

Accounting

ARTHUR RUSSELL

6TH YEAR

HIGHER LEVEL

2020-21

SERVICE FIRMS



Theory of Service Firms

Service Firms

This is a topic which appears in Section 1 (60 marker to be completed in 27 minutes) or in Section 2 (100 marker to be completed in 45 minutes).

It is a topic which is not guaranteed each year but is highly popular.

Students should study the following – LC 2018(60), LC 2017(100), LC 2014 (100), LC 2012 (100), LC 2010 (100), LC 2007 (100), LC 2005 (60), LC 2003 (100), LC 2001 (100), LC 2000 (60), LC 1997 (60).

Theory questions – LC 2018 (c), LC 2017 (e), LC 2014 (e), LC 2012 (e), LC 2010 (e). Remember that any theory question on the financial accounting section can appear on the paper.

1 Calculation of Reserves 1/1/2020

To find this figure add up all of the assets at the start of the year and subtract from this figure the liabilities at the start of the year.

When calculating the assets at the 1/1 be very careful to include the **depreciation** for the 2/3 years prior to 1/1/2020. Also include the **Bank** balance at the 1/1 and sometimes the **Investments** figure has to be calculated as well.

When calculating the liabilities at the 1/1 be very careful to include the Bank Overdraft, if any, at the start of the year. Also include the loan interest due at the 1/1 and the loan.

Assets at the 1/1 2020

Buildings/Vans/Furniture/Machinery	300
Accumulated Depreciation 1/1	<u>(40)</u>
	260
Investments	100
Stocks of trading goods	30
Stocks of fuel/stationery	10
Investment income due	5
Debtors	20
Bank/Cash	45
Expenses prepaid	<u>15</u>
	485

Liabilities at the 1/1/2020

Creditors	30	
Bank overdraft	20	
Issued Share Capital	300	
Loan	50	
Interest due (for the period before 1/1/20)	10	
Income prepaid	<u>5</u>	<u>(415)</u>
Reserves 1/1/2020		<u>70</u>

2 Profit or Loss of the health food shop (if any)

Here you include all of the income for the year of the health food shop and all of the expenditures for the year of the shop. The **accruals** principle is used as follows –

- 1 Due/Debtors/Creditors at the 1/ is subtracted from the expense/income.
- 2 Due/Debtors/Creditors at the 31/12 is added to the expense/income.
- 3 Prepaid/Stocks at the 1/1/ is added to the expense/income.
- 4 Prepaid/Stocks at the 31/12 is subtracted form the expense/income.

Profit and Loss Account of the health food shop for v/e/31/12/20

Shop Receipts		50
Less Debtors 1/1		(4)
Add Debtors 31/12		<u>6</u>
		52
Less cost of sales		
Opening stock of the shop	12	
Purchases (Adjust for creditors if any)	<u>20</u>	
	32	
Closing stock of the shop	<u>(8)</u>	<u>(24)</u>
Gross Profit		28
Less expenses		
Wages of the receptionist	6	
Light and heat of the shop	3	
Telephone of the shop	2	
Insurance of the shop	<u>1</u>	<u>(12)</u>
Profit of the shop		<u>16</u>

3 Profit/Loss of the entire service business

Here we record all of the expenses and income of the business, not recorded in the shop trading and profit and loss account, but just for this year 2020, so use the rules listed in number 2 above.

Be very careful to include the **profit and loss balance at the 1/1**, calculated in part 1, and add it to the net profit at the bottom of the statement.

Profit and Loss Account for y/e/ 31/12/2020

Income

Profit from the shop	16
Clients' fees (Adjust for due and prepaid)	70
Investment Income (Adjust for due)	4
Donations/Dividends	10
Profit on sale of a fixed asset	<u>3</u>
	103

Expenditure

Interest (Only for the months of 2020)	4
Light and Heat (Adjust for stocks of fuel, electricity due and the fuel used by the shop)	12
Repairs	3
Locum's wages	1
Bad Debts	4
Telephone (Adjust for telephone used by the shop)	4
Insurance (Adjust for insurance used by the shop)	3
Bank charges	2
Loss on sale of a fixed asset	6
Depreciation on fixed assets(This year's depreciation, but make sure to include new fixed assets bought and old fixed assets sold)	<u>7 (46)</u>
Net profit	57
Profit and Loss at 1/1/20	<u>70</u>
Profit and Loss at 31/12/20	<u>127</u>

4 Record all the assets and liabilities at the end of the year

Be very careful with the **accumulated depreciation** figures making sure to take the opening figure at the start of the year in number 1 above, add on this year's depreciation in number 3 above, and subtract the depreciation on any fixed asset sold off.

In the current assets watch out for **investment income due**, and make sure to reduce the **bank** figure for any bank charges or dishonoured

cheques. Also in the current assets make sure to show the **dishonoured cheque** as an addition to clients' fees due. Remember a dishonoured cheque is not a bad debt.

In the current liabilities watch out for the possibility of a **bank overdraft** and also **income prepaid**, such as advance deposits by clients.

In the financed by be careful with **drawings** by the owner, and make sure to show the **authorised capital**.

Balance Sheet as at 31/12/2020

Fixed Assets	Cost	Depreciation	Net
Buildings	300	47	253
Investments			<u>154</u>
			407
Current Assets			
Stocks (trading goods and fuel and stationery)		35	
Clients fees due		20	
Investment income due		4	
Bank		<u>16</u>	
		75	
Current Liabilities			
Creditors	8		
Bank overdraft	3		
Expenses due	1		
Clients' fees income prepaid	<u>3</u>	(15)	<u>60</u>
			467
Financed By			
Share Capital	400	300	
Revaluation Reserve		40	
Profit and Loss 31/12/2009		<u>127</u>	
		467	
Loan/mortgage		<u>0</u>	<u>467</u>

JO'Loughlin Ltd.

Included in the Assets and Liabilities of J. O'Loughlin Ltd. Veterinary Practice on 1/1/2001 are the following:

Equipment at cost €80,000;
 Furniture at cost €10,000;
 Buildings and Grounds at cost €300,000;
 Stock of Medicines €3,000;
 Heating Oil €1,200;
 Creditors for Medical Supplies €800;
 10% Investments €60,000;
 Clients fees due €800;
 Insurance prepaid €500.

NB: All fixed assets have 2 years accumulated depreciation at 1/1/2001.

RECEIPTS AND PAYMENTS ACCOUNT FOR YEAR ENDING 31/12/2001

Receipts	€	Payments	€
Balance 1/1/2001	5,000	Insurance	4,800
Clients Fees	175,000	Light & Heat	3,600
Interest on		Purchases	
Investments	5,500	(Medical, Supp.)	37,200
Donations	14,500	Wages & Salaries	36,200
Sale of Equipment	6,000	Cleaning	6,400
(on 1/7/2001		New extension	
Costing €20,000		(1/1/2001)	50,000
- Bought on		Tel. & Postage	2,200
1/1/1999)		Repayment of	
		€60,000 Loan	66,000
		on 1/5/2001	
		together with	
		12 months	
Bal. 31/12/2001	400	interest	
	<u>206,400</u>		<u>206,400</u>

You are given the following additional information and instructions:

1. Closing stocks at 31/12/2001 include stock of medicines €4,500 and stock of heating oil €800. There is also electricity due at 31/12/2001 costing €400.
2. Cleaning costs include a payment of €1,000 for January and February of 2002.
3. Clients' fees include fees for 2002 of €4,500.
4. Depreciation to be provided as follows:
 - Buildings - 2% of cost p.a.
 - Equipment - 20% of cost on a monthly basis p.a.
 - Furniture - 20% of cost p.a.
5. Buildings and Grounds are to be revalued on the 31/12/2001 at €450,000.
6. Creditors for medical supplies at 31/12/2001 = €1,400.
7. The insurance payment is for 12 months beginning on 1/3/2001. You are required to:
 - (a) Calculate the company's capital at 1/1/2001.
 - (b) Prepare a Profit & Loss Account for the year ended 31/12/2001.
 - (c) Prepare a Balance Sheet on 31/12/2001.

Solution O'Loughlin

<u>Assets 1/1/2001</u>	€	€
Equipment at cost	80,000	
- Accumulated Deprec. (20% × 80,000 × 2 yrs)	<u>(32,000)</u>	48,000
Furniture at cost	10,000	
- Accumulated Deprec. (20% × 10,000 × 2 yrs)	<u>(4,000)</u>	6,000
Buildings at cost	300,000	
- Accumulated Deprec. (2% × 300,000 × 2 yrs)	<u>(12,000)</u>	288,000
Stock of Medicines		3,000
Heating Oil		1,200
Investments		60,000
Clients' fees due		800
Insurance prepaid		500
Bank		<u>5,000</u>
		412,500
<u>- Liabilities 1/1/2001</u>		
Creditors	800	
Loan	60,000	
Interest due (Note 1)	<u>4,000</u>	(64,800)
Capital 1/1/2001		<u>347,700</u>

Part (b)			
PROFIT & LOSS ACCOUNT FOR YEAR			
ENDING 31/12/2001			
Income	€	€	
Clients' fees (Note 2)		169,700	
Interest on Investments (Note 3)		6,000	
Donations		<u>14,500</u>	
			190,200
<u>- Expenditure</u>			
Insurance (Note 4)	4,500		
Light and Heat (Note 5)	4,400		
Cost of Medicines (Note 6)	36,300		
Wages & Salaries	36,200		
Cleaning (6,400 - 1,000)	5,400		
Telephone & Postage	2,200		
Interest on Loan (Note 1)	2,000		
Depreciation: Buildings (Note 7)	7,000		
Equipment (Note 8)	14,000		
Furniture (Note 9)	2,000		
Loss on Disposal (Note 8)	<u>4,000</u>	(118,000)	
Profit			<u>72,200</u>

Part (c)

BALANCE SHEET AS AT 31/12/2001

	Cost €	Deprec. €	Net €
Fixed Assets			
Buildings (Note 10)	450,000	0	450,000
Equipment (Note 8)	60,000	36,000	24,000
Furniture (Note 9)	10,000	6,000	4,000
	<u>520,000</u>	<u>42,000</u>	<u>478,000</u>
Investments			60,000
			<u>538,000</u>
Current Assets			
Stocks — Medicines (Note 6)		4,500	
Fuel (Note 5)		800	
Investment Income due (Note 3)		500	
Insurance prepaid (Note 4)		800	
Cleaning costs prepaid		<u>1,000</u>	
			7,600
<u>- Current Liabilities</u>			
Creditors (Note 6)	1,400		
Clients fees prepaid (Note 2)	4,500		
Electricity due (Note 5)	400		
Bank overdraft	<u>400</u>	(6,700)	900
			<u>538,900</u>
Financed By			
Capital		347,700	
+ Revaluation Reserve (Note 10)		119,000	
+ Net Profit		<u>72,200</u>	<u>538,900</u>

M. Ryan Ltd

Included among the Assets and Liabilities of M. Ryan, an eye consultant, on 1/1/2001 were:

Buildings £220,000; Car £45,000; Equipment £90,000; Stock of Medical Supplies £3,500; Creditors for Medical Supplies £1,400; 8% Investments £50,000; 10% Mortgage £120,000; Owed from medical card scheme £8,900.

