

QUESTION 6 – Final Accounts of a Service Firm

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(a)

Statement of Capital and Reserves on 1/1/2002

		€	€
Assets			
Buildings and grounds	(520,000 – 31,200)	488,800 ²	
Equipment	(90,000 – 54,000)	36,000 ²	
Furniture	(25,000 – 15,000)	10,000 ²	
Investments		80,000 ¹	
Stock - Health food for resale		1,500 ¹	
Stock – oil		660 ¹	
Contract cleaning prepaid		300 ¹	
Cash at bank		7,560 ¹	624,820
Less Liabilities			
Creditors for supplies		1,450 ¹	
Customers' advance deposits		5,500 ¹	
Loan		60,000 ²	
Interest on loan	(12 months @ €400 per month)	4,800 ²	
Issued capital		<u>320,000¹</u>	<u>391,750</u>
Reserves			<u>233,070²</u>

(b)

Health Shop Profit and Loss Account for year ended 31/12/2002

		€	€
Shop receipts - sales			67,000 ²
Less Expenses			
Cost of goods sold -	(1,500 + 41,300 – 1,800)	41,000 ⁵	
Light and heat		220 ¹	
Insurance		600 ¹	
Telephone		360 ¹	
Wages and Salaries	(60% of 16,000)	<u>9,600²</u>	<u>51,780</u>
Contribution from health shop			<u>15,220</u>

Profit and Loss Account for year ended 31/12/2002

		€	€
Income			
Interest received		2,160 ¹	
Profit on health shop		15,220 ¹	
Customers' fees	W 1	<u>264,750⁴</u>	282,130
Less Expenses			
Wages and Salaries	(88,240 – 9,600)	78,640 ²	
Insurance	(6,300 - 600)	5,700 ¹	
Light and heat	W 2	3,270 ⁵	
Purchases - supplies	W 3	38,750 ³	
Loan interest	W 4	2,000 ³	
Laundry		4,100 ¹	
Postage and telephone		1,520 ¹	
Depreciation - Buildings	W 5	12,000 ¹	
- Equipment		21,200 ¹	
- Furniture		5,000 ¹	
Contract Cleaning	W 6	<u>2,600³</u>	<u>174,780</u>
Net Profit for year			107,350 ⁷
Add Reserve 1/1/2002			<u>233,070¹</u>
Profit and Loss balance 31/12/2002			<u>340,420</u>

(d)

Balance Sheet as at 31/12/2002

	Cost Depreciation		Net
	€	€	€
Fixed Assets			
Buildings and Grounds	700,000 ①		700,000
Equipment (90,000 + 16,000)	106,000 ②	75,200 ②	30,800
Furniture	<u>25,000 ②</u>	<u>20,000 ②</u>	<u>5,000</u>
	<u>692,000</u>	<u>107,600</u>	735,800
Investments			<u>80,000 ②</u>
			815,800
Current Assets			
Closing stock - shop goods	1,800 ②		
- oil	360 ②		
Cleaning prepaid	400 ②		
Customers' fees due	<u>650 ②</u>	3,210	
Less Creditors: amounts falling due within 1 year			
Bank overdraft	9,500 ②		
Electricity due	290 ②		
Customers' advance deposits	4,000 ②		
Creditors for supplies	<u>1,600 ②</u>	<u>(15,390)</u>	<u>(12,180)</u>
			<u>803,620</u>
Financed by			
Share Capital and reserves		Authorised	Issued
Ordinary shares		<u>450,000 ①</u>	320,000 ①
Revaluation Reserve (W 7)			143,200 ③
Profit and Loss Balance			<u>340,420</u>
			<u>803,620</u>

Workings

1	Customers' fees – amount received	262,600	
	Add advance deposits	5,500	
	Add fees due	650	
	Less fees prepaid 31/12/2002	<u>(4,000)</u>	264,750
2	Light and heat – amount paid	2,900	
	Add stock – heating oil 1/1/2002	660	
	Add electricity due 31/12/2002	290	
	Less stock – heating oil 1/1/2002	<u>(360)</u>	
	Less charge to shop	<u>(220)</u>	3,270
3	Purchases (38,600 + 1,600 - 1,450)		38,750
4	Loan Interest paid	6,800	
	Less interest due 1/1/2002 for 1 year @ €400 per month	<u>4,800</u>	2,000
5	Depreciation - Buildings & grounds 2% x (520,000+80,000)		12,000
	- Equipment 20% x (90,000 + 16,000)		21,200
	- Furniture 20% x (25,000)		5,000
6	Contract Cleaning – amount paid	2,700	
	Add amount prepaid 1/1/2002	300	
	Less amount 31/12/2002	<u>(400)</u>	2,600
7	Revaluation Reserve		
	Buildings (700,000 - 600,000 including extension)	100,000	
	Depreciation (31,200 + 12,000)	<u>43,200</u>	143,200

