

Company Final Accounts Yeats Ltd, has an authorised capital of €1,600,000 divided into 1,000,000 ordinary shares of €1 each and 600,000 4% preference shares of €1 each. The following trial balance was extracted from its books at 31/12/2023: **120 Marks**

	€	€
Land and buildings at cost	580,000	
Accumulated depreciation - buildings		38,000
Delivery vans (cost €115,000)	80,000	
Discount (net)	3,500	
Profit and loss balance 01/01/2023		34,800
Stock on hand 01/01/2023	44,400	
Debenture interest for the first nine months	5,400	
3% Investments acquired on 01/05/2023	120,000	
Patents (incorporating 3 months investment income)	40,600	
Purchases and sales	747,000	1,080,700
Dividends paid	15,000	
Bad debts provision		3,200
Debtors and creditors	69,600	64,900
Bank		57,000
Salaries and general expenses (including suspense)	218,355	
8% Debentures (including €40,000 issued on 01/10/2023)		140,000
Issued share capital – ordinary shares		400,000
– 4% preference shares		100,000
VAT		1,900
Advertising	25,145	
Rent received		13,500
Capital reserve		15,000
	1,949,000	1,949,000

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

(i) Stock at cost on 31/12/2023 was €56,900. This figure includes damaged stock which cost €3,800 but which now has a net realisable value of 60% of cost.

$$56,900 - 3,800 + 2280 = 55380 - 4,000 \text{ (W3)} = 51,380 \text{ T, CA}$$

(ii) The cost of delivery vans is to be written off on a straight line basis over 5 years. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. Delivery vans have a scrap value of 5% of the original cost. NOTE: During the year a delivery van which had cost €40,000 in 2019 was traded in for €10,000 against a new delivery van costing €56,000. The cheque for the net amount of this transaction was incorrectly treated as a purchase of trading stock but was entered correctly in the bank account. These were the only entries in the books.

Delivery Vans up 16,000 (56,000 -40,000)

Purchases down 46,000 (56,000- 10,000)

$$40,000 \times 95\% \times \frac{1}{5} = 30,400 \text{ depreciation on van sold}$$

$$40,000 \text{ (cost) } - 30,400 \text{ (depreciation) } = 9,600 \text{ (van worth)}$$

10,000 (allowance) - 9,600(van worth) = 400 **Profit on van sold Operating Income**

Depreciation on Vehicles $131,000 \times 95\% / 5 = 24,890$ **Exp**

Accumulated Depreciation $35,000 + 24,890 - 30,400 = 29,490$ - **FA**

(iii) It was discovered that goods had been received from a supplier on 31/12/2023 on a 'sale or return' basis. These goods had been entered in the books as a credit purchase in error. The expected selling price of these goods is €5,000 which is cost plus 25%.

5,000 125%

4,000 100% - **Purchases, - Creditors , - Closing stock**

(iv) Patents (incorporating 3 months investment income) are being written off over a 7-year period which commenced in 2021.

3 months investment income $120,000 \times 3\% \times 3/12 = 900$

8 months investment income $120,000 \times 3\% \times 8/12 = 2,400$ **Operating Income**

5 months investment income $120,000 \times 3\% \times 5/12 = 1,500$ **CA**

Patents + step 1 $40,600 + 900 = 41,500/5 = 8,300$ **Patent written off Exp**

Patents $41,500 - 8,300 = 33,200$ **IA**

(v) The suspense figure arises as a result of an incorrect figure for debenture interest (although the correct figure had been entered in the bank account) and discount allowed €400 entered only in the discount account.

9 months interest $100,000 \times 9/12 \times 8\% = 6,000$ - **Debtors 400 , + salaries 400**

Trial Balance figure 5,400

600 Suspense - **salaries 600**

(vi) A new warehouse was purchased during the year for €100,000 plus VAT @13.5%. The total amount paid to the vendor was entered in the land & buildings account. No entry was made in the VAT account.

$100,000 \times 13.5\% = 13,500$ - **Buildings , - Vat**

(vii) Buildings are to be depreciated at the rate of 2% of cost per annum (land at cost was €200,000). The company revalued land and buildings at €700,000 on 31/12/2023 and this has yet to be reflected in the accounts.

Depreciation on Buildings $366,500 \times 2\% = 7,330$ **Exps**

If no revaluation buildings 566,500 45,330 521,170

Revalued **FA** 700,000 0 700,000

Revaluation Reserve 178,830 **FB**

(viii) The rent received was in respect of a warehouse rented out by the company for €1,500 per month commencing on the 01/06/2023.

Rent received $1,500 \times 7 = 10,500$ **Operating income**
 $13,500 - 10,500 = 3,000$ **Rent Received prepaid CL**

(ix) The Directors recommend that:

1. Provision should be made for both investment income due and debenture interest due.

9 months interest paid	6,000
3 months interest $140,000 \times 8\% \times 3/12$	<u>2,800</u> Interest due CL
	8,800 interest Exp

2. Provision for bad debts to be adjusted to 4% of debtors.

New Provision $69,600 - 400 \text{ N5} = 69,200 \times 4\% = 2,768$ - Debtors

$3200 - 2768 = 432$ **Decrease in Provision for Bad Debt Operating Income**

3. A transfer of €20,000 should be made from profit to the capital reserve.

- **Net profit, + Capital Reserve**

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Required: (a) Prepare a trading and profit and loss account for the year ended 31/12/2023. (75) (b) Prepare a balance sheet as at 31/12/2023. (45) (120 marks)

2024 Q1(a) Trading Profit and Loss Account of Yeats Ltd for the year ended 31/12/2023 [1] 120

	€	€	€
Sales			1,080,700[3]
<u>Less Cost of Sales</u>			
Opening stock		44,400 [3]	
Purchases N2 , 3		697,000 [7]	
Less closing stock N1		<u>(51,380) [7]</u>	<u>(690,020)</u>
Gross Profit			390,680
Less Expenses			
<u>Distribution Costs</u>			
Discount	3,500 [3]		
Depreciation Delivery Vans N2	24,890 [4]		
Advertising	<u>25,145 [3]</u>	53,535	
<u>Administration Expenses</u>			
Patents written off N4	8,300 [5]		
Depreciation Buildings N7	7,330 [3]		
Salaries & General Expenses N5	<u>218,155 [7]</u>	<u>233,785</u>	<u>287,320</u>
			103,360
<u>Add Operating Income</u>			
Rent Received N7		10,500 [4]	
Decrease in BDP N9		432 [4]	
Profit on Disposal N2		<u>400 [4]</u>	<u>11,332</u>
Operating Profit			114,692
Investment Income N4			<u>2,400[3]</u>
			117,092
Less Debenture N9			<u>(8,800) [4]</u>
Net Profit			108,292
Less Dividends paid			(15,000)[2]
Retained profit Capital Reserve N9			<u>(20,000)[2]</u>
			73,292
P&L balance 01/01/2023			<u>34,800[1]</u>
P&L balance 31/12/2023			108,092[5]