The following is the Receipts and Payments Account for the year ending 31/12/1999:

Receipts and Payments Account of M Ryan			
	£		£
Medical insurance scheme	72,000	Balance	6,000
Private Patient Receipts	130,000	Light and Heat	4,400
Investment income	3,000	Wages — Receptionist	12,500
Sale of Equipment (Cost £10,000)	4,600	Telephone	3,300
		Medical supplies	25,000
		Interest on mortgage	9,000
		Insurance	6,000
		9% Investment Bonds (Bought on 1/9/2001)	30,000
		Car expenses	12,000
		Drawings	20,000
		31/12 Balance	81,400
	209,600		209,600

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

1. Stock of medical supplies at 31/12/2001 is £6,000 — Stock of heating oil is £400. Telephone expenses due £300.
2. The closing figure for Cash Drawings includes wages of £2,400 for two weeks paid to a substitute doctor, and you are required to provide a further week's wages due.
3. The closing figure for bank does not take into account bank charges £100.
4. 75% of the light and heat used and two-thirds of the telephone expenses used relate to the medical practice, and the remainder is private.
5. Depreciate fixed assets on 31/12/2001 as follows:
 - Buildings : 2% of cost
 - Motor Car : 20% of cost
 - Equipment : 20% of cost

N.B.: Fixed assets are given at cost, and depreciation on them has been accumulated for two years by 31/12/2000. There is zero depreciation on equipment sold in the year of disposal.

6. Fees due from the medical cards scheme and private patients respectively are £9,300 and £2,000 on 31/12/2001.

You are required to prepare:

- (a) The Capital at 1/1/2001.
- (b) A Profit & Loss Account for the year ended 31/12/2001.
- (c) A Balance Sheet as at 31/12/2001.

Solution Ryan

Part (a) : Capital 1/1/2001

Assets 1/1/2001	£	£
Buildings	220,000	
- Acc. Deprec. (Note 11)	(6,800)	211,200
Car	45,000	
- Acc. Deprec. (Note 12)	(18,000)	27,000
Equipment	90,000	
- Acc. Deprec. (Note 13)	(36,000)	54,000
Stock — Medical Supplies		3,500
8% Investments		50,000
Owed from medical scheme		8,900
		<u>354,600</u>
- Liabilities 1/1/2001		
Creditors	1,400	
10% Mortgage	120,000	
Bank Overdraft	6,000	(127,400)
Capital 1/1/2001		<u>227,200</u>

Part (b)

PROFIT AND LOSS ACCOUNT FOR Y/E 31/12/01			
		£	£
Income			
Income — Med. Ins. Scheme	(Note 1)		72,400
Income — Private Patients	(Note 2)		132,000
Investment Income	(Note 3)		4,000
Investment Bonds Income	(Note 4)		900
			<u>209,300</u>
Less Expenses			
Light and Heat	(Note 5)	3,000	
Wages — Receptionist		12,500	
Telephone	(Note 6)	2,400	
Medical Supplies	(Note 7)	21,100	
Interest on Mortgage	(Note 8)	12,000	
Insurance		6,000	
Car Expenses		12,000	
Bank Charges	(Note 15)	100	
Substitute Wages	(Note 10)	3,600	
Depreciation: Buildings	(Note 11)	4,400	
Car	(Note 12)	9,000	
Equipment	(Note 13)	16,000	
Loss on Sale	(Note 14)	1,400	(103,500)
			<u>105,800</u>
			Net Profit

Part (c)

BALANCE SHEET AS AT 31/12/2001				
		Cost	Deprec.	Net
		£	£	£
Fixed Assets				
Buildings	(Note 11)	220,000	13,200	206,800
Car	(Note 12)	45,000	27,000	18,000
Equipment	(Note 13)	80,000	48,000	32,000
		<u>345,000</u>	<u>88,200</u>	<u>256,800</u>
Investments				
8% Investments				50,000
9% Investment Bonds				30,000
				<u>336,800</u>
Current Assets				
Stocks - Medical supplies			6,000	
- Heating oil			400	
Fees due - Medical scheme			9,300	
- Private patients			2,000	
Investment Income due				
- 8% Investment (Note 3)			1,000	
- 9% Bonds (Note 4)			900	
Bank (Note 15)			81,300	
			<u>100,900</u>	
- Current Liabilities				
Mortgage Interest due (Note 8)		3,000		
Tel. Expenses due		300		
Wages due (Note 10)		1,200	(4,500)	96,400
				<u>433,200</u>
Financed By				
Capital 1/1/2001				227,200
+ Net Profit				105,800
- Drawings (Note 9)				(19,800)
				<u>313,200</u>
10% Loan/Mortgage				120,000
				<u>433,200</u>

Sunshine

Included in the assets and liabilities of the Sunshine Health Farm Ltd on 1/1/1995 were the following: Buildings and Grounds £240,000; Equipment £70,000; Furniture £15,000; Stock-health food £900; Heating oil £440; Contract Cleaning prepaid £300; Creditors for supplies £700; Authorised Capital £400,000; Issued Capital £250,000; Profit and Loss Reserve £13,100. Investments £40,000; Advance deposits £6,000.

Receipts and Payments Account Sunshine Health Farm Ltd for the year ended 31/12/1995

Receipts	£	Payments	£
Current a/c balance	3,560	Wages and salaries	81,120
Client's fees	169,100	Insurance	3,800
Donations	9,000	Light and heat	3,100
Interest	2,000	Purchases - shop SUPPLIES	28,200
Shop receipts	55,000	Purchases - provisions	45,600
Balance	18,340	Laundry	4,100
		New extension	40,000
		Cleaning	3,650
		Telephone and postage	1,430
		Equipment	10,000
		Repayment of £30,000 loan on 1/5/95 with two years' interest	36,000
	£257,000		£247,000

You are given the following additional information and instructions:

- (i) Closing stock at 31/12/1995: Shop £1,230; Heating Oil £600; Electricity due 31/12/95 £450.
 - (ii) Cleaning is done by contract payable monthly in advance and includes a payment of £350 for January 1996.
 - (iii) Clients' fees include fees for 1996 of £800; clients' fees in arrears at 31/12/1995 £420.
 - (iv) Wages and salaries include £9,000 per annum paid to the receptionist who also runs the shop. It is estimated that 40% of this salary and £200 of the light and heat, £140 of the insurance and £30 of the telephone is attributable to the shop.
 - (v) Sunshine Health Farm decided to re-value buildings and grounds to £300,000 on 31/12/1995.
 - (vi) Depreciation to be provided as follows:
 - Buildings - 2% of cost
 - Equipment - 20% of cost
 - Furniture - 20% of cost
- Note - Fixed asset figures are given at cost. All fixed assets have 3 years accumulated depreciation on 1/1/1995.
- (vii) Creditors for supplies at 31/12/1995 £820.

You are required to:

- (a) Calculate the Contribution from the health shop for the year ended 31/12/1995 (10)
 - (b) Prepare a Profit and Loss for the year ended 31/12/1995 (40)
 - Show the Balance sheet of the company on 31/12/1995 (40)
 - (c) The shareholders expect a dividend for 1995. Outline your reason for recommending / not recommending the payment of a dividend. (10)
- (100 marks)



Solution Sunshine

a)

Trading Profit/Loss Account of the Shop

Sales		55000
Op. Stock Health Food	900	
Purchases -700 + 820	<u>28320</u>	
	29220	
Wages 40% of 9000	3600	
Light and Heat	200	
Insurance	140	
Telephone	<u>30</u>	
	33190	
Cl. Stock	<u>-1230</u>	31960
Profit		<u>23040</u>

b)

Profit and Loss Account of the Health Farm

Income

Profit on Shop		23040
Fees + 420 - 800 + 6000		174720
Donations		9000
Investment Interest		<u>2000</u>
		208760

Expenses

Wages 81120 - 3600		77520
Insurance 3800 - 140		3660
Light and Heat -200+400-600+450		3190
Purchases		45600
Laundry		4100
Cleaning + 300 - 350		3600
Telephone - 30		1400
Interest 4 months		1000
Depreciation-		
Buildings 2% of 280000		5600
Equipment 20% of 80000		16000
Furniture		<u>3000</u> 164670
Net Profit		44090
P/L 1/1		<u>13100</u>
P/L 31/12		<u>57190</u>

c)

Balance Sheet as at.....

<u>Fixed Assets</u>	Cost	Deprec	Net
Buildings	300000		300000
Equipment	80000	58000	22000
Furniture	<u>15000</u>	<u>12000</u>	<u>3000</u>
	<u>395000</u>	<u>12000</u>	325000
Investments			40000
<u>Current Assets</u>			
Stocks 1230 + 600		1830	
Fees due		600	
Cleaning prepaid		<u>350</u>	
		2600	
<u>Current Liabilities</u>			
Creditors	820		
Bank	18340		
Fees prepaid	800		
Electricity due	<u>450</u>	<u>20410</u>	<u>17810</u>
			<u>347190</u>
<u>Financed By</u>			
Capital		250000	
Revaluation		40000	
Retained Profits		<u>57190</u>	<u>347190</u>



Barry Gross Ltd.

The following were included in the assets and liabilities of Barry Gross, a doctor, on 1/1/1999: Surgery £150,000, Car £20,000, Equipment £40,000, Stock of Medical Supplies £2,600, Creditors for Medical Supplies £5,100, Owed from private patients £2,100, 7% Investments £50,000, Receptionist's wages due £600, 5% Mortgage £90,000.

The following is his Cash Book for the year ending 31/12/1999:

Cash Book for year ended 31/12/1999				
		£		
Receipts from private patients Medical insurance scheme Investment income Sale of Equipment (Cost £12,000)	62,000 93,000 3,000 7,000		Jan 1 Balance b/d Receptionist wages Interest on mortgage Medical Supplies Light and Heat Telephone & Postage Car Expenses Insurance Sponsorship Drawings Dec 31 Balance c/d	3,300 12,000 4,200 14,000 3,500 2,800 6,000 4,100 1,000 26,000 88,100
		165,000		165,000

The following additional information is also provided:

1. Stocks of medical supplies at 31/12/99 £3,000; Stock of Heating Fuel 31/12/99 £800.
2. Telephone expenses due at 31/12/99 £200; Electricity bill due at 31/12/99 £300.
3. $\frac{1}{3}$ of the Light and Heat used, and $\frac{1}{4}$ of the Telephone and Postage used, relate to the owner's private use.
4. The figure for bank does not take into account Bank charges £300 and a credit transfer from a private patient of £700.
5. Depreciate fixed assets on 31/12/1999 as follows:

Surgery	—	2% of cost
Equipment	—	20% of cost
Car	—	25% of cost.

Note: Fixed assets are given at cost, and depreciation on them has been accumulated for two years up until 31/12/1998.

The company also has a policy of charging a full year's depreciation in the year of purchase of a fixed asset, and zero depreciation in the year of sale.

6. The Equipment sold in 1999 had been bought on 1/1/1997 and sold on 30/6/99 (Refer to Note 5).
7. Fees due from the medical insurance scheme amounted to £9,000 on 31/12/1999.

