**Question 33**

The following is the Trial Balance of Glencairn plc at 31 December Year 4.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **£000** |  | **£000** |
| Sales Revenue |  |  | 430 |
| Purchases | 246 |  |  |
| Inventory at 1 January Year 4 | 30 |  |  |
| Administration Expenses | 36 |  |  |
| Selling and Distribution Expenses | 33 |  |  |
| Warehouse Expenses | 16 |  |  |
| Discounts (Net) |  |  | 4 |
| VAT | 16 |  |  |
| Wages | 40 |  |  |
| Provision for Bad Debts at 1 January Year 4 |  |  | 5 |
| Trade Receivables | 60 |  |  |
| Trade Payables |  |  | 35 |
| Quoted Investments | 70 |  |  |
| Cash and Cash Equivalents |  |  | 6 |
| Goodwill | 20 |  |  |
| Preliminary Expenses | 10 |  |  |
| 150,000 £1 Ordinary Shares |  |  | 150 |
| 10% Debentures |  |  | 80 |
| Property (at cost) | 100 |  |  |
| Office Equipment (at cost) | 30 |  |  |
| Motor Vehicles (at cost) | 50 |  |  |
| Provisions for Depreciation at 1 January Year 4: |  |  |  |
| Office Equipment |  |  | 8 |
| Motor Vehicles |  |  | 10 |
| Share Premium |  |  | 30 |
| Interim Dividend — Ordinary Shares | 6 |  |  |
| Rent and Rates | 5 |  |  |
| Unappropriated Profit at 1 January Year 4 |  |  | 10 |
|  | £768 |  | £768 |

**Question 33 (continued)**

**Notes at 31 December Year 4**

1. Inventory valued at £20,000 (cost) and £24,000 (market value).
2. Administration expenses receivable — £2,000.
3. The provision for bad debts is to be adjusted to 10% of Trade Receivables.
4. Dividends of £3,000 are due from investments.
5. Provide for depreciation for the year as follows:

(i) Office equipment — 10% on cost

(ii) Motor vehicles — 20% on the diminished balance

1. Provide for corporation tax at 25% of profit for the year.
2. Property has been revalued at £110,000 — the surplus on revaluation is to be transferred directly to a revaluation reserve.
3. Preliminary expenses are to be written down by transfer from share premium.
4. A cheque for payment of rent for £1,000 for this year has been completely omitted from the books and has still to be recorded.
5. Goodwill is to be written down by £12,000.
6. **You are required to prepare** from the Trial Balance and Notes:

**Income Statement** (including the appropriation of available profits) for the year ended 31 December Year 4 and a Statement of Financial Position as at that date. **38**