(b) Balance Sheet of Yeats Ltd as at 31/12/2023 Both totals correct *

	Cost	Acc Dep	NBV
Intangible Fixed Assets			
Patents N4			33,200[3]
Tangible Fixed Assets			
Land & Buildings N6 & 7	700,000 [1]		700,000
Motor Vehicles N2	<u>131,000</u> [3]	<u>29,490</u> [3]	<u>101,510</u>
	831,000	29,490	801,510
Financial Assets			
3% Investments			<u>120,000</u> [2]
			954,710
Current Assets			
Closing Stock N1		51,380 [2]	
Debtors N5	69,200 [4]		
Less Bad debts provision N9	<u>(2,768)</u> [1]	66,432	
Investment Income due N4		1,500 [1]	
VAT N6		<u>11,600</u> [3]	
		130,912	
Creditors: amounts falling due within 1 year			
Creditors N3	60,900 [4]		
Bank	57,000 [2]		
Debenture Interest due N9	2,800 [2]		
Rent Receivable prepaid N8	<u>3,000</u> [1]	<u>123,700</u>	<u>7,212</u>
			961,922
Financed By			
<u>Creditors: amounts falling due after 1 year</u>			
8% Debentures			140,000[2]
Share Capital	<u>Authorised</u>	<u>Issued</u>	
Ordinary shares @ €1 each	1,000,000 [1]	400,000 [1]	
4% Preference shares @ €1 each	<u>600,000</u> [1]	<u>100,000</u> [1]	
	1,600,000	500,000	
Revaluation Reserve N7		178,830 [3]	
Capital reserve N9		35,000 [1]	
Profit & Loss balance		<u>108,092</u> [1]	<u>821,922</u>
Capital Employed			961,922[2]*

Company Final Accounts including a Manufacturing Account Sexton Ltd has an authorised capital of €1,500,000 divided into 1,100,000 ordinary shares of €1 each and 400,000 4% preference shares of €1 each. The following trial balance was extracted from the books on 31/12/2023: **120 Marks**

	€	€
Factory land & buildings (cost €900,000)	812,000	
Plant and machinery (cost €780,000)	680,000	
Patents	80,000	
General factory overheads (including suspense)	110,700	
Sale of scrap materials		11,200
Stocks on hand 01/01/2023 Raw materials	97,500	
Work in progress	13,000	
Finished goods	76,000	
Purchase of raw materials	580,000	
Sales		1,692,100
Carriage on raw materials	15,800	
Selling expenses	99,000	
Direct factory wages	310,000	
Administration expenses	113,000	
8% Debentures		200,000
Issued share capital - ordinary shares		900,000
- 4% preference shares		330,000
Profit and loss balance 01/01/2023		6,300
VAT		10,100
Bank		8,000
3% Investments acquired on 01/08/2023	150,000	
Investment income received		1,500
Dividends paid	47,000	
Debenture interest	12,200	
Debtors and creditors	45,000	52,000
Capital reserve	<u> </u>	<u>30,000</u>
	3,241,200	3,241,200

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

(i) Stocks on hand at 31/12/2023:

Raw materials €33,400 M CA

Work in progress €22,100 M CA

Finished goods €72,000 + 17,000 N3 = 89,000 T CA

(ii) During the year raw materials which had cost €5,800 were destroyed by fire. The insurance company agreed to pay compensation of 90% of their cost. No entry has been made in the books.

- **Purchase of raw materials 5,800**
- Insurance compensation due 5,220 CA**
- Loss on Claim 580 M**

(iii) Finished goods were sent to a customer on 31/12/2023 on a 'sale or return' basis. These goods were recorded in the books as a credit sale of €21,250. This is a markup on cost of 25%.

21,250 125% - **Sales & - Debtors**

17,000 100% + **Finished Goods Closing Stock**

(iv) The suspense figure arises as a result of discount allowed €800 entered only in the debtors account and a credit purchase of raw materials €3,000 which was entered on the incorrect side of the creditor account.

+ **Discount 800** , - **Gen Factory overheads 800**

+ **Creditor 6,000**, + **Gen Factory overheads 6,000**

(v) Patents are being written off over a 7-year period which commenced in 2021.

$80,000/5 = 16,000$ - **Patent** , **M**

(vi) Included in the figure for sale of scrap materials is €7,000 received from the sale of an old machine on 31/03/2023. This machine had cost €40,000 on 30/09/2019. Plant and machinery is to be depreciated at the rate of 15% of cost per annum calculated from the date of purchase to the date of sale.

Sale of scrap materials - 7,000

Machinery - 40,000

Depreciation on machinery sold $40,000 \times 15\% \times 42/12 = 21,000$

$40,000(\text{cost}) - 21,000(\text{ depreciation}) = 19,000$ Machinery worth

$19,000 - 7,000 = 12,000$ **Loss on Machinery sold M**

Depreciation on Machinery $780,000 \times 15\% \times 3/12 + 740,000 \times 15\% \times 9/12 = 112,500$ **M**

Accumulated Depreciation $100,000 + 112,500 - 21,000 = 191,500$ **-FA**

(vii) Buildings are to be depreciated at 2% of cost per annum. (Land at cost on 01/01/2023 was €100,000.) Depreciation on buildings is to be allocated 80% to factory and the remainder to administration expenses. It was decided to revalue the buildings at €1,200,000 on 31/12/2023 and this has yet to be reflected in the accounts.

Depreciation on Buildings $800,000 \times 2\% = 16,000$

$16,000 \times 80\% = 12,800$ **M** $16,000 \times 20\% = 3,200$ **Exps**

If no Revaluation 900,000 104,000 796,000

Revalued **FA** 1,300,000 0 1,300,000

Revaluation Reserve FB 504,000 (1,300,000 - 796,000)

(viii) The figure for Bank in the trial balance has been taken from the firm's own records. However, a bank statement dated 31/12/2023 shows an overdraft of €600. A comparison of the bank account and the bank statement revealed the following discrepancies:

1. 4 months rent received of €6,000 was paid directly into the firm's bank account. This is in relation to spare office space recently let out by Sexton Ltd commencing on 01/11/2023.

