

## 6. Published Accounts

Goodwin plc has an authorised share capital of €800,000 divided into 500,000 ordinary shares of €1 each and 300,000 4% preference shares of €1 each. The following trial balance was extracted from its books on 31/12/2022:

	€	€
Buildings at cost	750,000	
Buildings – accumulated depreciation on 01/01/2022		60,000
Vehicles at cost	510,000	
Vehicles – accumulated depreciation on 01/01/2022		204,000
3% Investments (purchased 01/02/2022)	300,000	
Debtors and creditors	291,000	356,000
Stock 01/01/2022	69,000	
Patent 01/01/2022	95,000	
Administrative expenses	109,000	
Distribution costs	444,000	
Insurance	8,000	
Bad debts	2,500	
Purchases and sales	1,650,000	2,730,000
Rental income		50,000
Profit on sale of land		85,000
Dividends paid	27,000	
Bank	89,000	
VAT		5,000
6% Debentures (2028 secured)		200,000
Profit and loss account 01/01/2022		50,000
Investment income		7,000
Issued capital		
Ordinary shares		300,000
4% preference shares		250,000
Provision for bad debts		23,500
Debenture interest paid	9,000	
Discount		<u>33,000</u>
	<u>4,353,500</u>	<u>4,353,500</u>

The following information is relevant:

- (i) Stock on 31/12/2022 was €90,000.
- (ii) During the year the land adjacent to the company's premises, which had cost €165,000 was sold for €250,000. At the end of the year the company revalued its buildings at €930,000. The company wishes to reflect this valuation in this year's accounts.
- (iii) Provide for debenture interest due, investment income due, auditor's fees €16,000, director's fees €45,000 and corporation tax €99,000.
- (iv) Included in distribution expenses is €14,000 for commission earned.
- (v) Depreciation is to be provided for on buildings at a rate of 2% per annum straight line and is to be allocated 20% to distribution costs and 80% to administrative expenses. There was no purchase or sale of buildings during the year.  
Depreciation is to be provided for on vehicles at a rate of 20% per annum on a reducing balance basis.
- (vi) The patent was acquired on 01/01/2018 for €171,000. It is being amortised over 9 years in equal instalments. The amortisation is to be included in cost of sales.
- (vii) The company is being sued by a former employee who is claiming unfair dismissal. The former employee is seeking compensation for €72,000 (2 years wages). The company's legal team have advised that as all proper procedures were followed in the course of the dismissal, it is unlikely the compensation will have to be paid to the former employee. The company has received an invoice for legal fees to the value of €9,000.

**Required:**

- (a) Prepare the published profit and loss account of Goodwin plc for the year ended 31/12/2022, and the balance sheet as at that date in accordance with the Companies Acts and appropriate accounting standards, showing the following notes:
  - 1. Accounting policy note for tangible fixed assets and stock.
  - 2. Operating profit.
  - 3. Tangible fixed assets.
  - 4. Dividends.
  - 5. Contingent Liability. (90)
  
- (b)
  - (i) Explain what is meant by an audit.
  - (ii) Outline the factors that an auditor will take into consideration when forming their opinion in order to prepare their report. (10)

**(100 marks)**