directly to the firm's bank account on behalf of a debtor who has recently been declared bankrupt. This represents a first and final payment of 30c in the €.
 - 2. A cheque issued for €1,300 to a director had not yet been presented for payment.
- (ix) The directors recommend that:
 - 1. Provision be made for investment income due and debenture interest due.
 - 2. Equipment is to be depreciated by 10% per annum on a reducing balance basis.
 - 3. Provision for bad debts to be adjusted to 6% of debtors.
 - 4. Provision should be made for corporation tax of €35,000.

Required:

- (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)**