$6,000 \times 2/4 = 3,000$ **Rent Received Operating Income** , **3,000 Rent Received prepaid CL**

2. A cheque for fees of €3,200 issued to a creditor had not been presented for payment.

3. A cheque for €1,800 received from a debtor was dishonoured by the bank. This has not been recorded in the books. **+ Debtor 1,800**

<u>Our Records</u>	<u>Bank Records</u>
8,000 OD	600 OD
(6,000)	<u>3,200</u>
<u>1,800</u>	3,800 OD CL
3,800 OD	

(ix) Provision should be made for the following:

1. Investment income due and debenture interest due.

$$150,000 \times 3\% \times 5/12 = 1,875$$

Investment Income Operating Income ,1875 -1,500= 375 **Inv Income due CA**

$$200,000 \times 8\% = 16,000 \text{ **Interest Exps**, } 16,000 - 12,200 = 3,800 \text{ **CL interest due**}$$

2. The creation of a provision for bad debts equal to 6% of debtors.

$$\text{New Provision } 45,000 - 21,250 + 1,800 = 25,550 \times 6\% = 1,533 \text{ - **Debtors**}$$

Increase in Provision for bad debt 1,533 **Exps**

3. A transfer of €20,000 should be made from profit to the capital reserve.

+ Capital Reserve 20,000 & - Net profit 20,000

Required: (a) Prepare a manufacturing, trading and profit and loss account for the year ended 31/12/2023. (75)

(b) Prepare a balance sheet as at 31/12/2023. (45) (120 marks)

2024 Q1B(a) Manufacturing account for Sexton Ltd for year ended 31/12/2023[1] **120 marks**

Opening stock raw materials		97,500 [1]
Purchases raw materials N2		574,200 [3]
Carriage In		15,800 [1]
Closing stock raw materials N1		<u>(33,400) [1]</u>
Cost of raw materials consumed		654,100
<u>Direct Costs</u>		
Factory Wages		<u>310,000 [2]</u>
Prime Cost		964,100
<u>Factory Overheads</u>		
Patent Written Off N5	16,000 [3]	
General Factory overhead N4	115,900 [6]	
Depreciation Plant & Machinery N6	112,500 [4]	
Loss on machine N6	12,000 [5]	
Loss on damaged stock N2	580 [2]	
Depreciation on factory building N7	<u>12,800 [2]</u>	<u>269,780</u>
		1,233,880
Add Opening stock -Work In Progress	13,000[2]	
Less Closing stock -Work In Progress N1	<u>(22,100) [2]</u>	<u>(9,100)</u>
		1,224,780
Less Sale of Scrap N6		<u>(4,200) [3]</u>
Cost of Manufacture		1,220,580

Trading Profit and loss account of Sexton Ltd for year ended 31/12/2023

Sales N3		1,670,850 [4]
<u>Less Cost of Sales</u>		
Opening Stock	76,000 [1]	
Cost of Manufacture	1,220,580 [2]	
Closing Stock N1	<u>(89,000) [3]</u>	<u>(1,207,580)</u>
Gross Profit		463,270
Less expenses		
<u>Selling and Distribution Costs</u>		
Discount N4	800 [2]	
Selling expenses	99,000 [2]	
Increase in Bad Debt Provision N9	1,533 [2]	
<u>Administration Expenses</u>		
Depreciation-Buildings N7	3,200 [2]	
Administration Expenses	<u>113,000 [2]</u>	<u>(217,533)</u>
		245,737
<u>Add Operating Income</u>		
Rent N8		<u>3,000 [3]</u>
Operating Profit		248,737
Investment Income N9		1,875 [3]
Debenture Interest N9		<u>(16,000) [3]</u>
Net Profit		234,612
Dividend Paid		<u>(47,000) [1]</u>
Retained Profit		187,612
Transfer to Reserve N9		<u>(20,000) [1]</u>
		167,612
Profit & Loss Balance 01/01/2023		<u>6,300 [1]</u>
Profit & Loss Balance 31/12/2023		173,912 [5]

(b) Balance Sheet of Sexton Ltd as at 31/12/2023

<u>Intangible Fixed Assets</u>			
Patent N5			64,000 [2]
<u>Tangible Fixed Assets</u>			
	Cost	Acc Dep	NBV
Factory Land & Buildings N7	1,300,000 [1]		1,300,000
Plant and Machinery N6	<u>740,000</u> [2]	<u>191,500</u> [3]	<u>548,500</u>
	2,040,000	191,500	1,848,500
<u>Financial Assets</u>			
3% Investments			<u>150,000</u> [2]
			2,062,500
<u>Current Assets</u>			
Closing Stock Raw Materials N1	33,400 [1]		
Closing Stock Work In Progress N1	22,100 [1]		
Closing Stock Finished Goods N1	<u>89,000</u> [1]	144,500	
Debtors N3& 8	25,550 [4]		
Less Bad Debt Provision N9	<u>(1,533)</u> [1]	24,017	
Compensation due N2		5,220 [1]	
Investment Income due N9		<u>375</u> [1]	
		174,112	
<u>Less Current Liabilities</u>			
Bank N8	3,800 [4]		
Creditors N4	58,000 [4]		
Rent Receivable prepaid N8	3,000 [1]		
VAT	10,100 [1]		
Debenture Interest due N9	<u>3,800</u> [2]	<u>78,700</u>	<u>95,412</u>
			2,157,912[2]
Financed By			
<u>Creditors amounts falling due > 1 year</u>			
8% Debentures			200,000
	Authorized	Issued	
Ordinary Share Capital	1,100,000 [1]	900,000 [1]	
Preference Share Capital	<u>400,000</u> [1]	<u>330,000</u> [1]	
	1,500,000	1,230,000	
Revaluation Reserve N7		504,000 [3]	
Capital Reserve N9		50,000 [1]	
Profit & Loss Balance 31/12/2023		<u>173,912</u> [1]	<u>1,957,912</u>
			2,157,912[2]

Published Accounts Lyne plc has an authorised share capital of €850,000 divided into 650,000 ordinary shares of €1 each and 200,000 4% preference shares of €1 each. The following trial balance was extracted from its books on 31/12/2023. **60 marks**

	€	€
Land & buildings at cost	850,000	
Buildings - accumulated depreciation on 01/01/2023		55,000
Vehicles at cost	440,000	
Vehicles - accumulated depreciation on 01/01/2023		75,000
Issued capital Ordinary shares		500,000
4% preference shares		150,000
Patent 01/01/2023	37,500	
3% Investments	140,000	
Debtors and creditors	105,000	44,000
Purchases and sales	1,500,000	2,150,000
Stock 01/01/2023	57,000	
Distribution costs	232,000	
Administration expenses	146,000	
Rental income		85,000
Profit on sale of land		60,000
Directors fees	35,000	
Profit and loss account 01/01/2023		43,000
Provision for bad debts		5,600
Debenture interest paid	12,000	
Bank		38,000
Commission		14,000
VAT	5,600	
Dividends paid	35,000	
8% Debentures 2027/2028		380,000
Advertising	<u>4,500</u>	<u> </u>
	3,599,600	3,599,600

The following information is also relevant:

- (i) Stock on 31/12/2023 was €85,000.
- (ii) The patent was acquired on 01/01/2018 for €75,000. It is being amortised over 10 years in equal instalments. The amortisation is to be included in cost of sales.
- (iii) During the year, land adjacent to the company's premises, which had cost €210,000, was sold for €270,000. (The remaining land had cost €200,000). Depreciation on buildings was at the rate of 2% of cost per annum straight line and is to be allocated 25% to distribution costs and 75% to administration expenses. There was no purchase or sale of buildings during the year. At the end of the year the company revalued its land and buildings at €950,000. The company wishes to reflect this value in the accounts.