You are required to prepare:

- (a) The Capital at 1/1/1999.
- (b) The Profit & Loss Account for the year ended 31/12/1999.
- (c) A Balance Sheet as on 31/12/99.

Solution Barry Gross

Capital at 1/1/99

		£
Assets 1/1/99	Surgery (Note 1)	144,000
	Car (Note 2)	10,000
	Equipment (Note 3)	24,000
	Stock	2,600
	Owed from patients	2,100
	Investments	50,000
		232,700
Less: Liabilities 1/1/99	Creditors	5,100
	Wages due	600
	Mortgage	90,000
(Cash Book) ← Bank		3,300
		(99,000)
	Capital 1/1/99	£133,700

PROFIT AND LOSS ACCOUNT FOR Y/E 31/12/99

		£	£
<u>Income</u>			
Private Patients' Income	(Note 4)		60,600
Medical Insurance Income	(Note 5)		102,000
Investment Income	(Note 6)		3,500
			166,100
<u>Less Expenditure</u>			
Bank Charges (Adjustment 4)		300	
Wages	(Note 7)	11,400	
Mortgage Interest	(Note 8)	4,500	
Medical Supplies	(Note 9)	8,500	
Light & Heat	(Note 10)	2,400	
Telephone & Postage	(Note 11)	2,250	
Car Expenses		6,000	
Insurance		4,100	
Sponsorship		1,000	
Loss on Sale	(Note 3)	200	
Depreciation: Surgery	(Note 1)	3,000	
Car	(Note 2)	5,000	
Equipment	(Note 3)	5,600	
			(54,250)
	Net Profit		111,850

BALANCE SHEET AS AT 31/12/99

	Cost	Deprec.	Net
	£	£	£
<u>Fixed Assets</u>			
Surgery (Note 1)	150,000	9,000	141,000
Car (Note 2)	20,000	15,000	5,000
Equipment (Note 3)	28,000	16,800	11,200
	198,000	40,800	157,200
7% Investments			50,000
			207,200
<u>Current Assets</u>			
Stocks (Adj. 1)		3,800	
Fees due from Scheme (Adj. 7)		9,000	
Investment Income due (Note 6)		500	
Bank (Note 12)		88,500	
		101,800	
<u>Less Current Liabilities</u>			
Telephone Expenses (Note 11)	200		
Electricity bill due (Note 10)	300		
Mortgage Interest due (Note 8)	300	(800)	101,000
			308,200
<u>Financed By</u>			
Capital 1/1/99	(Part (a))	133,700	
+ Net Profit	(Part (b))	111,850	
- Drawings	(Note 13)	(27,350)	
		218,200	
5% Mortgage		90,000	308,200



Leaving Cert 1997

The following were included in the assets and liabilities of Jane Woods, a dentist, on 1/1/1996:

Surgery £80,000; Equipment £50,000; Motor Car £18,000; Creditors for medical supplies £2,400; Stock of medical supplies £3,600; 6% Investments £100,000; Owed from medical insurance scheme £9,500; 8% Fixed Mortgage £60,000; Capital £170,700.

The following is her Receipts and Payments account for the year ended 31/12/1996:

Receipts and Payments Account for Jane Woods for year ended 31/12/1996

		£		£
Jan 1	Balance at bank	2,400	Medical Supplies	12,000
	Sale of equipment (cost £16,000)	6,000	Light and Heat	2,200
	Medical Insurance Scheme	17,680	Telephone and Postage	2,600
	Receipts from private patients	75,000	Wages of receptionist	8,000
	Investment income	4,500	Interest on fixed mortgage	4,000
			Car expenses	4,600
			Insurance	2,700
			Sponsorship of prize at local swimming gala	500
			Investment bonds (purchased 31/12/96)	40,000
			Drawings	21,320
			Dec 31 Balance at bank	7,660
		105,580		105,580

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

- (i) Stock of medical supplies at 31/12/1996 £4,100.
- (ii) The figure for bank balance at 31/12/96 does not take into account bank charges £80 and a dishonoured cheque £350 received from a private patient and lodged in late December.
- (iii) The figure for cash drawings includes wages £1,000 for 2 weeks paid to a substitute dentist and you are required to provide for a further 3 weeks wages due.
- (iv) 80% of light and heat and telephone and postage relates to the dental practice and the remainder is private.
- (v) Depreciate fixed assets on 31/12/1996 as follows:

Equipment	—	20% of cost
Motor Car	—	20% of cost
Surgery	—	2% of cost

Note: Fixed assets are given at cost and depreciation on them has been accumulated for 2 years to 31/12/1995.

- (vi) Fees due from medical insurance scheme and private patients are, respectively £7,000 and £550 on 31/12/1996.

You are required to prepare:

- (a) An Income and Expenditure/Profit and Loss Account for the year ended 31/12/1996. (35)
 - (b) A Balance Sheet as at 31/12/1996. (25)
- (60 marks)**

Solution 1997Income and Expenditure AccountIncome

Interest	6000
Medical Insurance (+7000 -9500)	15180
Private Patients (+350 +550 -350)	<u>75550</u>
	96730

Expenditure

Interest	4800
Loss on Disposal	3600
Wages Receptionist	8000
Cost of Medicines:	
(3600+12000-4100-2400)	9100
Light and Heat	1760
Bank Fees	80
Telephone	2080
Wages of the Locum	2500
Car Expenses	4600
Insurance	2700
Sponsorship	500
Depreciation :	
Equipment (20% of 34000)	6800
Car (20% of 18000)	3600
Surgery (2% of 80000)	1600
	<u>51720</u>
Net Profit	<u>45010</u>



Balance Sheet as at

<u>Fixed Assets</u>	<u>Cost</u>	<u>Dep</u>	<u>Net</u>
Surgery	80000	4800	75200
Equipment	34000	20400	13600
Car	<u>18000</u>	<u>10800</u>	<u>7200</u>
	<u>132000</u>	<u>36000</u>	<u>96000</u>
Investments			<u>140000</u>
			<u>236000</u>
 <u>Current Assets</u>			
Stock		4100	
Interest due		1500	
Insurance due		7000	
Fees due		900	
Bank -80 -350		<u>7230</u>	
		20730	
 <u>Current Liabilities</u>			
Interest due	800		
Wages due	<u>1500</u>	<u>-2300</u>	<u>18430</u>
			<u>254430</u>
 <u>Financed By</u>			
Capital		170700	
Profit		45010	
Drawings		<u>-21280</u>	
		194430	
Loan		<u>60000</u>	<u>254430</u>

Leaving Cert 2000

Included among the assets and liabilities of J. Reidy, a medical practitioner, on 1/1/1999 were;

Surgery £120,000; Equipment £25,000; Motor car £24,000; Creditors for medical supplies £1,200; Stock of medical supplies £2,200; 6% Investment £100,000; Owed from medical card scheme £7,600, 7% Fixed Mortgage £90,000, Capital £165,600.

The following is the Receipts and Payments account for the year ended 31/12/1999:

Receipts & Payments Account of J. Reidy for year ended 31/12/1999.

		£		£
Jan. 1	Balance	2,400	Medical supplies	8,000
	Sale of equipment (cost £12,000)	5,000	Light and heat	3,300
	Medical Insurance Scheme	22,700	Telephone and postage	2,900
	Receipts from private patients	62,000	Wages of receptionist	8,800
	Investment income	4,800	Interest on fixed mortgage	5,775
			Car expenses	5,300
			Insurance	2,400
			Sponsorship of prize at local sports	800
			Investment bonds 31/12/1999	35,000
			Drawings	20,800
			Balance	3,825
		96,900	Dec. 31	96,900

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

- (i) Stock of medical supplies on 31/12/1999 was £2,350.
- (ii) The closing figure for bank does not take into account bank charges £70 and a dishonoured cheque £150 received from a private patient and lodged in late December.
- (iii) The closing figure for cash drawings includes wages £1,200 for 2 weeks paid to a substitute doctor and you are required to provide a further week's wages due.
- (iv) 75% of light and heat and telephone and postage relate to the medical practice and the remainder is private.
- (v) Depreciate fixed assets on 31/12/1999 as follows:
 - Equipment — 20% of cost
 - Motor car — 20% of cost
 - Surgery — 2% of cost

Note: Fixed assets are given at cost and depreciation on them has been accumulated for 2 years by 31/12/1998. There is nil depreciation on disposed equipment in year of disposal.

- (vi) Fees due from medical cards scheme and private patients respectively are £8,400 and £250 on 31/12/1999.

You are required to prepare:

- (a) An Income and Expenditure/Profit and Loss Account for the year ended 31/12/1999. (35)
- (b) A Balance Sheet as at 31/12/1999. (25)

(60 marks)



Solution 2000

Profit and Loss Account

Income

Investment Income	6000
Insurance Scheme	23500
Private Patients	<u>62250</u>
	91750

Expenditure

Interest	6300
Loss on Sale	2200
Wages	8800
Cost of Medicines	6650
Light and heat	2475
Telephone	2175
Charges	70
Locums Wages	1800
Car Expenses	5300
Insurance	2400
Sponsorship	800
Depreciation :	
Equipment	2600
Car	4800
Surgery	<u>2400</u>
Net Profit	<u>48770</u>
	<u>42980</u>

Balance Sheet as at.....

<u>Fixed Assets</u>	Cost	Dep	Net
Surgery	120000	7200	112800
Equipment	13000	7800	5200
Car	<u>24000</u>	<u>14400</u>	<u>9600</u>
	<u>157000</u>	<u>29400</u>	127600
Investments			<u>135000</u>
			262600
<u>Current Assets</u>			
Stock		2350	
Insurance Scheme		8400	
Private Patients		400	
Investment Income due		1200	
Bank: - 70 -150		<u>3605</u>	
		15955	
<u>Current Liabilities</u>			
Wages due	600		
Interest due	<u>525</u>	<u>1125</u>	<u>14830</u>
			<u>277430</u>
<u>Financed By</u>			
Capital		165600	
Net Profit		42980	
Drawings		<u>21150</u>	
		187430	
Mortgage		<u>90000</u>	<u>277430</u>



Leaving Cert 2001

Included in the assets and liabilities of the "Young at Heart" Health Farm Ltd on 1/1/2000 were the following:
Buildings and Grounds at cost £440,000; Equipment at cost £110,000; Furniture at cost £22,000;
Stock of health food £1,200; Heating oil £880; Contract Cleaning prepaid £900; Creditors for supplies £1,300;
Authorised Capital £500,000; Issued Capital £380,000; Investments £60,000; Customers' advance deposits £7,000.
All fixed assets have 3 years accumulated depreciation on 1/1/2000.

