

SECTION 1 (120 Marks)
Answer **Question 1(A)** OR **1(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 V. Leahy on 31/12/2022:

	€	€
Patents (incorporating 2 months investment income)	48,800	
Land and buildings	850,000	
Accumulated depreciation – land and buildings		105,000
Delivery vans	480,000	
Accumulated depreciation – delivery vans		70,000
Equipment at cost	153,500	
Discount (net)		7,700
4% Investments acquired on 01/07/2022	180,000	
Stock 01/01/2022	70,700	
Sales		1,848,900
Purchases	1,193,500	
Salaries and general expenses (incorporating suspense)	136,400	
Advertising	16,000	
Investment income received		2,200
Drawings	45,000	
Rates	42,800	
PAYE, PRSI & USC		4,700
VAT		11,900
Bank		53,600
3% Fixed mortgage (including €50,000 issued on 01/06/2022)		320,000
Mortgage interest paid for the first 4 months	2,300	
Debtors and creditors	67,700	98,600
Bad debts provision		2,100
Capital	_____	<u>762,000</u>
	<u>3,286,700</u>	<u>3,286,700</u>

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

- (i) Stock at cost on 31/12/2022 was €82,600. This figure includes damaged stock which cost €5,800 but which now has a net realisable value of 75% of cost.
- (ii) Goods purchased on credit from a supplier were in transit on 31/12/2022. The invoice for these goods had been received for €15,375 which included VAT at 23%. No record was made in the books in respect of this transaction.
- (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 30/09/2022 a delivery van which had cost €35,000 on 30/06/2018 was traded in against a new van which cost €80,000. An allowance of €3,000 was given on the old delivery 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 transactions.
- (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 discount received of €600 entered only in the discount account.
- (v) Patents (incorporating 2 months investment income) are being written off over 10 years which commenced in 2020.
- (vi) Goods taken by Leahy for his own personal use during the year were not recorded. The goods had a retail value of €3,600 which is cost plus 20%.
- (vii) The company revalued the land and buildings at €950,000 on 01/01/2022. The land element of this new value is €200,000. The revaluation has yet to be reflected in the accounts. Buildings are to be depreciated at the rate of 2% of cost per annum.
- (viii) The figure for the bank account in the trial balance had been taken from the firm's own records. However, a bank statement dated 31/12/2022 has arrived showing a bank overdraft of €50,300. A comparison of the bank account and the bank statement has revealed the following discrepancies:
 - 1. A credit transfer for €1,500 had been received on 31/12/2022 in respect of a debt of €1,700 previously written off as bad. The debtor has agreed to pay the remainder within 2 months. No entry was made in the books to record this transaction.
 - 2. A cheque for €1,800 issued to a director had not yet been presented for payment.
- (ix) Provision should be made for the following:
 - 1. Investment income due and mortgage interest due.
(Note: 20% of mortgage interest for the year refers to the private section of the building.)
 - 2. Provision for bad debts to be adjusted to 6% of debtors.
 - 3. Equipment to be depreciated at 10% of cost per annum.

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)**