- (iv) Vehicles are depreciated at the rate of 20% of cost per annum straight line.
 (v) Included in the distribution costs is the receipt of €2,650 for patent royalties.
 (vi) Provide for debenture interest due, investment income due, auditor's fees €8,500 and corporation tax €87,000.

Required: (a) Prepare the published profit and loss account for the year ended 31/12/2023 in accordance with the Companies Act and appropriate accounting standards showing the following notes:

1. Accounting policy note for tangible fixed assets and stock
2. Operating profit
3. Dividends
4. Tangible fixed assets. (52)

(b) (i) Explain the term exceptional item with reference to the accounts of Lyne plc.

(ii) What regulations must accountants observe when preparing financial statements for publication? (8) (60 marks)

Published Profit & Loss A/C of Lyne Plc for year ended 31/12/23 35 marks

Turnover	2,150,000 [2]
Cost of Sales N1	<u>1,479,500 [4]</u>
Gross Profit	670,500
Distribution Costs N2	330,400 [5]
Administrative expenses N3	<u>199,250 [4]</u>
	140,850
Other operating Income N4	<u>101,650 [3]</u>
Operating Profit	242,500
Profit on sale of land	60,000 [1]
Investment Income N5	<u>4,200 [3]</u>
	306,700
Debenture Interest N6	<u>30,400 [3]</u>
Profit on ordinary activities before tax [1]	276,300
Corporation Tax	<u>87,000 [2]</u>
Profit on ordinary activities after tax	189,300
Dividend paid	<u>35,000 [2]</u>
Retained earnings	154,300
P&L Balance 01/01/23	<u>43,000 [2]</u>
P&L Balance 31/12/23	197,300 [3]

1. Cost of Sales: $57,000 + 1,500,000 + 7,500 - 85,000 = 1,479,500$
2. Distribution Costs: $232,000 + 4,500 + 2,650 + 88,000 + 3,250 = 330,400$
3. Administration Expenses: $146,000 + 35,000 + 8,500 + 9,750 = 199,250$
4. Other Operating Income: $85,000 + 14,000 + 2,650 = 101,650$
5. Investment Income: $140,000 \times 3\% = 4,200$
- 6 Debenture Interest $380,000 \times 8\% = 30,400$

Note: Depreciation – Buildings 2% of 650,000 = 13,000

Distribution: 25% of 13,000	Administration: 75% of 13,000
3,250	9,750

Notes to the Accounts **17 Marks**

1 Accounting Policy Notes [4] Tangible Fixed Assets Buildings were re-valued at the end of 2023 and have been included in the accounts at their re-valued amount. Vehicles are shown at cost. Depreciation is calculated in order to write off the value or cost of tangible fixed assets over their estimated useful economic life as follows:

Buildings 2% per annum straight line

Vehicles 20% of cost per annum straight line

Stock is valued on a FIFO basis at the lower of cost and net realisable value

2 Operating Profit [4] The operating profit is arrived at after charging

Depreciation on tangible fixed assets	101,000
Patent amortised	7,500
Director's remuneration	35,000
Auditors fees	8,500

3 Dividends [2]

Ordinary Dividends Paid 5.8 cent per share 29,000

Preference Dividends Paid 4.0 cent per share 6,000

4 Tangible Fixed Assets [7]

	Land & Buildings €	Vehicles €	Total €
Cost/Value at 01/01/2023	1,060,000	440,000	1,500,000
Disposal	(210,000)		(210,000)
Revaluation Surplus	<u>100,000</u>		<u>100,000</u>
Cost/Value at 31/12/2023	950,000	440,000	1,390,000
Acc Depreciation 01/01/2023	55,000	75,000	130,000
Depreciation charge for year	13,000	88,000	101,000
	68,000	163,000	231,000
Transfer on Revaluation	(68,000)	-	(68,000)
Acc. Depreciation 31/12/2023	-	163,000	163,000
Net book value 01/01/2023	1,005,000	365,000	1,370,000
Net book value 31/12/2023	950,000	277,000	1,227,000

(b) 8 Marks (i) An exceptional item is a material item of significant size. It is a profit or loss and must be shown separately in the profit and loss account because of its size. In Lyne Plc the profit on the sale of land of €60,000 is an example of an exceptional item.

(ii) Accountants must comply with the following regulations:

The Government – Legislation

The European Union – Directives

Accounting Standards Board-FRS's and SSAP's.

The Stock Exchange-Listing Rules

Farm Accounts **60 Marks**

Among the assets and liabilities of E. Fleming, who carries on a small mixed farming business, on 01/01/2023 are: land and buildings at cost €410,000; vehicles and machinery at cost €168,000; electricity due €250; medicines prepaid €330; value of cattle €88,000; value of sheep €35,600; milk cheque due €6,900; stock of fuel €370; two months investment interest due €400. All fixed assets have 3 years accumulated depreciation on 01/01/2023.

The following is a summary taken from the cheque payments and lodgments books for the year ended 31/12/2023:

Lodgments	€	Cheque Payments	€
Balance 01/01/2023	51,500	Fertiliser	35,600
Milk	100,000	General farm expenses	21,610
Sheep	15,400	Dairy wages	5,200
Cattle	14,900	Sheep	8,900
Lambs	8,700	Cattle	11,200
Calves	10,800	Light, heat and fuel	46,850
Single payment – sheep	6,600	Machinery	15,000
Single payment – cattle	3,385	Repairs	5,750
Wool	800	Veterinary fees and medicines	4,120
Interest from 2% investment bond	1,400	Repayment of loan plus 18 months interest	
E.U. GLAS environmental scheme	5,600	at 5% per annum on 31/8/2023	32,250
		Balance 31/12/2023	<u>32,605</u>
	219,085		219,085

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

- | | Cattle | Sheep |
|---|---------|---------|
| (i) Value of livestock on 31/12/2023 was: | €94,000 | €51,000 |
- (ii) Farm produce used by Fleming during the year – milk €550; lamb €770.
- (iii) Veterinary fees and medicines include a cheque for private health insurance of €1,700.
- (iv) General farm expenses, fertiliser, veterinary fees and medicines are to be apportioned 70% to ‘cattle and milk’ and 30% to ‘sheep’.
- (v) All other expenses and costs are to be apportioned 90% to general farm and 10% to household.
- (vi) Vehicles and machinery are to be depreciated at the rate of 10% of cost per annum and buildings at 2% of cost per annum. (Land at cost was €200,000.)
- (vii) On 31/12/2023 there was a milk cheque due €6,950, creditors for fertiliser amounted to €750 and stock of fuel was €450.