Receipts and Payments Account of Young at Heart Health Farm Ltd for the year ended 31/12/2000

Receipts	£	Payments	£
Current a/c balance	3,480	Wages and salaries	94,150
Customers' fees	194,100	Insurance	5,600
Donations	15,000	Light and heat	3,400
Dividends	2,250	Purchases - shop	38,200
Shop receipts	72,000	Purchases - supplies	40,200
Balance	21,760	Laundry	5,400
		New extension	60,000
		Cleaning	3,300
		Telephone and postage	1,940
		Equipment	10,000
		Repayment of £40,000 loan on 1/5/2000 with 16 months interest	46,400
	<u>£308,590</u>		<u>£308,590</u>

You are given the following additional information and instructions:

1. Closing stock at 31/12/2000: Shop £1,620; Heating Oil £400; Electricity due 31/12/2000 £320.
2. Cleaning is done by contract payable monthly in advance and includes a payment of £300 for January 2001.
3. Customers' fees include fees for 2001 of £3,000 and customers' fees in arrears at 31/12/2000 amounted to £550.
4. Wages and salaries include £12,000 per annum paid to the receptionist who also runs the shop. It is estimated that 40% of this salary is attributable to the shop.
5. "Young at Heart" Health Farm decided to re-value buildings and grounds at £550,000 on 31/12/2000.
6. Depreciation to be provided as follows:
 - Buildings - 2% of cost for a full year
 - Equipment - 20% of cost per annum
 - Furniture - 20% of cost per annum
7. Creditors for supplies at 31/12/2000 were £1,250

You are required to:

- (a) Calculate the company's reserves on 1/1/2000.
- (b) Calculate the Profit/Loss for the health shop for the year ended 31/12/2000.
- (c) Prepare a Profit and Loss Account for the year ended 31/12/2000.
- (d) Prepare a Balance Sheet on 31/12/2000.

(20)
(12)
(36)
(32)
(100 marks)

Solution 2001

a)		b)			
<u>Assets 1/1</u>			<u>Health Shop P/L Acc.</u>		
Buildings	-26400	413600	Sales	72000	
Equipment	-66000	44000	Op. Stock	1200	
Furniture	-13200	8800	Purch.	38200	
Investments		60000	Wages	4800	
Stock of Oil		880		44200	
Stock of Food		1200	Cl. Stock -	<u>1620</u>	<u>42580</u>
Cleaning Prepaid		900	Profit	<u>29420</u>	
Cash		<u>3480</u>			
Total Assets		<u>532860</u>			
<u>Liabilities 1/1</u>					
Advance Deposits	7000				
Creditors	1300				
Loan	40000				
Interest due	4800				
Capital	<u>380000</u>	<u>433100</u>			
Reserves		<u>99760</u>			
c)		d)			
<u>Profit and Loss A/C ...</u>		<u>Balance Sheet as at.....</u>			
<u>Income</u>		<u>Fixed Assets</u>	Cost Dep Net		
Interest	2250	Buildings	550000 550000		
Donations	15000	Equipment	120000 90000 30000		
Fees	198650	Furniture	22000 17600 4400		
Shop Profit	<u>29420</u>		<u>692000 107600 584400</u>		
	<u>245320</u>	Investments	<u>60000</u>		
<u>Expenditure</u>			644400		
Wages	89350	<u>Current Assets</u>			
Light/Heat	4200	Stocks	2020		
Insurance	5600	Cleaning Prepaid	300		
Purchases	40150	Fees due	<u>550</u>		
Laundry	5400		2870		
Interest	1600	<u>Current Liabilities</u>			
Postage	1940	Elect. Due	320		
Cleaning	3900	Fees P/P	3000		
Depreciation :		Crs	1250		
Buildings	10000	Bank	<u>21760</u> <u>26330</u> - <u>23460</u>		
Equipment	24000		<u>620940</u>		
Furniture	<u>4400</u>	<u>Financed By</u>	Auth Issued		
Net Profit	<u>54780</u>	Capital	500000 380000		
Reserves	<u>99760</u>	Revaluation	86400		
Retained Profits	<u>154540</u>	Retained Profits	<u>154540</u> <u>620940</u>		



Leaving Cert 2003

Included in the assets and liabilities of the Slimline Health Centre Ltd on 1/1/2002 were the following:

Buildings and Grounds at cost €520,000; Equipment at cost €90,000; Furniture at cost €25,000; Stock of health food for sale €1,500; Heating oil €660; Contract cleaning prepaid €300; Creditors for supplies to health centre €1,450; Clients' Fees paid in Advance €5,500; Investments €80,000; Authorised Capital, €450,000; Issued Capital €320,000;

All fixed assets have 3 years accumulated depreciation on 1/1/2002.

Receipts and Payments Account of Slimline Health Centre Ltd for the year ended 31/12/2002

Receipts	€	Payments	€
Current a/c balance	7,560	Wages and salaries	88,240
Client's fees	262,600	Insurance	6,300
Interest	2,160	Light and heat	2,900
Shop receipts	67,000	Purchases - shop	41,300
Balance	9,500	Purchases - supplies	38,600
		Laundry	4,100
		New extension 1/1/2002	80,000
		Contract Cleaning	2,700
		Telephone and postage	1,880
		Equipment	16,000
		Repayment of €60,000 loan on 1/6/2002 with 17 months interest	66,800
	<u>€348,820</u>		<u>€348,820</u>

You are given the following additional information and instructions:

- Closing stock at 31/12/2002: Shop €1,800; Heating Oil €360; Electricity due 31/12/2002 €290.
- Cleaning is done by contract payable monthly in advance and includes a payment of €400 for January 2003.
- Clients' fees include fees for 2003 of €4,000.
- Clients' fees in arrears at 31/12/2002 €650.
- Wages and salaries include €16,000 per annum paid to the receptionist who also runs the shop. It is estimated that 60% of this salary and €220 of the light and heat, €600 of the insurance and €360 of the telephone is attributable to the shop.
- Slimline Health Centre Ltd decided to re-value buildings and grounds at €700,000 on 31/12/2002.
- Depreciation to be provided as follows:
 - Buildings - 2% of cost for a full year.
 - Equipment - 20% of cost per annum.
 - Furniture - 20% of cost per annum.
- Creditors for supplies to health centre at 31/12/2002 €1,600.

You are required to:

- Calculate the company's reserves on 1/1/2002. (20)
- Calculate the Profit/loss from the health shop for the year ended 31/12/2002. (12)
- Prepare a Profit and Loss Account for the year ended 31/12/2002. (36)
- Prepare a Balance Sheet on 31/12/2002. (32)

(100 marks)

Solution 2003

a)

Assets 1/1

Buildings	- 31200	488800
Equipment	- 54000	36000
Furniture	- 15000	10000
Investments		80000
Stocks		2160
Cleaning Prepaid		300
Bank		<u>7560</u>
		<u>624820</u>

Liabilities 1/1

Creditors	1450	
Fees Prepaid	5500	
Loan	60000	
Interest Due	4800	
Capital	<u>320000</u>	<u>391750</u>
Reserves		<u>233070</u>

c) Profit an Loss Account....Income

Interest	2160
Profit on Shop	15220
Fees + 5500 - 4000 + 650	<u>264750</u>
	<u>282130</u>

Expenditure

Wages - 9600	78640
Insurance - 600	5700
Light + 660-360+290-220	3270
Purchases - 1450 + 1600	38750
Interest 5 Months	2000
Laundry	4100
Postage	1520
Cleaning + 300 - 400	2600
Depreciation :	
Buildings 2% of 600000	12000
Equipment 20% of 106000	21200
Furniture 20% of 25000	<u>5000</u>
	<u>174780</u>
<u>Net Profit</u>	<u>107350</u>
Reserves (check part a)	<u>233070</u>
<u>Retained Profits</u>	<u>340420</u>

b)

Health Shop P/L..

Sales	67000
Op Stock	1500
Purch.	41300
Light/Heat	220
Insur.	600
Teleph.	360
Wages	<u>9600</u>
	<u>53580</u>
Cl. Stock	<u>1800</u>
Profit	<u>15220</u>

d) Balance Sheet as at....

<u>Fixed Assets</u>	Cost	Dep	Net
Buildings	700000	-	700000
Equipment	106000	75200	30800
Furniture	<u>25000</u>	<u>20000</u>	<u>5000</u>
	<u>831000</u>	<u>95200</u>	<u>735800</u>
Investments		<u>80000</u>	<u>815800</u>
<u>Current Assets</u>			
Stocks		2160	
Cleaning Prepaid		400	
Fees due		<u>650</u>	
		<u>3210</u>	
<u>Current Liabilities</u>			
Elect. Due	290		
Bank O/D	9500		
Fees Prepaid	4000		
Creditors	<u>1600</u>	<u>15390</u>	<u>-12180</u>
			<u>803620</u>
<u>Financed By</u>	Auth	Issued	
Capital	450000	320000	
Revaluation		143200	
Retained Profit	<u>340420</u>	<u>803620</u>	



Leaving Certificate 2005

The following were included in the assets and liabilities of M. Casey, a dentist, on 1/1/2004:

Surgery €120,000; Equipment €60,000; Motor Car €24,000; Stock of Dental Materials €5,400; Owed from Medical Insurance Scheme €5,700; Creditors for Dental Materials €3,200; 5% Investments €80,000; Fees due from Private Patients €2,100; Capital €219,160.

The following is a Receipts and Payments Account for the year ended 31/12/2004:

Receipts and Payments Account of M. Casey for year ended 31/12/2004

	€		e
Jan. 1 Balance at Bank	6,760	Dental Materials	14,000
Receipts from Private Patients	96,000	Telephone and Postage	3,100
Investment Income	3,600	Wages of Receptionist	15,000
Medical Insurance Scheme	23,540	Repayment of €40,000	
Sale of Equipment (cost €18,000)	9,000	loan on 1/5/2004 with 3	
		years interest	43,600
		Equipment	22,000
		Light and Heat	4,000
		Insurance	2,360
		Technician's Fees	13,000
		Drawings	18,500
		Dec. 31 Balance at Bank	3,340
	<u>138,900</u>		<u>138,900</u>

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

- (i) Stock of Dental Materials on 31/12/2004 was €4,900.
 - (ii) 70% of the Light and Heat and the Telephone and Postage relate to the dental practice with the remainder for personal use.
 - (iii) Depreciate fixed assets on 31/12/2004 as follows:

Equipment	20% of cost.
Surgery	2% of cost.
Motor Car	20% of cost.
- Note: Fixed assets are given at cost and depreciation on them has been accumulated for 2 years to 31/12/2003. There is no depreciation on Equipment sold in the year of disposal.
- (iv) Amounts due from Medical Insurance Scheme and Private Patients are €4,800 and €1,400 respectively.
 - (v) Creditors for Dental Materials on 31/12/2004 amounted to €3,500.

You are required to prepare:

- (a) An Income and Expenditure Account for the year ended 31/12/2004. (35)
- (b) A Balance Sheet as at 31/12/2004. (25)

(60 marks)

Solution 2005**Income and Expenditure Account**

<u>Income</u>		
Private patients – 2100 + 1400		95300
Medical insurance scheme - 5700 + 4800		22640
Investment income + 400		<u>4000</u>
		121940
<u>Expenditure</u>		
Loss on sale 18000 – 7200 – 9000	1800	
Materials 14000 + 5400 – 3200 + 3500 - 4900	14800	
Telephone and postage	2170	
Wages	15000	
Technicians fees	13000	
Interest on loan	400	
Light and heat	2800	
Insurance	2360	
Depreciation : Surgery	2400	
Equipment	12800	
Motor car	<u>4800</u>	
Net Profit		<u>49610</u>

Balance Sheet as at....

