

# The Business Guys

## September Newsletter

### Accounting.

#### Final Accounts.

If you're stuck for sample questions, here's a Final Accounts question and solution for you (Sole Trader Variety). Don't forget to give yourself one hour to attempt it and then check the solutions and workings attached.

Teachers: Feel free to hand this out in class but please make sure to leave our header name at the top of the sheet - We're happy to provide free resources but it's nice to get the credit for our hard work!

**Sole Trader – Final Accounts**

The following Trial Balance was extracted from the books of The Business Guys on 31/12/2016:

	€	€
Buildings (Cost €850,000)	€650,000	
5% Investments (01/07/2016)	€150,000	
Vans (Cost €65,000)	€55,000	
Patents (Including 3 months investment income)	€13,125	
8% Fixed Mortgage (Including increase of €40,000 received on 01/04/2016)		€220,000
Purchases and Sales	€245,000	€365,000
Debtors and Creditors	€3,600	€6,500
Stock 01/01/2016	€24,000	
Provision for Bad Debts		€850
Advertising	€3,240	
Rent	€3,200	
Discount (Net)		€4,850
Mortgage Interest paid for the first 3 months	€3,200	
Insurance (Incorporating Suspense)	€3,665	
PAYE and PRSI		€7,200
VAT		€33,330
Drawings	€11,200	
Capital		€403,000
Bank		<u>€124,500</u>
	<u>€1,165,230</u>	<u>€1,165,230</u>

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

(i) Stock at 31/12/2016 at cost was €80,000. No record has been made in the books for goods in transit on 31/12/2016. The invoice for these goods had been received showing the recommended retail selling price of €6,500 which is cost plus 25%.

(ii) Patents, which incorporate three months investment income received, are to be written off over a five year period commencing in 2016

(iii) Provide for depreciation on vans at the annual rate of 30% of cost from date of purchase to date of sale. NOTE: On 31/3/2016 a delivery van which cost €40,000 on 30/9/2014 was traded against a new van which cost €45,000. An allowance of €12,000 was made on the old van. The cheque for the net amount of this transaction was entered 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 this transaction. .

(iv) The suspense arises as a result of the incorrect figure for mortgage interest (although the correct entry had been made in the bank account) and from €1,500 paid towards PAYE and PRSI entered only in the bank account.

(v) Goods with a retail selling price of €12,000 were returned to a supplier. The selling price was cost plus 20%. The supplier issued a credit note showing a restocking charge of 10% of cost price. No entry has been made in respect of the restocking charge.

(vi) Provide for depreciation on buildings at a rate of 5% of cost per annum. It was decided to revalue the buildings at €1,000,000 on 31/12/2016.

(vii) Goods withdrawn by the owner for private use during the year with a retail value of €5,000 which is cost plus 25% were omitted from the books.

(viii) The advertising payment is towards a 36 month campaign which began on 01/08/2016.

(ix) A cheque for €1,500 had been received on 31/12/2016 in respect of a debt of €2,000 previously written off as bad. The debtor has agreed to pay the remainder within 1 month. No entry was made in the books to record this transaction.

**You are required to prepare a:**

(a) Trading and Profit and Loss Account for the year ended 31/12/2016.

(b) Balance Sheet as at 31/12/2016.

(120)

<u>Trading &amp; Profit &amp; Loss Account For The Year Ended 31/12/2016</u>			
	€	€	€
Sales			
Opening Stock			
Purchases			
Closing Stock		(_____)	(_____)
Gross Profit			
<u>Income</u>			
			_____
<u>Expenditure</u>			
		_____	(_____)
Net Profit			

Balance Sheet As At 31/12/2016	€	€	€
<u>Fixed Assets</u>			
	_____	_____	_____
	_____	_____	
<u>Current Assets</u>			
		_____	
<u>Current Liabilities</u>			
	_____	(_____)	
Working Capital		_____	_____
Total Net Assets			_____
<u>Financed By</u>			
		_____	
		_____	

## Sample Question Workings.

(i)	Closing Stock	€80,000
	Goods in Transit (Cost)	<u>€5,200</u>
		€85,200
(ii)	Patents	€13,125
	3 Months Investment Income	<u>€1,875</u>
		€15,000
	Write Off	<u>€3,000</u>
	New Patents Figure	€12,000
(iii)	Van Cost	€40,000
	Depreciation to Date	<u>€18,000</u>
	Current Value	€22,000
	Selling Price	<u>€12,000</u>
	Loss on Sale	€10,000
	Depreciation - €65,000 @ 30% for 3 Months	€4,875
	Depreciation - €70,000 @30% for 9 Months	<u>€15,750</u>
		€20,625
	Accumulated Depreciation	€10,000
	Depreciation on Van Sold	<u>-€18,000</u>
		€12,625
	Purchases	€245,000
	Error on Van Purchase	<u>€33,000</u>
		€212,000
(iv)	Mortgage Interest Was	€3,200
	Should Be	<u>€3,600</u>
	Suspense	€400
	PAYE / PRSI Was	€7,200
	Should Be	<u>€5,700</u>
	Suspense	€1,500

	Insurance	€3,665
		-€400
		<u>-€1,500</u>
		€1,765
(v)	Purchases + €1,000	€213,000
	Creditors + €1,000	€7,500
(vi)	Cost	€850,000
	Depreciation This Year (5%)	€42,500
	Accumulated Depreciation	<u>€200,000</u>
	Current Value	€607,500
	New Value	<u>€1,000,000</u>
	Revaluation Reserve	€392,500
(vii)	Drawings	€4,000
	Purchases	-€4,000
(viii)	Advertising Payment	€3,240
	5 Months for this year	€450
	31 Months prepaid	€2,790
(ix)	Bad Debt Recovered	€2,000
	Debtor + €500	€4,100
	Bank	€1,500

<u>Trading &amp; Profit &amp; Loss Account For The Year Ended 31/12/2016</u>			
	€	€	€
Sales			365000
Opening Stock		24000	
Purchases		209000	
Closing Stock		<u>-85200</u>	<u>147800</u>
Gross Profit			217200
<u>Income</u>			
Discount			4850
Investment Income			3750
Bad Debt Recovered			<u>2000</u>
			227800
<u>Expenditure</u>			
Buildings Depreciation		42500	
Rent		3200	
Van Depreciation		20625	
Insurance		1765	
Mortgage Interest		17600	
Advertising		450	
Patent Write-Off		3000	
Loss on Van Sale		<u>10000</u>	
			<u>99140</u>
Net Profit			128660



Balance Sheet As At 31/12/2016	€	€	€
<u>Fixed Assets</u>			
Buildings			1000000
Vans	70000	12625	57375
Investments			150000
Patents			<u>12000</u>
	<u>70000</u>	<u>12625</u>	1219375
<u>Current Assets</u>			
Stock		85200	
Debtors (Minus PBD)		3250	
Investment Income Due		1875	
Advertising Prepaid		<u>2790</u>	
		93115	
<u>Current Liabilities</u>			
PAYE / PRSI	5700		
Creditors	7500		
Mortgage Interest Due	14000		
Bank	123000		
VAT	<u>33330</u>	<u>183530</u>	
Working Capital		<u>-90415</u>	<u>-90415</u>
Total Net Assets			<u>1128960</u>
<u>Financed By</u>			
Profit and Loss Balance 31/12		128660	
Capital		403000	
Drawings		-15200	
Mortgage		220000	
Revaluation Reserve		<u>392500</u>	
		<u>1128960</u>	