- Required: (a) Prepare Fleming's statement of capital on 01/01/2023. (20)
 (b) Prepare an enterprise analysis account for 'cattle and milk' and 'sheep' for the year ended 31/12/2023. (20)
 (c) Prepare Fleming's general profit & loss account for the year ended 31/12/2023. (12)
 (d) Fleming is considering upgrading the farm with the installation of solar panels at a cost of €100,000 (net of grants). He has estimated that this would reduce energy costs by 40%. Fleming has asked you to advise him on the financial implications of the installation of solar panels. Based on the accounts you have prepared what advice would you give? (8) (60 marks)

Question 3 Farm Accounts 60 Marks

(a) Statement of Capital 01/01/2023 **20 Marks**

Assets

Land and Buildings	410,000 [1]	
Depreciation Land and Buildings	<u>(12,600) [1]</u>	397,400
Motor Vehicles	168,000 [1]	
Depreciation Motor Vehicles	<u>(50,400) [1]</u>	117,600
Medicine prepaid		330 [1]
Value of cattle		88,000 [1]
Value of Sheep		35,600 [1]
Milk cheque due		6,900 [1]
Stock of fuel		370 [1]
Investment income due		400 [1]
Investments W6		120,000 [2]
Bank		<u>51,500 [1]</u>
		818,100

Liabilities

ESB due	250 [1]	
Loan W4	30,000 [2]	
Loan Interest due W4	<u>1,250 [2]</u>	<u>31,500</u>
Capital as at 01/01/2023		786,600 [2]

(b) Enterprise Analysis Account Cattle and Milk 20 marks

<u>Income</u>		
Milk	W1	100,050 [1]
Cattle and Calves		25,700 [1]
Drawings		550 [1]
Increase in value of cattle		6,000 [1]
Single payment cattle		<u>3,385 [1]</u>
		135,685
<u>Expenditure</u>		
Dairy Wages	5,200 [1]	
Fertiliser	25,445 [1]	
General Farm expenses	15,127 [1]	
Cattle	11,200 [1]	
Vet fees and medicine	W3 <u>1,925 [2]</u>	<u>58,897</u>
Gross Profit Cattle and Milk		76,788

Enterprise Analysis Account Sheep

<u>Income</u>		
Sheep and Lambs		24,100 [1]
Single payment sheep		6,600 [1]
Wool		800 [1]
Drawings		770 [1]
Increase in value of sheep		<u>15,400 [1]</u>
		47,670
<u>Expenditure</u>		
Fertiliser	10,905 [1]	
General Farm expenses	6,483 [1]	
Sheep	8,900 [1]	
Vet fees and medicine W3	<u>825 [1]</u>	<u>27,113</u>
Profit on Sheep		20,557

(c) General Profit and Loss account for year ended 31/12/23 **12 Marks**

Income

Gross Profit Cattle		76,788
Gross Profit Sheep		20,557
Investment Interest W6		2,400 [1]
EU Glas Scheme		<u>5,600 [1]</u>
		105,345

Less Expenses

Light Heat and Fuel W2	41,868 [4]	
Repairs	5,175 [1]	
Depreciation Machinery W5	16,470 [1]	
Depreciation Buildings W5	3,780 [1]	
Interest W4	<u>900 [1]</u>	<u>68,193</u>
Net Profit		37,152 [2]

Workings

- Milk $100,000 + 6,950 - 6,900 = 100,050$
- Light and Heat $46,850 - 450 - 250 + 370 = 46,520 \times 90\% = 41,868$
- Vets fees $4,120 - 1,700 + 330 = 2,750$
 $2,750 \times 70\% = 1,925$ **Cattle & Milk** $2,750 \times 30\% = 825$ **Sheep**
- Loan plus 18 months interest $32,250 \times 107.5\%$
 Loan $30,000 \times 100\%$ **Liability 1/1**
 Interest $2,250$ $2,250 \times 10/18 = 1,250$ loan int due **Liability 1/1**
 $2,250 \times 8/18 = 1,000 \times 90\% = 900$ loan int **Exp**
- Depreciation on Buildings $210,000 \times 2\% = 4,200 \times 90\% = 3,780$ **Exp**
 Depreciation on Machinery $183,000 \times 10\% = 18,300 \times 90\% = 16,470$ **Exp**
- Two months investment interest 400
 12 months investment interest $400 / 2 \times 12 = 2,400$ **Income 2%**
 Investments $2,400 / 2 \times 100 = 120,000$ **Asset**

(d) I would recommend that Fleming install the Solar Panels.

The light and heat bill would be reduced by €16,747/€18,608 per annum.

As a result profit would increase and the business would recover the investment of €100,000 in approximately 6 years. The farm business can easily afford to finance the €100,000 as it has €32,605 in the bank and €120,000 in investments and has just repaid a loan of €30,000.

8 Marks

Interpretation of Accounts The following figures have been taken from the final accounts of Kelly plc, a company in the renewable energy sector, for the year ended 31/12/2023. The company has an authorised capital of €800,000 made up of 600,000 ordinary shares of €1 each and 200,000 4% preference shares of €1 each. The firm has already issued 400,000 ordinary shares and 40,000 4% preference shares. **100**

Marks

Trading and Profit and Loss account for year ended 31/12/2023

	€	€	<u>Ratios and Information for y/e 31/12/22</u>	
Sales		819,000	Earnings per ordinary share	15c
Opening stock	65,000		Dividend per ordinary share	6c
Cost of goods sold		(605,000)	Interest cover	5 times
Operating expenses for year		(92,000)	Quick ratio	1.20:1
Interest		<u>(12,000)</u>	Return on Capital employed	15%
Net profit		110,000	Market value of one ord share	1.20
Dividends paid		<u>(20,000)</u>	Gearing	15%
Retained profit		90,000	Dividend cover	2.5 times
Profit and loss balance 01/01/2023		<u>25,000</u>	Dividend yield	5%
Profit and loss balance 31/12/2023		115,000		

Balance Sheet as at 31/12/2023

	€	€	€
Fixed Assets			
Intangible		50,000	
Tangible		<u>480,000</u>	530,000
Investments (market value 31/12/2023 – €120,000)			<u>100,000</u>
			630,000
Current Assets		126,000	
Less Creditors: amounts falling due within 1 year			
Bank overdraft	(16,000)		
Trade creditors	<u>(35,000)</u>	<u>(51,000)</u>	<u>75,000</u>
			705,000
Financed by			
8% debentures (2027 secured)			150,000
Capital and Reserves			
Ordinary shares of €1 each		400,000	
4% preference shares of €1 each		40,000	
Profit and loss balance		<u>115,000</u>	<u>555,000</u>
Market value of one ordinary share €1.25 on 31/12/2023.			705,000

(a) You are required to calculate the following for 2023: (where appropriate calculations should be made to two decimal places).