<u>Fixed Assets</u>	Cost	Deprec	Net
Surgery	120000	7200	112800
Equipment	64000	29600	34400
Car	24000	14400	9600
	<u>208000</u>	<u>51200</u>	<u>156800</u>
Investments			<u>80000</u>
			236800
<u>Current Assets</u>			
Stock		4900	
Income due		400	
Debtors 4800 + 1400		6200	
Bank		<u>3340</u>	
		14840	
<u>Creditors amounts falling due.....</u>			
Creditors		<u>3500</u>	<u>11340</u>
			248140
<u>Financed By</u>			
Capital		219160	
Net profit		<u>49610</u>	
		268770	
Less Drawings		<u>20630</u>	<u>248140</u>



Leaving Certificate 2007

The following were included in the assets and liabilities of the Oak Health Centre Ltd, on 1/1/2006:
 Buildings €500,000; Equipment €70,000; Furniture at cost €20,000; Stock of health food for sale €1,300; Heating oil €640; Creditors for supplies to Health Centre €1,250; 5% Investments €70,000; Contract cleaning prepaid €250; Clients' fees paid in advance €4,300; Authorised Capital €430,000 and Issued Capital €300,000.

All fixed assets have 2 years accumulated depreciation on 1/1/2006.

The following is the Receipts and Payments Account for the year ended 31/12/2006:

Receipts and Payments Account of Oak Health Centre for year ended 31/12/2006

	€		€
Balance at Bank 1/1/2006	7,250	Laundry	800
Clients' fees	252,600	Wages & Salaries	86,220
Investment Income	3,000	Repayment of €50,000 loan on 1/5/2006 with 18 months interest	57,200
Shop receipts	65,000	Equipment	14,000
		New extension	70,000
		Cleaning	2,600
		Light and heat	2,800
		Insurance	6,200
		Telephone	1,660
		Purchases – shop	42,100
		Purchases – supplies	36,800
		Balance at Bank 31/12/2006:	<u>7,470</u>
	<u>327,850</u>		<u>327,850</u>

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

1. Closing stocks at 31/12/2006: Shop €1,600, Heating oil €250.
2. Cleaning is done under contract payable monthly in advance and includes a payment of €300 for January 2007.
3. Clients' fees includes fees for 2007 of €3,000. Clients' fees in arrears at 31/12/2006 €450.
4. The closing figure for bank does not take into account a dishonoured cheque €100 received from a client and lodged in late December.
5. Wages and Salaries include €12,000 per annum paid to the receptionist, who also runs the shop. It is estimated that 70% of this salary, €200 of the light and heat, €500 of the insurance and €340 of the telephone are attributable to the shop.
6. On 31/12/2006 the Oak Health Centre Ltd. decided to re-value Buildings at €680,000.
7. Electricity due 31/12/2006 €270.
8. Creditors for supplies to the Health Centre Ltd. at 31/12/2006 are €1,400
9. Depreciation to be provided as follows:
 Buildings 2% of cost for the full year.
 Equipment 15% of cost per annum.
 Furniture 25% of cost per annum.

You are required to:

- (a) Calculate the company's reserves on 1/1/2006. (20)
- (b) Calculate the Profit/Loss from the shop for the year ended 31/12/2006. (12)
- (c) Prepare a Profit and Loss account for the year ended 31/12/2006. (36)
- (d) Prepare a Balance Sheet on 31/12/2006. (32)

Leaving Certificate 2007

a) Statement of Capital and Reserves on 1/1/06

<u>Assets</u>		
Buildings	- 20000	480000
Equipment	- 21000	49000
Furniture	- 10000	10000
Investments		70000
Stock of food		1300
Stock of oil		640
Cleaning prepaid		250
Bank		<u>7250</u>
		618440
<u>Liabilities</u>		
Customers advance deposits	4300	
Creditors	1250	
Loan	50000	
Interest due on the loan (14 months)	5600	
Issued Capital	<u>300000</u>	<u>(361150)</u>
Reserves 1/1/06		<u>257290</u>

b) Profit and Loss Account of the Health Shop....

Shop receipts		65000
<u>Less expenses</u>		
Cost of Sales (1300 + 42100 - 1600)	41800	
Wages	8400	
Light and heat	200	
Telephone	340	
Insurance	<u>500</u>	<u>(51240)</u>
Profit from the shop		<u>13760</u>

c) Profit and Loss Account for the year ended 31/12/06

<u>Income</u>		
Profit from the shop		13760
Customers fees + 450 + 4300 - 3000		254350
Interest received + 500		<u>3500</u>
		271610
<u>Less expenses</u>		
Wages - 8400	77820	
Insurance - 500	5700	
Light and Heat +640 +270 -250 -200	3260	
Purchases + 1400 - 1250	36950	



Loan Interest (4 months)	1600	
Laundry	800	
Postage and telephone – 340	1320	
Cleaning + 250 – 300	2550	
Depreciation - Building	11400	
- Equipment	12600	
- Furniture	5000	(159000)
Net Profit		112610
Reserves 1/1/06		257290
Profit and Loss balance 31/12/06		369900

d) Balance Sheet as at 31/12/2006

<u>Fixed Assets</u>	Cost	Deprec	Net
Buildings	680000	-	680000
Equipment	84000	33600	50400
Furniture	20000	15000	5000
	<u>784000</u>	<u>48600</u>	735400
Investments			<u>70000</u>
			805400
<u>Current Assets</u>			
Stocks 1600 + 250		1850	
Income due		500	
Cleaning prepaid		300	
Fees due 450 + 100		550	
Bank - 100		<u>7370</u>	
		10570	
<u>Less Current Liabilities</u>			
Creditors	1400		
Electricity due	270		
Customers advance deposits	<u>3000</u>	<u>(4670)</u>	<u>5900</u>
			<u>811300</u>
<u>Financed By</u>	<u>Authorised</u>	<u>Issued</u>	
Share Capital	<u>430000</u>	300000	
Revaluation Reserve		141400	
Profit and Loss balance		<u>369900</u>	<u>811300</u>

Leaving Certificate 2010

The following were included in the assets and liabilities of the Elms Nursing Home Ltd, on 01/01/2009: Buildings and Grounds €550,000; Equipment €45,000; Mini Bus at cost €50,000; Stock in shop €3,300; Stock of Heating oil €1,600; Creditors for supplies to Nursing Home €1,000; 5% Investments €30,000; Contract cleaning prepaid €200; Clients deposits paid in advance €4,000; Authorised Capital €450,000; Issued Capital €320,000.

All fixed assets have 3 years accumulated depreciation on 01/01/2009

The following is a Receipts and Payments Account for the year ended 31/12/2009:

Receipts and Payments Account of Elms Nursing Home Ltd for year ended 31/12/2009

	€		€
Balance at Bank 01/01/2009	8,250	Laundry	2,000
Clients fees	340,000	Telephone	1,600
Investment Income	1,000	Wages & Salaries	85,500
Shop receipts	40,000	Repayment of €40,000 loan on 01/05/2009	
Balance c/d	75,450	with 18 months Interest.	48,100
		Equipment	15,000
		New extension	200,000
		New Mini Bus	35,000
		Contract cleaning	3,500
		Light and heat	3,100
		Insurance	6,400
		Purchases – shop	28,000
		Purchases – supplies	35,900
		Dishonoured cheque – fees	600
	<u>464,700</u>		<u>464,700</u>

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

- (i) Closing stocks at 31/12/2009: Shop €1,500, Heating oil €300.
- (ii) Cleaning is done under contract payable monthly in advance and includes a payment of €400 for January 2010.
- (iii) Clients' fees include fees for 2010 of €5,000. Clients' fees in arrears at 31/12/2009 €500.
- (iv) The dishonoured cheque was not subsequently recovered, and was written off as a bad debt.
- (v) Wages and Salaries include €18,000 per annum paid to the secretary, who also runs the shop. It is estimated that 40% of this salary, €250 of the light and heat, €800 of the insurance and €350 of the telephone is attributable to the shop.
- (vi) Creditors for supplies to the Nursing Home at 31/12/2009 are €1,800.
- (vii) Electricity due on 31/12/2009 €320.
- (viii) Depreciation to be provided as follows:
 - Buildings 2% of cost for the full year
 - Equipment 15% of cost per annum
 - Mini bus at 20% of cost per annum from date of purchase to date of sale
 - The mini bus held on 01/01/2009 was purchased on 01/01/2006 and was traded in on 01/07/2009 against a new mini bus. The trade in allowance was €7,000 against a new bus valued at €42,000.
- (ix) On 31/12/2009 the Elms Nursing Home Ltd decided to re-value buildings at €900,000

Required:

- (a) Calculate the company's reserves (profit and loss balance) on 01/01/2009 (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2009 (10)
- (c) Prepare the Profit and Loss Account of Elms Nursing Home Ltd for the year ended 31/12/2009 (36)
- (d) Prepare the Balance Sheet of Elms Nursing Home Ltd on 31/12/2009 (30)
- (e) The management of the nursing home is considering an increase of 10% in the clients' fees. What advice would you give? Explain your answer. (6)

(100 marks)



Statement of Capital and Reserves at 1/1/2009

<u>Assets</u>		
Buildings	- 33000	517000
Equipment	- 20250	24750
Mini Bus	- 30000	20000
5% Investments		30000
Stock in Shop		3300
Stock of Oil		1600
Cleaning Prepaid		200
Bank		<u>8250</u>
		605100
<u>Liabilities</u>		
Creditors	1000	
Fees paid in advance	4000	
Loan	40000	
Interest on Loan 14 months @ 450	6300	
Issued Capital	<u>320000</u>	<u>(371300)</u>
Reserves 1/1/2009		<u>233800</u>

Shop Profit and Loss Account for the y/e 31/12/2009

Sales		40000
<u>Less Costs</u>		
Opening Stock	3300	
Purchases	<u>28000</u>	
	31300	
Less Closing Stock	<u>(1500)</u>	<u>(29800)</u>
Gross Profit		10200
Wages 18000 x 40%	7200	
Light and Heat	250	
Insurance	800	
Telephone	<u>350</u>	<u>(8600)</u>
Profit from Shop		<u>1600</u>

Profit and Loss Account for y/e 31/12/2009

Income

Profit from Shop		1600
Investment Income	+ 500	1500
Clients' Fees	+ 4000 - 5000 + 500	<u>339500</u>
		342600

Expenses

Wages	- 7200	78300	
Insurance	- 800	5600	
Light and Heat	+ 1600 - 300 + 320 - 250	4470	
Purchases	- 1000 + 1800	36700	
Loan Interest	450 x 4 months	1800	
Laundry		2000	
Telephone	- 350	1250	
Bad Debts		600	
Cleaning	+ 200 - 400	3300	
Loss on Sale	50000 - 35000 - 7000	8000	
Depreciation - Buildings	2% of 750000	15000	
	- Equipment 15% x 60000	9000	
	- Mini Bus	<u>9200</u>	<u>(175220)</u>
Net Profit			167380
Reserves 1/1/2009			<u>233800</u>
Reserves 31/12/2009			<u>401180</u>

Depreciation on the Mini Bus above is calculated as follows -
20% of 50000 for 6 months + 20% of 42000 for 6 months.

