

**Question 4**

**20**

(a)

**Statement of Capital 1/1/2014**

<b>Assets</b>		€		€
Land & buildings		450,000	[2]	
Machinery		82,000	[2]	
Cattle		60,000	[1]	
Sheep		24,000	[1]	
Milk cheque due		1,800	[1]	
Fuel		620	[1]	
Investments		40,000	[2]	
Investment interest due		300	[1]	
Bank		<u>27,200</u>	[1]	685,920
<b>Less Liabilities</b>				
Electricity due		330	[1]	
Bank loan		20,000	[2]	
Loan interest due	<b>W1</b>	<u>1,400</u>	[3]	<u>(21,730)</u>
<b>Capital (1/1/2014)</b>				<u>664,190</u> [2]

(b)

**Enterprise Analysis Account – Cattle and Milk**

<b>Income</b>		€		€
Sales – Milk	<b>W2</b>	28,700	[2]	
Cattle & Calves (14,000 + 6,500)		20,500	[1]	
Single payment cattle		3,500	[1]	
Increase in stock		15,000	[1]	
Drawings by family		<u>750</u>	[1]	68,450
<b>Less Expenditure</b>				
Purchases – Cattle		12,600	[1]	
Dairy wages		2,600	[1]	
General farm expenses		9,940	[1]	
Fertiliser	<b>W 3</b>	2,065	[1]	
Veterinary fees	<b>W 4</b>	<u>686</u>	[1]	<u>(27,891)</u>
Profit on cattle and milk				<u>40,559</u>

**Enterprise Analysis Account – Sheep**

<b>Income</b>		€		€
Sales – Sheep & Lambs (28,000 + 10,400)		38,400	[1]	
Single payment sheep		2,100	[1]	
Wool		1,400	[1]	
Drawings family		<u>580</u>	[1]	42,480
<b>Less Expenditure</b>				
Decrease in stock		1,000	[1]	
Purchases – sheep		18,500	[1]	
General farm expenses		4,260	[1]	
Fertiliser	<b>W 3</b>	885	[1]	
Veterinary fees	<b>W 4</b>	<u>294</u>	[1]	<u>(24,939)</u>
Profit on sheep				<u>17,541</u>

**20**

(c)

**General Profit and Loss Account for the year ended 31/12/2014**

		€	€
<b>Income</b>			
Profit – Cattle and Milk		40,559	
– Sheep		17,541	
Investment Interest	W5	1,200	[1]
Forestry premium		<u>1,800</u>	[1]
			61,100
<b>Less Expenditure</b>			
Light, heat and fuel (75%)	W6	1,455	[2]
Repairs (75%)		3,750	[1]
Machinery Depreciation		6,615	[1]
Buildings Depreciation		4,125	[1]
Loan Interest	W1	<u>300</u>	[1]
			(16,245)
Net Profit			<u>44,855</u> [2]

(d)

[5]

**Drawings Account**

	€		€
Milk	750	Capital	8,245
Lambs	580		
Interest	100		
Light and heat	485		
VHI	1,500		
Repairs	1,250		
Dep. Machinery	2,205		
Dep. Buildings	<u>1,375</u>		
	<u>8,245</u>		<u>8,245</u>

(e)

[5]

**(i) Purposes of a general Profit & Loss Account**

- Expenses or gains that cannot be allocated directly to the individual farm enterprises are included in this account.
- It is used to ascertain the overall profit or loss of a farm.

**(ii) Advantages of preparing farm enterprise analysis accounts**

This allows better planning and decision making and resources can be diverted elsewhere if necessary.

Preparing farm enterprise analysis accounts allows costs to be allocated to the relevant individual activity within the farm.

The farmer can find the profit/loss on each individual farm activity. The contribution of an individual enterprise towards total profit can be seen.

## Workings

1.	Interest for 18 months	[6% x 1.5]	=	9%
	109%		=	21,800
	» 9%		=	1,800
	Interest for 2014 Less Drawings	[400 – 100]	=	300
2.	Milk sales		29,000	
	Add due 31/12		1,500	
	Less due 1/1		<u>(1,800)</u>	28,700
3.	Fertiliser		2,500	
	Add due 31/12		<u>450</u>	
			<u>2,950</u>	
	70% of 2,950	=		2,065
	30% of 2,950	=		885
4.	Veterinary fees Less VHI [2,480 - 1,500]		=	980
	70% of 980	=		686
	30% of 980	=		294
5.	3% Investment Bond	$1,200 \times 100 \div 3$		40,000
6.	Light, heat and fuel		2,210	
	Add stock 1/1		620	
	Less due 1/1		(330)	
	Less stock 31/12		<u>(560)</u>	
			1,940	
	Less drawings (25% of 1,940)		<u>(485)</u>	1,455