- (i) The closing stock if the rate of stock turnover is 10 based on average stock
- (ii) Return on capital employed
- (iii) Price earnings ratio
- (iv) Gearing
- (v) Dividend yield **(50)**

(b) Advise the bank manager if a loan of €200,000, on which a rate of 9% would be charged, should be granted to Kelly plc. The loan is to finance the upgrade of manufacturing equipment. Use relevant ratios, percentages and other information to support your answer. **(40)**

(c) Your friend has decided to invest €20,000 in shares in Kelly plc and has asked for your advice. They have the option of purchasing either - ordinary shares at market value (€1.25) or - 4% preference shares at their nominal value of €1 each.

- (i) Distinguish between ordinary shares and preference shares.
- (ii) Based on your analysis of the accounts of Kelly plc what advice would give? **(10) (100marks)**

Question 5 Interpretation of Accounts (a) **50 marks**

(i) Cost of sales $\frac{605,000}{10} = 60,500$

Average stock ?

Average stock $60,500 \times 2 = 121,000 - 65,000 = 56,000$ Closing stock

(ii) Return on Capital Employed

Operating Profit $\times 100 = \frac{110,000 + 12,000}{705,000} \times 100 = 17.3\%$

Capital Employed 705,000

(iii) P/E ratio

Market Price $\frac{125c}{27.1c} = 4.61$ years

EPS 27.1c

$EPS = \frac{110,000 - 1,600}{400,000} = 27.1c$

(iv) Gearing

Fixed Interest Debt $\times 100 = \frac{190,000}{705,000} \times 100 = 26.95\%$

Capital Employed 705,000

(v) Dividend Yield

Dividend Per Share $\times 100 = \frac{4.6c}{125c} \times 100 = 3.68\%$

Market Price 4.6c

125c

$DPS = \frac{20,000 - 1,600}{400,000} = 4.6\text{cent}$

(b) The Bank manager would analyse the performance, state of affairs and prospects of the company under the following headings: **40 Marks**

Purpose[2] The bank manager would want to know the reason for the loan which is for upgrading the manufacturing equipment of the company. This seems like a good reason for granting the loan as it will improve the efficiency of the business, lower cost per unit and increase longterm profitability.

Performance Profitability [7]

-Kelly plc is a profitable company

- The return on capital employed in 2023 is 17.3%.
- Profitability has improved compared to 2022 when the return was 15%.
- This is well above the return from risk-free investments of 0.25% - 3.75% and the cost of borrowing of 8%, and 9% on the new loan.
- This indicates efficient use of its resources this year.
- The earnings per share has increased from 15 cent in 2022 to 27.1 cent in 2023. This is a positive trend and would satisfy the bank manager.

Dividend Policy [4]

- In 2023 dividend cover is 5.89 times. 16.98% of the profits are paid to ordinary shareholders.
- In 2022 the dividend cover was 2.5 times. (40% of the profits are paid out to the ordinary shareholders). This is an improving trend.
- The Bank Manager would be happy that Kelly plc is retaining profits for expansion and future repayments of loans and interest.

State of Affairs Liquidity [5]

- Acid test/Quick ratio in 2023 is 1.37:1.
- This means that for every €1 of short-term debt the firm has €1.37 in liquid assets to cover that debt.
- The Acid Test Ratio in 2022 was 1.20:1. This is an improving trend and the company is liquid.
- The ratio is above the ideal ratio of 1:1
- There should be no issue meeting interest repayments.

Gearing [9] • Gearing ratio in 2023 is 26.95%(Debt to Capital Employed)/36.89%(Debt to Equity)

- The company is lowly geared as this is below 50%/100%(Debt to Equity).
- This means it is financed more by equity than debt and is not reliant on outside investors.
- Gearing in 2022 was 15%, the trend is dis-improving. Goodwin plc is becoming more reliant on debt but the company is still considerably lowly geared.
- If the new loan was granted, gearing would increase to 43.1%(Debt to Capital Employed) or 75.73%(Debt to Equity). The company would still be lowly geared so there is no cause for concern.
- Interest cover in 2023 is 10.17 times.
- This indicates that the company has sufficient profits to pay interest payments.
- The interest cover in 2022 was 5 times, so this is an improving trend.
- With the new loan the interest cover would dis-improve to 4.06 times which is still a very healthy cover and would indicate that the interest payments on the new loan would be more than covered from profits.

Security [7] • Debentures are €150,000 are secured against the fixed assets and due for repayment in 2027.

- Tangible Fixed assets are valued at €480,000/€530,000/€630,000.
- There is sufficient security to cover the existing debentures, however the bank manager would like to question the depreciation policy of the business to ascertain the real value of fixed assets.
- The existing Tangible Fixed Assets if valued correctly could also be used as security for the new loan ($480,000 - 150,000 = 330,000$) with €330,000 (adequate security) available, this more than covers the new loan of €200,000.
- Kelly plc also has investments which cost €100,000 and are now worth €120,000. This would indicate good investment decisions by management.

Prospects Sector [5] The company operates in the renewable energy sector. Short term prospects are good as the renewable energy industry is a growing industry as more people become environmentally aware – households can receive grants for the installation of solar panels and no VAT is charged on the installation of these panels. Long term prospects are also encouraging as people try to move away from reliance on fossil fuels and from higher energy bills due to volatile economic conditions.

Conclusion: [1] • The bank manager should grant the loan as the company is profitable, liquid and has low gearing.

(c) (i) The rate of Dividend is fixed for Preference shares. There is no fixed rate of dividend for ordinary shares. Preference shareholders do not have any voting rights for taking crucial decisions related to the company. Ordinary shareholders have voting rights. Preference shareholders have priority when it comes to being paid a dividend. Ordinary Shareholders are paid a dividend if the company has enough profits to cover the payment.

(ii) Purchasing €20,000 worth of Ordinary Shares in Kelly Plc would give an investor 16,000 ordinary shares in the company. On present DPS the investor would receive €736/3.68% of a dividend. Last year they would have received €960. This could increase or decrease in any given year. The value of the share could also increase or decrease. Purchasing €20,000 worth of Preference shares would give a guaranteed dividend of €800/4%. However the investor has no say in how the company is run. I would recommend for my friend to buy the preference shares if they would like a guaranteed return on their money but if they are prepared to take a risk, buying ordinary shares could give them a better return on their investment.