Balance Sheet as at 31/12/2009

<u>Fixed Assets</u>	Cost	Depreciation	Net
Buildings	900000	0	900000
Equipment	60000	29250	30750
Mini Bus	<u>42000</u>	<u>4200</u>	<u>37800</u>
	<u>1002000</u>	<u>33450</u>	968550
Investments			<u>30000</u>
			998550
<u>Current Assets</u>			
Stocks		1800	
Investment Income Due		500	
Cleaning Prepaid		400	
Fees Due		<u>500</u>	
		3200	



Current Liabilities

Bank	75450		
Creditors	1800		
Electricity Due	320		
Fees Prepaid	<u>5000</u>	<u>(82570)</u>	<u>(79370)</u>
			<u>919180</u>

<u>Financed By</u>	Authorised	Issued	
Share Capital	450000	320000	
Revaluation Reserve		198000	
Profit and Loss Balance		<u>401180</u>	<u>919180</u>

e) If fees are increased by 10% they will increase by 33950. There is no need for this for the following reasons –

1 The company is already profitable earning a Return on Capital Employed of 18.4% which is way above the return from risk free investments of 3%.

2 The company is generating plenty of cash being able to repay a 40000 loan, buy new equipment of 15000, a new mini bus of 42000, and paying most of the cost of the extension of 200000.

3 There is also a recession at the moment, costs are falling and there is intense competition so there could be a danger the company might lose clients to competitors.

Leaving Certificate 2012

The following were included in the assets and liabilities of the New Era Gym and Health Centre Ltd, on 01/01/2011:

Buildings and Grounds €520,000; Equipment €75,000; Vehicles at cost €60,000; Stock in shop €3,600; Stock of heating oil €1,800; Creditors for supplies to Gym and Health Centre €1,500; 5% Investments €40,000; Contract cleaning prepaid €300; Clients deposits paid in advance €5,000. The Authorised Capital of the company was €400,000 and the Issued Capital was €350,000.

All fixed assets have 3 years accumulated depreciation on 01/01/2011.

The following is a Receipts and Payments Account for the year ended 31/12/2011:

Receipts and Payments Account of New Era Gym & Health Centre Ltd for year ended 31/12/2011

	€		€
Balance at Bank 01/01/2011	6,500	Laundry	3,000
Clients fees	320,000	Telephone	1,400
Investment Income	1,100	Wages & Salaries	84,300
Shop receipts	42,000	Repayment of €30,000 loan on 01/04/2011	
Balance 31/12/2011	108,600	with 15 months interest	36,000
		Equipment	20,000
		New extension	220,000
		New vehicle	40,000
		Contract cleaning	3,400
		Light and heat	3,300
		Insurance	6,200
		Purchases – shop	26,000
		Purchases – supplies	34,600
	<u>478,200</u>		<u>478,200</u>

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

- (i) Closing stock at 31/12/2011: Shop €1,600, Heating oil €400.
- (ii) Cleaning is done under contract payable monthly in advance and includes a payment of €700 for January 2012.
- (iii) Clients fees includes fees for 2012 of €5,500. Clients fees in arrears at 31/12/2011 €600.
- (iv) Wages and Salaries include €20,000 per annum paid to the secretary, who also runs the shop. It is estimated that 40% of this salary and €300 of the light and heat, €900 of the insurance and €400 of the telephone is attributable to the shop.
- (v) Creditors for supplies to the Gym & Health Centre at 31/12/2011 are €2,000.
- (vi) Electricity due on 31/12/2011 €340.
- (vii) Depreciation to be provided as follows:
 - Buildings 2% of cost for the full year
 - Equipment 10% of cost for the full year
 - Vehicles 20% of cost per annum from date of purchase to date of sale.
 The vehicle held on 01/01/2011 was purchased on 01/01/2008 and was traded in on 01/07/2011 against a new vehicle. The trade in allowance was €8,000 against a new vehicle valued at €48,000.
- (viii) On 31/12/2011 the New Era Gym and Health Centre Ltd decided to re-value buildings at €850,000.

Required:

- (a) Calculate the company's reserves (profit and loss balance) on 01/01/2011. (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2011. (10)
- (c) Prepare a Profit and Loss Account of New Era Gym and Health Centre Ltd for the year ended 31/12/2011. (36)
- (d) Prepare a Balance Sheet on 31/12/2011. (30)
- (e) The company now wishes to purchase equipment for the new extension. Advise the company on how to fund the expected cost of €150,000. (6)

(100 marks)



Leaving Certificate 2012

a) Statement of Reserves on the 1/1/2011

<u>Assets</u>		
Buildings	520,000 - 31,200	488,800
Equipment	75,000 - 22,500	52,500
Vehicles	60,000 - 36,000	24,000
Investments		40,000
Shop Stock		3,600
Stock of Oil		1,800
Cleaning Prepaid		300
Bank		<u>6,500</u>
		617,500
<u>Liabilities</u>		
Creditors	1,500	
Fees paid in advance	5,000	
Loan	30,000	
Interest due	4,800	
Issued Capital	<u>350,000</u>	<u>(391,300)</u>
Reserves 1/1/2011		<u>226,200</u>

b) Shop Profit and Loss Account for the year ended 31/12/2011

Sales		42,000
Cost of Sales	3,600 + 26,000 - 1,600	28,000
Wages	40% of 20,000	8,000
Telephone		400
Insurance		900
Light and heat		<u>300</u>
Shop Profit		<u>4,400</u>

c) Profit and Loss Account for y/e 31/12/2011Income

Profit from the shop		4,400
Interest received + 900		2,000
Clients' Fees + 5,000 + 600 - 5,500		<u>320,100</u>
		<u>326,500</u>

Expenditure

Wages and Salaries - 8,000	76,300	
Insurance - 900	5,300	
Light and heat +1,800 +340 -400 -300	4,740	
Purchases – supplies +2,000 – 1,500	35,100	
Loan Interest	1,200	
Laundry	3,000	
Postage and telephone – 400	1,000	
Cleaning + 300 – 700	3,000	
Depreciation – Buildings	14,800	
Depreciation – Equipment	9,500	
Depreciation – Vehicles	10,800	
Loss on sale of Vehicle	<u>10,000</u>	(174,740)
Net Profit		151,760
Reserves 1/1/2011		<u>226,200</u>
Profit and Loss Balance 31/12/2011		<u>377,960</u>

d) Balance Sheet as at 31/12/2011

<u>Fixed Assets</u>	Cost	Depreciation	Net
Buildings	850,000	0	850,000
Equipment	95,000	32,000	63,000
Vehicles	<u>48,000</u>	<u>4,800</u>	<u>43,200</u>
	<u>993,000</u>	<u>36,800</u>	<u>956,200</u>
Investments			<u>40,000</u>
			<u>996,200</u>
<u>Current Assets</u>			
Closing Stock 1,600 + 400		2,000	
Investment Income due		900	
Cleaning prepaid		700	
Clients' Fees due		<u>600</u>	
		4,200	
<u>Creditors – amounts falling due etc.</u>			
Electricity due	340		
Clients' Fees prepaid	5,500		
Creditors	2,000		
Bank	<u>108,600</u>	<u>(116,440)</u>	<u>(112,240)</u>
			<u>883,960</u>



<u>Financed By</u>	<u>Authorised</u>	<u>Issued</u>
Ordinary Shares	400,000	350,000
Revaluation Reserve		156,000
Profit and Loss Balance		<u>377,960</u>
		<u>883,960</u>

e)

The advice I would give to the company would be - sell the remaining shares and raise €50,000 in cash, sell the investments and raise another €40,000. Finally borrow the remainder of €60,000 from the bank.

The company would be well able to repay the loan quickly as its accounts show a profit this year of €151,760. The company is generating sufficient cash because even though it owes the bank €108,600 at the end of the year it has spent €310,000 on non-trading non-recurring amounts. This includes new buildings of €220,000 and so on.

Leaving Certificate 2014

The following were included in the assets and liabilities of the Serenity Gym and Health Centre Ltd, on 01/01/2013:

Buildings and Grounds €620,000; Equipment €70,000; Vehicles at cost €90,000; Stock in shop €3,400; Stock of heating oil €1,900; Creditors for supplies to Gym and Health Centre €1,600; 5% Investments €40,000; Contract cleaning prepaid €400; Clients' deposits paid in advance €6,000, Authorised Capital €600,000, Issued Capital €450,000.

All fixed assets have 3 years accumulated depreciation on 01/01/2013.

The following is a Receipts and Payments Account for the year ended 31/12/2013:

Receipts and Payments Account of Serenity Gym and Health Centre Ltd for year ended 31/12/2013

	€		€
Balance at bank 01/01/2013	6,000	Laundry	2,500
Clients' fees	330,500	Telephone	1,600
Investment income	1,200	Wages & salaries	85,400
Shop receipts	45,000	Repayment of €50,000 loan	
Balance 31/12/2013	135,000	on 01/04/2013 with	
		15 months interest	56,000
		Equipment	15,000
		New Extension	230,000
		New Vehicle	50,000
		Contract cleaning	3,600
		Light and heat	3,400
		Insurance	6,800
		Purchases – shop	28,000
		Purchases – supplies	35,400
	<u>517,700</u>		<u>517,700</u>

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

- (i) Closing stock at 31/12/2013: Shop €1,400, Heating oil €600.
- (ii) Cleaning is done, under contract, payable monthly in advance and includes a payment of €500 for January 2014.
- (iii) Clients' fees include €6,500 for 2014. Fees due from Clients at 31/12/2013 were €800.
- (iv) Wages and salaries include €22,000 per annum paid to the secretary, who also runs the shop. It is estimated that 40% of this salary and €400 of the light and heat, €800 of the insurance and €500 of the telephone is attributable to the shop.
- (v) Creditors for supplies to the Gym & Health Centre at 31/12/2013 were €2,500.
- (vi) Electricity due on 31/12/2013 was €360.
- (vii) Depreciation to be provided as follows:
 - Buildings 2% of cost for the full year.
 - Equipment 10% of cost for the full year.
 - Vehicles 20% of cost per annum from date of purchase to date of sale.
 - On 01/07/2013 a vehicle which cost €40,000 on 01/01/2010 was traded in against a new vehicle which cost €59,000. An allowance of €9,000 was given on the old vehicle.
- (viii) On 31/12/2013 the Serenity Gym and Health Centre Ltd decided to revalue buildings at €900,000.