**Total marks (38)**

**Question 33 — solution**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Glencairn plc**  **Income Statement for year ended 31 December Year 4 ✓** | | | | | | |
|  | **£000** |  | **£000** |  | **£000** |  |
| Sales Revenue |  |  |  |  | 430 | **(1)** |
|  |  |  |  |  |  |  |
| Opening Inventory |  |  | 30 |  |  |  |
| add Purchases |  |  | 246 | **(1)** |  |  |
|  |  |  | 276 |  |  |  |
| Less Closing Inventory |  |  | 20 | **(1)** |  |  |
| (**1 mark for both inventories**) |  |  | 256 |  |  |  |
| add Warehouse Expenses |  |  | 16 | **(1)** |  |  |
| COST OF SALES |  |  |  |  | 272 |  |
| **GROSS PROFIT ✓** |  |  |  |  | 158 |  |
|  |  |  |  |  |  |  |
| Less Expenses |  |  |  |  |  |  |
| Administration Expenses (36 − 2) |  |  | 34 | **(1)** |  |  |
| Selling and Distribution Expenses |  |  | 33 | **(1)** |  |  |
| Rent and Rates (5 + 1) |  |  | 6 | **(1)** |  |  |
| Wages |  |  | 40 | **(1)** |  |  |
| Debenture Interest (10% x 80) |  |  | 8 | **(1)** |  |  |
| Provision for Bad Debts Increase (6 − 5) |  |  | 1 | **(1)** |  |  |
| Provision for Depreciation |  |  |  |  |  |  |
| Office Equipment (10% x 30) |  |  | 3 | **(1)** |  |  |
| Motor Vehicles (20% x (50 − 10)) |  |  | 8 | **(1)** | 133 |  |
|  |  |  |  |  | 25 |  |
| add Other Income |  |  |  |  |  |  |
| Dividends Due from Investments |  |  | 3 | **(1)** |  |  |
| Discounts |  |  | 4 | **(1)** | 7 |  |
| **PROFIT FOR THE YEAR BEFORE TAX ✓** |  |  |  |  | 32 |  |
| Less Corporation Tax |  |  |  |  | 8 | **(1)** |
| PROFIT FOR THE YEAR AFTER TAX |  |  |  |  | 24 |  |
|  |  |  |  |  |  |  |
| ADD Unappropriated Profit c/f |  |  |  |  | 10 | **(1)** |
|  |  |  |  |  | 34 |  |
| Less Appropriations |  |  |  |  |  |  |
| Goodwill w/d |  |  | 12 | **(1)** |  |  |
| Interim Ordinary Dividend |  |  | 6 | **(1)** | 18 |  |
|  |  |  |  |  |  |  |
| **UNAPPROPRIATED PROFIT C/F ✓** |  |  |  |  | 16 |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | | | | |  |
| **Statement of Financial Position as at 31 December Year 4 ✓** | | | |  |  |  |
|  | **£000** |  | **£000** |  | **£000** |  |
| **NON CURRENT ASSETS** | **Cost** |  | **Depn** |  | **NBV** |  |
| Property | 100 |  | -10 |  | 110 | **(1)** |
| Office Equipment | 30 |  | 11 |  | 19 | **(1)** |
| Motor Vehicles | 50 |  | 18 |  | 32 | **(1)** |
|  |  |  |  |  | 161 |  |
| Investments |  |  |  |  | 70 | **(1)** |
| Goodwill (20 − 12) |  |  |  |  | 8 | **(1)** |
|  |  |  |  |  | 239 |  |
|  |  |  |  |  |  |  |
| **CURRENT ASSETS** |  |  |  |  |  |  |
| VAT | 16 | **(1)** |  |  |  |  |
| Inventory | 20 | **(1)** |  |  |  |  |
| Trade Receivables (60 − 6) | 54 | **(1)** |  |  |  |  |
| Dividends Due | 3 | **(1)** |  |  |  |  |
| Admin Expenses — Other Receivables | 2 | **(1)** | 95 |  |  |  |
|  |  |  |  |  |  |  |
| **LESS CURRENT LIABILITIES** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Trade Payables | 35 | **(1)** |  |  |  |  |
| Cash and Cash Equivalents (6 + 1) | 7 | **(1)** |  |  |  |  |
| Corporation Tax Due | 8 | **(1)** |  |  |  |  |
| Debenture Interest Payable | 8 | **(1)** | 58 |  |  |  |
| WORKING EQUITY |  |  |  |  | 37 |  |
| **TOTAL NET ASSETS** |  |  |  |  | 276 |  |
|  |  |  |  |  |  |  |
| **FINANCED BY:** |  |  |  |  |  |  |
| 150,000 £1 Ordinary Shares |  |  |  |  | 150 | **(1)** |
|  |  |  |  |  |  |  |
| **ADD RESERVES** |  |  |  |  |  |  |
| Revaluation Reserve |  |  | 10 | **(1)** |  |  |
| Unappropriated Profit |  |  | 16 | **(1)** |  |  |
| Share Premium (30 − 10) |  |  | 20 | **(1)** | 46 |  |
|  |  |  |  |  | 196 |  |
|  |  |  |  |  |  |  |
| **NON-CURRENT LIABILITIES**  10% Debentures |  |  |  |  | 80 | **(1)** |
|  |  |  |  |  | 276 |  |
| Headings and titles |  |  |  |  |  | **(1)** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  | **38** |
|  |  |  |  |  |  |  |

**Total marks (38)**