10 Marks

Cash Flow Statement **100 Marks**

The following are the balance sheets of Simpson plc as at 31/12/2023 and 31/12/2022:

Balance Sheets as at	31/12/2023		31/12/2022	
	€	€	€	€
Intangible Assets				
Patent		65,000		78,000
Fixed Assets				
Fixed assets at cost	730,000		610,000	
Less accumulated depreciation	<u>(145,000)</u>	585,000	<u>(118,000)</u>	492,000
Financial Assets				
3% Investments		<u>35,000</u>		<u>35,000</u>
		685,000		605,000
Current Assets				
Stock	108,300		98,000	
Cash	2,680		2,370	
Debtors	56,000		54,000	
Less provision for bad debts	(1,680)		(1,620)	
Government securities	20,000		12,000	
Investment interest due	<u>1,500</u>		<u>1,000</u>	
	186,800		165,750	
Less creditors: amounts falling due within 1 year				
Creditors	84,000		70,000	
Bank overdraft	10,000		15,000	
Corporation tax	52,000		50,200	
Interest payable due	<u>2,400</u>		<u>1,000</u>	
	148,400	<u>38,400</u>	136,200	<u>29,550</u>
		723,400		634,550
Financed by:				
Creditors: amounts falling due after 1 year				
8% Debentures		120,000		110,000
Capital and Reserves				
Ordinary shares of €1 each	500,000		450,000	
Share premium	15,000		-----	
Profit and loss account	<u>88,400</u>	<u>603,400</u>	<u>74,550</u>	<u>524,550</u>
		723,400		634,550

The following information is also available:

- (i) The shares were issued at €1.30 per share on 01/01/2023.
- (ii) Fixed assets which cost €30,000 and on which total depreciation of €21,000 had been provided, were sold during the year ending 31/12/2023 for €8,500.
- (iii) Debentures, €10,000, were issued on 30/06/2023.
- (iv) The total dividend paid for the year was 5c per share on shares held on 31/12/2023.
- (v) Corporation tax charged on profits for 2023 was €45,000.
- (vi) The patent is being written off over a six-year period, which commenced in 2022.

Required:

- (a) (i) Prepare an abridged profit and loss account to ascertain the operating profit for the year ended 31/12/2023.
- (ii) Prepare the cash flow statement of Simpson plc for the year ended 31/12/2023 including reconciliation statements. (90)
- (b) (i) Outline how Simpson plc can benefit from the preparation of a cashflow statement.
- (ii) Explain why earning profit may not always result in a corresponding increase in cash balances. Use figures from this question to support your answer. (10) (100 marks)

2024 Question 6 100 Marks

(a) (i) Abridged Profit & Loss A/C for year ended 31/12/2023 20 Marks

Operating Profit	92,000 [2]
Investment Income W1	<u>1,050</u> [3]
	93,050
Debenture Interest W2	<u>(9,200)</u> [3]
Profit before tax	83,850
Taxation W4	<u>(45,000)</u> [3]
Profit after tax	38,850
Less Dividend paid W3	<u>(25,000)</u> [3]
Retained earnings	13,850
P&L Balance 1/1/23	<u>74,550</u> [3]
P&L Balance 31/12/23	88,400 [3]

Reconciliation of operating profit to net cash flow from operating activities 19 Marks

Operating Profit	92,000 [2]
Add Depreciation	48,000 [3]
Loss on Sale of Fixed Asset W5	500 [2]
Patent Written Off	13,000 [2]
Increase in stock	(10,300) [2]
Increase in Debtors	(2,000) [2]
Increase in BDP	60 [2]
Increase in Creditors	<u>14,000</u> [2]
Net Cash Inflow from Operating Activities	155,260 [2]

(ii) Cash flow statement of Simpson plc for the year ended 31/12/2023**46 Marks**

	€	€
<u>Operating Activities [1]</u>		
Net Cash Inflow from operating activities		155,260[2]
<u>Return on Investments and Servicing of Finance [1]</u>		
Investment Income Received W1	550[4]	
Debenture Interest Paid W2	<u>(7,800)[4]</u>	(7250)
<u>Taxation[1]</u>		
Tax Paid W4		(43,200) [4]
<u>Capital Expenditure and Financial Investments [1]</u>		
Receipts from sale of Fixed Assets	8,500 [2]	
Payments to acquire Fixed Assets	<u>(150,000) [5]</u>	(141,500)
<u>Equity Dividends Paid[1]</u>		
Dividends paid W3		<u>(25,000) [2]</u>
Net Cash Outflow before Liquid Resources and Financing[1]		(61,690) [1]
<u>Management of Liquid Resources [1]</u>		
Purchase of Government securities		(8,000) [2]
<u>Financing [1]</u>		
Issue of Debentures	10,000 [3]	
Receipts from Issue of Ordinary Shares	50,000 [3]	
Share Premium	<u>15,000 [3]</u>	<u>75,000</u>
Increase in Cash		5,310 [3]

Reconciliation of Net Cash to Movement in Net Debt

€

5 Marks

Increase in Cash	5,310 [1]
Cash used to Purchase Government Securities	8,000 [1]
Purchase of Debentures	<u>(10,000) [1]</u>
Change in Net Debt	3,310
Net Debt 1/1/2023	<u>(110,630) [1]</u>
Net Debt 31/12/2023	(107,320) [1]

Workings1 Investments $35,000 \times 3\% = 1,050$ **P&L** , $1,050 + 1,000 - 1,500 = 550$ **C Flow**2 Interest $110,000 \times 8\% \times 6/12 + 120,000 \times 8\% \times 6/12 = 9,200$ **P&L** , $9,200 + 1,000 - 2,400 = 7,800$ **CFlow**3 Dividends $500,000 \times 5\% = 25,000$ **P&L & CFlow**4 Taxation $45,000$ **P&L** $45,000 + 50,200 - 52,000 = 43,200$ **CFlow**5 Loss on sale of fixed asset $30,000(\text{cost}) - 21,000(\text{depreciation}) = 9,000$ (worth) $9,000(\text{worth}) - 8,500(\text{sold for}) = 500$ **Loss on Sale** (non cash item)

(b) (i) Profit shows the financial performance of a business but cash flow highlights a firm's ability to pay its bills etc.

A cashflow statement is beneficial for a business for the following reasons:

- It helps a business to manage its cash flow/liquidity better.
- It can help with financial planning/decision-making for the future.
- It shows profit is not always equal to cash.
- It ensures that the business complies with Company Law.
- It can be used as part of a loan application strategy.
- It shows all the cash inflows and outflows for the period.

(ii) Simpsons plc's Profit and Loss A/C and Cash Flow Statement show an operating profit of €92,000 was made but the increase in cash for the year was only €5,310.

Profit but Not Cash:

Credit Sales affects profit but not cash. Debtors increased by €2,000.

Credit purchases affects profit but not cash. Creditors increased by €14,000.

Loss on Sale of Fixed Asset affects profit but not cash. There is a loss on sale of €500. Depreciation on Fixed Assets affects profit but does not affect cash. Depreciation of €48,000. Patents amortised affects profit but does not affect cash. Patents amortised of €13,000.