Required:

- (a) Calculate the company's reserves (profit and loss balance) on 01/01/2013. (18)
- (b) Calculate the profit/loss from the shop for the year ended 31/12/2013. (10)
- (c) Prepare a Profit and Loss Account for the year ended 31/12/2013. (36)
- (d) Prepare a Balance Sheet on 31/12/2013. (30)
- (e) The owners of the Serenity Gym and Health Centre Ltd have proposed a 15% increase in clients' fees to help clear the bank overdraft. What arguments would you make against this proposal? (6)



Solution 2014

a) Statement of Reserves 1/1/2013

<u>Assets 1/1/2013</u>		
Buildings (less 3 years depreciation of 37,200)		582,800
Equipment (less 3 years depreciation of 21,000)		49,000
Vehicles (less 3 years depreciation of 54,000)		36,000
5% Investments		40,000
Shop stock		3,400
Stock of oil		1,900
Cleaning prepaid		400
Bank balance 1/1/2013		<u>6,000</u>
		719,500
 <u>Liabilities 1/1/2013</u>		
Creditors	1,600	
Clients fees prepaid	6,000	
Loan	50,000	
Interest due on the loan (12 months)	4,800	
Issued capital	<u>450,000</u>	<u>(512,400)</u>
Reserves 1/1/2013		<u>207,100</u>

b) Shop Profit and Loss Account

Sales		45,000
<u>Cost of Sales</u>		
Opening stock	3,400	
Purchases	28,000	
Closing stock	<u>(1,400)</u>	<u>(30,000)</u>
Gross profit		15,000
Wages (40% of 22,000)	8,800 [€]	
Light and heat	400	
Insurance	800	
Telephone	<u>500</u>	<u>(10,500)</u>
Net profit		<u>4,500</u>

c) Profit and Loss Account for the year ending 31/12/2103

<u>Income</u>		
Shop profit		4,500
Investment income (5% of 40,000) (1,200 + 800)		2,000
Clients fees (330,500 + 6,000 + 800 - 6,500)		<u>330,800</u>
		337,300

<u>Less Expenses</u>		
Wages (85,400 - 8,800)	76,600	

Insurance (6,800 – 800)	6,000	
Light and heat (+1,900 +360 -600 -400)	4,660	
Purchases (35,400 – 1,600 + 2,500)	36,300	
Loan interest for 3 months	1,200	
Laundry	2,500	
Postage and telephone (1,600 - 500)	1,100	
Cleaning (3,600 + 400 – 500)	3,500	
Depreciation Buildings	17,000	
Depreciation Equipment	8,500	
Depreciation Vehicles	19,900	
Loss on sale of vehicle	<u>3,000</u>	(180,260)
Net profit		157,040
Reserves 1/1/2013 (a)		<u>207,100</u>
Reserves 31/12/2013		<u>364,140</u>

d) Balance Sheet as at 31/12/2013

<u>Fixed Assets</u>	Cost	Depreciation	Net
Buildings	900,000	0	900,000
Equipment	85,000	29,500	55,500
Vehicles	<u>109,000</u>	<u>45,900</u>	<u>63,100</u>
	<u>1,094,000</u>	<u>75,400</u>	<u>1,018,600</u>
Investments			<u>40,000</u>
			<u>1,058,600</u>
<u>Current Assets</u>			
Stock Shop		1,400	
Stock of oil		600	
Cleaning prepaid		500	
Clients fees due		800	
Investment income due x		<u>800</u>	
		4,100	
<u>Creditors: amounts falling due in less than 1 yr</u>			
Creditors	2,500		
Clients advance deposits	6,500		
Electricity due	360		
Bank overdraft	<u>135,000</u>	(144,360)	(140,260)
			<u>918,340</u>
<u>Financed By</u>			
Share Capital	600,000	450,000	
Revaluation Reserve		104,200	
Profit and Loss Balance		<u>364,140</u>	<u>918,340</u>

e) A 15% increase in fees would bring in an extra €49,620 in cash for the firm. This would be inadequate to cover a bank overdraft of



€135,000 and in the present highly competitive environment could result in a significant loss of members and would be counter productive.

The firm is highly profitable with a profit this year of €157,040 and a return on capital employed of over 17% and if the situation is allowed run into next year will eliminate the overdraft.

The overdraft has arisen as a result of non-recurring capital expenditures of €345,000 in particular a new extension of €230,000 etc.

Leaving Certificate 2017

6. Service Firm

The following were included in the assets and liabilities of Fitpro Fitness Centre Ltd on 01/01/2016:

Buildings and grounds at cost €600,000, equipment at cost €80,000, furniture at cost €40,000, stock in shop €5,000, stock of heating oil €1,800, contract cleaning prepaid €200, investment interest due €300, creditors for supplies to the fitness centre €2,000, members' fees paid in advance €3,000. The authorised capital of the company was €500,000 and the issued capital was €350,000.

All fixed assets have 3 years accumulated depreciation on 01/01/2016.

The following is a receipts and payments account for the year ended 31/12/2016:

Receipts and Payments Account of Fitpro Fitness Centre Ltd for year ended 31/12/2016

	€		€
Balance at bank 01/01/2016	59,500	Wages and salaries	83,000
Members' fees	270,000	Telephone and broadband	1,700
Interest on 3% investments	3,000	Insurance	7,200
Shop receipts	85,000	Purchases – shop	38,600
Sale of furniture (cost €20,000)	10,000	Purchases – supplies for fitness centre	43,200
		Contract cleaning	8,300
		Light and heat	5,600
		Purchase of adjacent building on 01/04/2016	150,000
		Furniture	12,000
		Laundry	11,600
		Bank loan plus 15 months interest at 4% per annum on 01/04/2016	63,000
		Balance at bank 31/12/2016	3,300
	<u>427,500</u>		<u>427,500</u>

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

- (i) Closing stock at 31/12/2016: shop €1,800, heating oil €400.
- (ii) Cleaning is done under contract payable monthly in advance and includes a payment of €600 for January 2017.
- (iii) Members' fees include €4,200 for 2017. Members' fees in arrears at 31/12/2016 were €2,700.
- (iv) The closing bank figure does not take into account bank charges €110 and a dishonoured cheque €950 received from a member in respect of fees.
- (v) The payment for laundry includes €2,700 for three weeks wages paid to a replacement fitness instructor. Provide for a further two weeks wages due.
- (vi) Wages and salaries include €24,000 per annum paid to the secretary, who also runs the shop. It is estimated that 60% of this salary and €300 of the light and heat, €850 of the insurance and €400 of the telephone and broadband is attributable to the shop.
- (vii) Creditors for supplies at 31/12/2016 were €3,600.
- (viii) Depreciation is to be provided as follows:
 - Buildings and grounds 2% of cost from date of purchase.
 - Equipment 20% of cost.
 - Furniture held on 31/12/2016 is depreciated at 20% of cost. No depreciation is charged on furniture in the year of disposal.

Required:

- (a) Prepare a statement of the company's reserves (profit and loss balance) on 01/01/2016. (18)
 - (b) Calculate the profit/loss from the shop for the year ended 31/12/2016. Show workings. (10)
 - (c) Prepare a profit and loss account for the year ended 31/12/2016. (32)
 - (d) Prepare a balance sheet on 31/12/2016. (30)
 - (e) Fitpro Fitness Centre Ltd have decided to purchase and install new gym equipment. They have received a quote of €225,000. Can Fitpro Fitness Centre Ltd afford this investment? Explain your answer. (10)
- (100 marks)**



LC 2017 Solution

(a)

Statement of Capital and Reserves on 1/1/2016

Assets		€	€
Buildings and Grounds	[600,000 – 36,000]	564,000	
Equipment	[80,000 – 48,000]	32,000	
Furniture	[40,000 – 24,000]	16,000	
3% Investment		90,000	
Stock in shop		5,000	
Stock of oil		1,800	
Contract cleaning prepaid		200	
Investment income due		300	
Cash at bank		<u>59,500</u>	
			768,800
Less Liabilities			
Creditors for supplies		2,000	
Client fees paid in advance		3,000	
Loan		<u>60,000</u>	
Loan interest due		<u>2,400</u>	
Issued Capital		<u>350,000</u>	(417,400)
Reserves 1/1/2016			<u>351,400</u>

(b)

Shop Profit and Loss Account for the year ended 31/12/2016

	€	€
Shop Receipts		85,000
Less Cost of goods sold	[5,000 + 38,600 – 1,800]	<u>(41,800)</u>
		44,200
Less Expenses		
Light & heat	300	
Insurance	850	
Telephone	400	
Salary (24,000 x 60%)	<u>14,400</u>	(15,950)
Profit from shop		<u>27,250</u>

(c)

Profit and Loss Account for the year ended 31/12/2016

Income	€	€
Profit from shop	27,250	
Investment interest	2,700	
Profit on disposal of furniture	2,000	
Clients' fees	<u>271,500</u>	303,450
Less Expenditure		
Wages and salaries	73,100	
Insurance (7,200 – 850)	6,350	
Light and heat	<u>6,700</u>	

Telephone (1,700 – 400)	1,300	
Purchases – supplies	44,800	
Loan interest	600	
Laundry	8,900	
Contract cleaning	7,900	
Bank charges	110	
Depreciation – Buildings	14,250	
– Equipment	16,000	
– Furniture	6,400	(186,410)
Net Profit		117,040
Add Reserves 1/1/2016		351,400
Profit and Loss balance 31/12/2016		<u>468,440</u>

(d)

Balance Sheet as at 31/12/2016

	Cost	Depreciation	Net
	€	€	€
Fixed Assets			
Buildings	750,000	50,250	699,750
Equipment	80,000	64,000	16,000
Furniture	<u>32,000</u>	<u>18,400</u>	<u>13,600</u>
	<u>862,000</u>	<u>132,650</u>	729,350
3% Investments			<u>90,000</u>
			819,350
Current Assets			
Closing stock – shop	1,800		
Closing stock – oil	400		
Bank	2,240		
Contract cleaning prepaid	600		
Clients fees due	<u>3,650</u>	8,690	
Less Creditors: amounts due within 1 year			
Wages due	1,800		
Creditors for supplies	3,600		
Clients' fees prepaid	<u>4,200</u>	<u>(9,600)</u>	<u>(910)</u>
			<u>818,440</u>
Financed by			
Share Capital and Reserves	Authorised	Issued	
Ordinary Shares	500,000	350,000	
Profit and Loss balance		<u>468,440</u>	<u>818,440</u>

(e)

Fitpro can afford the new gym equipment. It can finance the cost of €225,000 by selling the investments and receive €90,000 cash and issuing extra ordinary shares and collect €135,000 in cash (or €150,000 from shares and €75,000 from investments).

It has just repaid a loan including interest of €63,000 and spent a net €152,000 on fixed assets both of which are of a non-recurring nature. The company made a profit this year of €117,040 and has cash in the bank of €2,240. The company has no need to borrow to fund the project which will eliminate interest payments and result in higher future profits.



LC 2018

4. Service Firm

The following were included in the assets and liabilities of M. Noctor, a doctor, on 01/01/2017:

Surgery €160,000, equipment €90,000, stock of medical supplies €8,000, 7% investments €70,000, creditors for medical supplies €10,400, furniture €30,000, amount owing from medical card scheme €9,500, capital and reserves €284,700, insurance prepaid €700.

The following is a receipts and payments account for the year ended 31/12/2017:

Receipts and Payments account for the year ended 31/12/2017

Receipts	€	Payments	€
Balance at bank 01/01/2017	4,000	Purchase of medical supplies	20,600
Sale of equipment (cost €12,000)	6,000	Cleaning expenses	3,200
Medical card scheme	72,000	Insurance	2,400
Receipts from private patients	40,750	Sponsorship of prize at local GAA club	2,000
Investment income	3,500	Drawings	37,000
		Light and heat	3,000
		Telephone	8,450
		Wages of receptionist	15,500
		Investment bonds (purchased 31/12/2017)	30,000
		Balance at bank 31/12/2017	<u>4,100</u>
	<u>126,250</u>		<u>126,250</u>

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

- (i) Stock of medical supplies at 31/12/2017 was €8,300.
- (ii) The figure for cash drawings includes €1,600 for 2 weeks wages paid to a locum doctor and you are required to provide for a further 4 weeks' wages due.
- (iii) The figure for bank does not take into account bank charges of €120 and a dishonoured cheque €150 received from a private patient and lodged in December.
- (iv) 70% of light and heat and telephone relate to the practice and the remainder is for a private residence.
- (v) Provide for depreciation as follows:

Equipment	– 20% of cost
Furniture	– 15% of cost
Surgery	– 2% of cost

Note: Fixed assets are given at cost and depreciation on them has been accumulated for 3 years to 01/01/2017. The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

- (vi) Fees due from medical card scheme and private patients are €9,100 and €430 respectively. Creditors for medical supplies 31/12/2017 are €5,000.
- (vii) The insurance payment is for the year ended 01/05/2018.

