

4. Farm Accounts

(60)

(a) Statement of Capital on 1/1/2011	€	€	(20)	(c) General Profit and Loss Account for the year ended 31/12/2011	€	€	(12)
<u>Assets</u>				<u>Income</u>			
Land and Buildings		320,000	(2)	Gross Profit - Cattle and Milk		*40,224	(1)
Machinery		180,000	(2)	- Sheep		*21,866	(1)
Investments (300 ÷ 6 × 12 ÷ 6%)	**10,000	(3)		Investment Interest (W5)		600	(1)
Milk cheque due		3,600	(1)	Forestry premium		2,900	(1)
Cattle		90,000	(1)			<u>65,590</u>	
Sheep		26,000	(1)	<u>Expenditure</u>			
Stock of fuel		1,200	(1)	Light, heat and fuel (W6) (A4)	5,840	(4)	
Bank		3,200	(2)	Repairs (A5)	3,920	(1)	
		<u>634,000</u>		Depreciation on Machinery (W7) (A6)	30,368	(1)	
<u>Less Liabilities</u>				Depreciation on Building (W8) (A7)	3,360	(1)	
Electricity due	600	(1)		Loan Interest (W1) (A8)	480	(1)	(43,968)
Bank Loan	30,000	(2)		Net Profit		<u>21,622</u>	
Loan Interest due (W1)	**3,000	(3)	33,600				
Capital at 1/1/2011		<u>*600,400</u>	(1)				

* Accept correct figure only.

** Allow 1 mark for correct words if figure incorrect.

* Allow marks for student's own figure if consistent with previous work.

Workings:

W1 Loan Interest

18 months interest	=	8% × 1.5 years
	=	12%
	=	112% of loan
⇒ 33,600	=	$\frac{33,600}{100} \times 112$
⇒ loan	=	€30,000
	=	$(33,600 - 30,000) \times \frac{3}{18}$
	=	€600

(b) Enterprise Analysis Account - Cattle and Milk - for the year ended 31/12/2011 (11)

Income	€	€
Sales - Milk (W2)	35,200	(2)
- Cattle and Calves		
(€16,500 + €8,400)	24,900	(1)
Single Payment - Cattle	2,400	(1)
Increase in stock	**4,500	(1)
Drawings by family	800	(1)
	<u>67,800</u>	
<u>Expenditure</u>		
Purchases - Cattle	15,000	(1)
Fertiliser (W3) (A1)	2,700	(1)
General farm expenses (A2)	5,400	(1)
Dairy wages	3,300	(1)
Veterinary fees (W4) (A3)	1,176	(1)
	<u>(27,576)</u>	
Gross Profit		<u>40,224</u>

W2 Sales - Milk

Lodgements	36,000
- Cheque due 1/1/2011	(3,600)(1)
+ Cheque due 31/12/2011	2,800(1)
	<u>35,200</u>

W3 Fertiliser

Payments made	4,100
+ Payment due 31/12/2011	400
	<u>4,500</u>

** May be included as:

Closing Stock - Cattle €94,500 (under Income)(½)
Opening Stock - Cattle €90,000 (under Expenditure)(½)

W4 Veterinary fees and medicine

Payments made	2,680
- Family Health Insurance	(720)
	<u>1,960</u>

Enterprise Analysis Account - Sheep - for the year ended 31/12/2011 (9)

Income	€	€
Sales - Sheep and Lambs		
(€29,000 + €9,200)	38,200	(1)
Single Payment - Sheep	4,800	(1)
Wool	2,600	(1)
Increase in Stock	**3,000	(1)
Drawings by family	450	(1)
	<u>49,050</u>	
<u>Expenditure</u>		
Purchases - Sheep	21,000	(1)
Fertiliser (W3) (A1)	1,800	(1)
General farm expenses (A2)	3,600	(1)
Veterinary fees (W4) (A3)	784	(1)
	<u>(27,184)</u>	
Gross Profit		<u>21,866</u>

W5 Investment Interest

Payments received	300
+ Payment due 31/12/2011	300(1)
	<u>600</u>

W6 Light, heat and fuel

Payments made	7,400
+ Stock of fuel 1/1/2011	1,200(1)
- Electricity due 1/1/2011	(600)(1)
- Stock of fuel 31/12/2011	(700)(1)
	<u>7,300</u>

W7 Depreciation on Machinery

20% of (€180,000 + €9,800)	37,960
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** May be included as:

Closing Stock - Sheep €28,000 (under Income)(½)
Opening Stock - Sheep €23,000 (under Expenditure)(½)

W8 Depreciation on Buildings

2% of (€320,000 - €110,000)	4,200
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Apportionment of Expenses		€	€
A1	Fertiliser (W3)		A5
	Cattle and Milk (60% of €4,500)	2,700 (1)	Repairs
	Sheep (40% of €4,500)	1,800 (1)	Profit and Loss a/c (80% of €4,900)
			Drawings (20% of €4,900)
			3,920 (1)
			980 (½)
A2	General farm expenses		A6
	Cattle and Milk (60% of €9,000)	5,400 (1)	Depreciation on Machinery (W7)
	Sheep (40% of €9,000)	3,600 (1)	Profit and Loss a/c (80% of €37,960)
			Drawings (20% of €37,960)
			30,368 (1)
			7,592 (½)
A3	Veterinary fees and medicine (W4)		A7
	Cattle and Milk (60% of €1,960)	1,176 (1)	Depreciation on Building (W8)
	Sheep (40% of €1,960)	784 (1)	Profit and Loss a/c (80% of €4,200)
			Drawings (20% of €4,200)
			3,360 (1)
			840 (½)
A4	Light, heat and fuel (W6)		A8
	Profit and Loss a/c (80% of €7,300)	5,840 (4)	Loan Interest (W1)
	Drawings (20% of €7,300)	1,460 (½)	Profit and Loss a/c (80% of €600)
			Drawings (20% of €600)
			480 (1)
			120 (½)

(d) (i) Which account, other than drawings, is affected by “farm produce used by family”? Explain your answer. (3)

Named (1)
Explained (2)

– Sales Account – sales are credited instead of purchases because farm produce are produced rather than purchased

(ii) Prepare the Reillys’ Drawings Account. (5)

Drawings Account					
	Details	€		Details	€
	Milk	800 (½)		Capital a/c	**12,962 (1)
	Lamb	450 (½)			
	Light, heat and fuel (A4)	*1,460 (½)			
	Family Health Insurance	720 (½)			
	Repairs (A5)	*980 (½)			
	Dep. on Machinery (A6)	*7,592 (½)			
	Dep. on Buildings (A7)	*840 (½)			
	Loan Interest (A8)	*120 (½)			
		12,962			12,962

* Allow marks for student’s own figures if consistent with previous work.

** Accept student’s own figure for ‘Capital a/c’ to balance account.