Increase in bad debt provision affects profit but has no effect on cash. There is an increase in the bad debts provision of €60.

Cash but not Profit:

Receipts from sale of Fixed Assets affects cash but has no immediate effect on profit. €8,500 was received from the sale of fixed assets.

Payments for the purchases of fixed assets affects cash but has no immediate effect on profit. New fixed assets were bought for €150,000.

Receipts from Issue of Shares and Premium affects cash but has no immediate effect on profit. New shares were issued for €65,000.

Receipts from Issue of Debenture affects cash but has no immediate effect on profit. €10,000 was received from the issue of Debentures.

Purchase of government securities affects cash but has no immediate effect on profit. €8,000 was spent on government securities. **10 Marks**

Budgeting 80 marks

O'Neill Ltd is planning to set up a business on 01/07/2024 and has made the following forecast for the first six months of trading:

	July	August	September	October	November	December
Sales units	12,500	12,700	13,800	14,900	14,500	15,400
Sales Revenue (€)	625,000	635,000	690,000	745,000	725,000	770,000

(i) Stocks of finished goods are maintained at 40% of the following month's sales requirement. (ii) Each product unit requires 5 kg of material X, which costs €4 per kg.

(iii) Stocks of raw materials, sufficient for 10% of the following month's requirements in kgs are held at the end of each month.

(iv) The cash collection pattern from sales is expected to be: Cash Customers 30% of sales revenue will be for immediate cash and a cash discount of 5% will be allowed. Credit Customers 70% of sales revenue will be from credit customers. These debtors will pay their bills in the month after sale.

(v) Two month's credit is received from suppliers.

(vi) Expenses of the business will be settled as follows:

Expected Costs Wages €24,000 plus 10% of sales revenue per month, payable as incurred. Variable overheads €15 per unit, payable as incurred.

Fixed overheads (including depreciation) €15,000 per month, payable as incurred.

Capital Costs Equipment will be purchased on 01/07/2024 costing €60,000 which will have a useful life of 4 years. To help finance this purchase, a loan of €48,000 will be secured at 6% per annum. The capital sum is to be repaid over four years in equal monthly instalments commencing on 01/08/2024.

The interest for each month is to be paid on the last day of the month based on the amount of the loan outstanding at that date commencing on 31/07/2024.

Required: (a) Prepare a production budget for O'Neill Ltd for the four months July to October 2024.

(b) Prepare a raw materials purchases budget (in kg and €) for O'Neill Ltd for the four months July to October 2024.

(c) Prepare a cash budget for O'Neill Ltd for the four months July to October 2024.

(d) Prepare a budgeted trading and profit and loss account for O'Neill Ltd for the four months ending 31/10/2024 (if the budgeted cost of a unit of finished goods is €30).

(e) (i) Explain what is meant by variance analysis. (ii) Give a specific example of a favourable variance that may arise for O'Neill Ltd. (80 marks)

2024 Question 9 Budgeting **80 Marks**(a) Production Budget **11 marks**

	July	Aug	Sept	Oct	Nov
Sales Units	12,500 [1]	12,700 [1]	13,800 [1]	14,900 [1]	14,500
Opening Stock		(5,080) [1]	(5,520) [1]	(5,960) [1]	(5,800)
Closing Stock	<u>5,080</u> [1]	<u>5,520</u> [1]	<u>5,960</u> [1]	<u>5,800</u> [1]	<u>6,160</u>
Production Units	17,580	13,140	14,240	14,740	14,860

(b) Raw Material Purchases Budget **13 Marks**

	July	Aug	Sept	Oct	Nov
Production Units	17,580 [1]	13,140	14,240	14,740	14,860
Materials per unit	X 5 [1]	X 5	X 5	X 5	X 5
Production Requirements	87,900[1]	65,700	71,200	73,700	74,300
Opening Stock		(6,570) [1]	(7,120) [1]	(7,370) [1]	
Closing Stock	<u>6,570</u> [1]	<u>7,120</u> [1]	<u>7,370</u> [1]	<u>7,430</u> [1]	
Purchase Units	94,470[1]	66,250	71,450	73,760	
Purchase Price per unit	<u>X €4</u> [1]	<u>X €4</u>	<u>X €4</u>	<u>X €4</u>	
Purchases in	€ 377,880	265,000	285,800	295,040 [1]	

(c) Cash Budget **34 marks**

	July	August	September	October	
Receipts	€	€	€	€	
Cash Sales	178,125 [1]	180,975 [1]	196,650 [1]	212,325 [1]	
Credit Sales		437,500 [1]	444,500 [1]	483,000 [1]	
Total Receipts	178,125	618,475	641,150	695,325	
Payments					
Purchases			377,880 [1]	265,000 [1]	
Wages	86,500 [1]	87,500 [1]	93,000 [1]	98,500 [1]	
Variable Overheads	263,700[1]	197,100 [1]	213,600 [1]	221,100 [1]	
Fixed Overheads	13,750 [1]	13,750	13,750	13,750	
Equipment	60,000 [1]				
Loan Instalment		1,000 [1]	1,000 [1]	1,000 [1]	
Loan Interest	240 [1]	235 [1]	230 [1]	225 [1]	
Total Payments	<u>424,190</u>	<u>299,585</u>	<u>699,460</u>	<u>599,575</u>	
Net Cash	(246,065) [1]	318,890 [1]	(58,310) [1]	95,750 [1]	
Bank Loan	48,000 [1]				
Opening Cash		(198,065)	120,825	62,515	
Closing Cash	(198,065)	120,825	62,515	158,265 [3]	

(d) Budgeted Trading and Profit and Loss Account for the 4 months ended 31/10/2024 **12 Marks**

Sales		2,695,000 [1]	
<u>Less Cost of sales</u>			
Purchases	1,223,720 [1]		
Less Closing Stock: RM:(7,430 x 4)	(29,720) [1]		
FG: (5,800 x 30)	<u>(174,000) [1]</u>	<u>(1,020,000)</u>	
Gross Profit			1,675,000
<u>Less Expenses:</u>			
Variable Overheads	895,500 [1]		
Fixed Overheads	55,000 [1]		
Wages	365,500 [1]		
Depreciation	5,000 [1]		
Discount	<u>40,425 [1]</u>	<u>(1,361,425)</u>	
Operating Profit			313,575
Interest		<u>(930) [1]</u>	
Net Profit			312,645 [2]

(e) Variance analysis is a technique used in cost and management accounting to compare the actual results achieved with the budgeted figures. It's a quantitative method that helps to maintain control over a business.

A favourable variance arises when actual expenses are less than budgeted expenses or actual revenue is above the budgeted revenue figure. For example O'Neill may negotiate a better deal from suppliers and purchase the raw materials for less than €4. O'Neill may end up paying his employees a commission of less than 10% sales revenue per month. **10 Marks**