Required:

- (a) Prepare an income and expenditure/profit and loss account for the year ended 31/12/2017. (34)
 - (b) Prepare a balance sheet as at 31/12/2017. (20)
 - (c) Dr. Noctor is considering updating the IT system and requires a loan of €150,000. Outline the factors a lender should consider before granting this loan. (6)
- (60 marks)**



Income and Expenditure (Profit and Loss) Account of M. Noctor for the year ended 31/12/2017		
Income	€	€
Profit on sale of equipment (N1)		1,200 [3]
Medical card scheme (N2)		71,600 [3]
Private patients (N3)		41,180 [2]
Investment income (N4)		<u>4,900 [2]</u>
		118,880
Expenditure		
Medicines (N5)	14,900 [5]	
Cleaning expenses	3,200 [1]	
Insurance (N6)	2,300 [3]	
Sponsorship of local GAA prize	2,000 [1]	
Light and heat (N7)	2,100 [2]	
Telephone (N8)	5,915 [2]	
Wages of receptionist	15,500 [1]	
Locum doctor (N9)	4,800 [2]	
Bank charges	120 [1]	
Depreciation:		
- Surgery	3,200 [1]	
- Equipment (N10)	15,600 [2]	
- Furniture	4,500 [1]	<u>74,135</u>
Net profit		44,745 [2]

Balance Sheet of M. Noctor as at 31/12/2017			
Fixed Assets	Cost	Depreciation	Net Book Value
Surgery	160,000 [1]	12,800 [1]	147,200
Equipment (N11) (N12)	78,000 [1]	62,400 [1]	15,600
Furniture	<u>30,000</u> [1]	<u>18,000</u> [1]	<u>12,000</u>
	<u>268,000</u>	<u>93,200</u>	<u>174,800</u>
Financial Assets			
7% Investments		70,000 [1]	
Investment bonds		<u>30,000</u> [1]	100,000
Current Assets			
Stock of medicines		8,300 [1]	
Bank		3,830 [1]	
Medical card fees due		9,100 [1]	
Private patients fees due		580 [2]	
Investment income due		1,400 [1]	
Insurance prepaid		<u>800</u> [1]	
		24,010	
Creditors: amounts falling due within 1 year			
Locum wages due		3,200 [1]	
Creditors for medical supplies		<u>5,000</u> [1]	
		8,200	<u>15,810</u>
Total net assets			<u>290,610</u>
Financed by			
Capital 01/01/2017		284,700 [1]	
Net Profit		44,745	



Less drawings (N13)		<u>(38,835) [2]</u>	290,610
			<u>290,610</u>

(c) Factors to be considered before granting loan of €150,000:

- Gearing – The firm has no long term loans at the moment which would encourage a lender to grant a loan.
- Ability to pay interest – The net profit is €44,745 with no interest charges at present. The acid test ratio is 1.92:1 meaning the firm is liquid and could easily meet future interest charges.
- What is the purpose of the loan? The purpose of the loan is to update the IT system making the company more efficient going into the future.
- What security can she offer? Security is adequate with fixed assets of €174,800 and investments of €100,000 to cover a loan of €150,000.

1	Disposal	12,000 – 7,200 – 6,000	1,200
2	Medical card scheme	72,000 – 9,500 + 9,100	71,600
3	Private patients	40,750 + 430	41,180
4	Investment income	3,500 + 1,400	4,900
5	Medicines	8,000 + 20,600 - 10,400 + 5,000 - 8,300	14,900
6	Insurance	2,400 + 700 – 800	2,300
7	Light and heat	3,000 - 900	2,100
8	Telephone	8,450 – 2,535	5,915
9	Locum	1,600 + 3,200	4,800
10	Depreciation equipment	78,000 x 20%	15,600
11	Equipment	90,000 – 12,000	78,000
12	Acc. Dep. Equipment	54,000 + 15,600 – 7,200	62,400
13	Drawings	37,000 – 1,600 + 900 + 2,535	38,835

Russco Hotel Ltd.

The following were included in the assets and liabilities of the Russco Hotel Ltd. on the 1/1/2019: Buildings €900,000; Equipment €70,000; Bus at cost €60,000; Shop stock €2,500; Stock of heating oil €1,400; Creditors for the shop €1,500; 5% Investments €70,000; Contract cleaning prepaid €100; Customers deposits paid in advance €6,000; Authorised share capital €550,000; Issued share capital €480,000; Electricity due €700, investment interest due €400.

All fixed assets have 2 years accumulated depreciation on the 1/1/2019. The following is a receipts and payments Account for the year ending 31/12/2019.

Receipts and Payments Account for the y/e 31/12/2019

	€		€
Customers fees	320,000	Balance 1/1/2019	11,000
Shop receipts	95,000	Telephone	3,000
Investment income	3,300	Laundry	2,500
Sale of Equipment (cost 20,000)	9,000	Wages	91,000
		Repayment of Bank Loan plus 15 months interest at 4% per annum on 1/4/2019	63,000
		Equipment	30,000
		Extension to the Building	60,000
		New Bus 1/7/2019	55,000
		Cleaning	4,500
		Light and heat	6,200
		Insurance	7,600
		Purchases of the shop	37,000
		Purchases of supplies	87,000
Balance c/d	<u>31,400</u>	Dishonoured cheque – fees	<u>900</u>
	<u>458,700</u>		<u>458,700</u>

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

1. Closing stocks at 31/12/2019 are- Shop €5,000 and Heating oil €2,200.
2. Customers' fees include fees for 2020 of €7,200 and there are fees in arrears at the 31/12/2019 of €550.
3. The contract cleaning payment includes a payment for January 2020 of €150.

4. Creditors for the shop at the 31/12/2019 are €2,300 and there is electricity due at that date of €620.
5. The dishonoured cheque was not recovered and was written off as a bad debt.
6. Wages includes €25,000 per annum paid to the receptionist who also runs the shop. It is estimated that 30% of this salary, €350 of the light and heat, and €200 of the telephone expenses are attributable to the shop.
7. Depreciation is provided as follows:
 - a. Buildings 2% of cost for a full year; Equipment 10% of cost per annum from the date of purchase to the date of sale; Buses at 20% of cost per annum.
 - b. The old equipment was sold on the 1/7/2019 and the new equipment was bought on the 1/11/2019
8. On the 31/12/2019 it was decided to revalue the Buildings at €990,000.
9. The insurance is paid for a 15 month period ending on the 30/6/20.

Required –

- a) Calculate the company's reserves at the 1/1/2019. (20)
- b) Calculate the profit of the shop for the y/e 31/12/2019.(10)
- c) Prepare the Profit and Loss Account of the Hotel for the y/e 31/12/2019. (36)
- d) Prepare the Balance Sheet of the Hotel at the 31/12/2019. (28)
- e) Why is the revaluation reserve put into the financed by section of the balance sheet rather than in the profit and loss account? (6)

(100 marks)

Solution

a) Reserves 1/1/19

Assets 1/1/19

Buildings	900,000 – 36,000	864,000
Equipment	70,000 – 35,000	35,000
Bus	60,000 – 24,000	36,000
Stock – shop		2,500
Stock – oil		1,400
Cleaning prepaid		100
5% Investments		70,000
Investment Income due		400
		1,009,400

Liabilities 1/1/19

Clients' fees prepaid	6,000	
Loan	60,000	
Loan Interest due	2,400	
Bank Overdraft	11,000	
Issued Share Capital	480,000	
Creditors for Shop	1,500	
Electricity due	700	(561,600)
Reserves 1/1/19		447,800

b) Profit and Loss Account of the Shop for y/e 31/12/19

Shop Sales		95,000
<u>Less Cost of Sales</u>		
Opening shop stock	2,500	
Purchases (– 1,500 + 2,500)	37,800	
	40,300	
Less Closing shop stock	(5,000)	(35,300)
Gross profit		59,700
<u>Less Expenses</u>		
Wages (30% of 25,000)	7,500	
Light and heat	350	
Telephone	200	(8,050)
Net Profit		51,650

c) Profit and Loss Account for the entire business for y/e 31/12/19

Income

Shop Profit		51,650
Clients' fees (+ 6,000 – 7,200 + 550)		319,350
Investment Income (5% of 70,000)		3,500
		374,500

Less Expenses

Telephone (- 200)	2,800	
Laundry	2,500	
Wages (- 7500)	83,500	

Loan Interest	600	
Cleaning (+ 100 – 150)	4,450	
Light and heat (6,200 +1400 – 700 – 2200 +620 – 350)	4,970	
Insurance (7,600 ÷ 15 x 9)	4,560	
Purchase of supplies	87,000	
Bad debts	900	
Depreciation – Buildings (2% of 960,000)	19,200	
Depreciation - Equipment	6,500	
Depreciation – Bus	17,500	
Loss on sale	<u>6,000</u>	(240,480)
Net Profit		134,020
Profit and Loss Balance 1/1/19 (get the figure from solution to part a)		447,800
Profit and Loss Balance 31/12/19 (send this to the balance sheet)		<u>581,820</u>

d) Balance Sheet as at 31/12/19

Fixed Assets	Cost	Acc. Dep.	Net
Buildings	990,000	0	990,000
Equipment	80,000	15,500	64,500
Bus	<u>85,000</u>	<u>41,500</u>	<u>43,500</u>
	<u>1,155,000</u>	<u>57,000</u>	1,098,000
5% investments			<u>70,000</u>
			1,168,000
Current Assets			
Stock of shop		5,000	
Stock of oil		2,200	
Cleaning prepaid		150	
Fees due		550	
Investment income due (3,500 less (3,300-400))		600	
Insurance prepaid (7,600 ÷ 15 x 6)		<u>3,040</u>	
		11,540	
Less Current Liabilities			
Creditors	2,300		
Electricity due	620		
Fees prepaid	7,200		
Bank overdraft	<u>31,400</u>	<u>(41,520)</u>	<u>(29,980)</u>
			<u>1,138,020</u>
Financed By	Authorised	Issued	
Share capital	<u>550,000</u>	480,000	
Revaluation Reserve		85,200	
Profit and Loss Balance 31/12/19		<u>581,820</u>	<u>1,147,020</u>

A Revaluation reserve is where a profit on the increase in the value of land and buildings is entered and is put into the financed section of the balance sheet and remains there until the fixed asset is sold. It cannot be entered in the profit and loss account and cannot be given to the shareholders in the form of dividends until the asset is sold.