**Question 31**

The following is the Trial Balance of Carluke plc as at 31 December Year 3 **after** the preparation of the Trading Account:

|  |  |  |
| --- | --- | --- |
|  | **£000** | **£000** |
| 200,000 8% Preference Shares of £1 each |  | 200 |
| 300,000 Ordinary Shares of 50p each |  | 150 |
| 10% Debentures |  | 100 |
| Gross Profit |  | 142 |
| Inventory at 31 December Year 3 | 13 |  |
| Office Expenses | 60 |  |
| Discounts | 6 |  |
| Advertising | 10 |  |
| Provision for Bad Debts at 1 January Year 3 |  | 1 |
| Trade Payables |  | 21 |
| Trade Receivables | 22 |  |
| Bank |  | 51 |
| Preference Dividend Paid | 16 |  |
| Ordinary Dividend Paid | 12 |  |
| Long-term Investments | 150 |  |
| VAT | 14 |  |
| Unappropriated Profits at 1 January Year 3 |  | 70 |
| Property (at cost) | 280 |  |
| Fixtures and Equipment (at cost) | 150 |  |
| Vehicles (at cost) | 90 |  |
| Provisions for Depreciation at 1 January Year 3 |  |  |
| Fixtures and Equipment |  | 70 |
| Vehicles |  | 18 |
|  | 823 | 823 |

**Notes at 31 December Year 3**

1. The market value of the closing inventory is £15,000.
2. Office expenses payable are £2,000.
3. The figure for advertising includes the payment for the first quarter of Year 4.
4. The provision for bad debts is to be increased by £2,000.
5. Provide for depreciation per annum as follows:
6. Fixtures and equipment — 20% of the reduced balance
7. Vehicles — 10% on cost
8. Provide for corporation tax at 25%.
9. Dividends of 10% are receivable on the long-term investments.

**You are required to prepare:**

1. the Income Statement and an Appropriation Account for the year ended 31 December Year 3 **13**
2. a Statement of Financial Position as at the above date **16**

**Total marks (29)**

**Question 31 — solution**

**Carluke plc**

**Income Statement for the year ended 31 December Year 3**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **£000** | **£000** | **£000** | **Marks** |  |
| Gross Profit |  |  |  | 142 | **(1)** | **also for headings and labels** |
|  |  |  |  |  |  |  |
| **Expenses:** |  |  |  |  |  |  |
| Office Expenses | 60 + 2 |  | 62 |  | **(1)** |  |
| Discounts |  |  | 6 |  | **(1)** |  |
| Advertising | 10 x 4/5 |  | 8 |  | **(1)** |  |
| Increase in Provision for Bad Debts |  |  | 2 |  | **(1)** |  |
| Debenture interest | 100 x 10% |  | 10 |  | **(1)** |  |
| Depreciation:  Vehicle | 90 x 10% |  | 9 |  | **(1)** |  |
| Fixtures and Equipment | 150 − 70 x 20% |  | 16 | 113 | **(1)** |  |
|  |  |  |  | 29 |  |  |
| **Other Income:** |  |  |  |  |  |  |
| Dividend |  |  |  | 15 | **(1)** |  |
| Profit before Tax |  |  |  | 44 |  |  |
| Taxation |  |  |  | 11 | **(1)** |  |
| Profit for the Year |  |  |  | 33 |  |  |
| Unappropriated Profit b/f |  |  |  | 70 | **(1)** |  |
|  |  |  |  | 103 |  |  |
| Preference Dividends Paid |  |  | 16 |  | **(1)** |  |
| Ordinary Dividends Paid |  |  | 12 | 28 | **(1)** |  |
| Unappropriated Profit c/f | |  |  | 75 |  |  |

**13**

**Carluke plc**

**Statement of Financial Position as at 31 December Year 3**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **£000** | | | **£000** | | **£000** | **Marks** |  | |
| **Non-current Assets** |  |  | | |  | |  | **(1)** | **for headings and labels** | |
| Premises |  | 280 | | | 0 | | 280 | **(1)** |  | |
| Fixtures/equipment | 150-70-16 | 150 | | | 86 | | 64 | **(1)** |  | |
| Vehicles | 90-18-9 | 90 | | | 27 | | 63 | **(1)** |  | |
|  | |  | | |  | | 407 |  |  | |
| Intangible Assets: Investments | |  | | |  | | 150 |  |  | |
|  |  |  | | |  | |  |  |  | |
| **Current Assets:** |  |  | | |  | |  |  |  | |
| Inventory |  |  | | | 13 | |  |  |  | |
| Trade Receivables | 22-3 |  | | | 19 | |  | **(1)** |  | |
| VAT |  |  | | | 14 | |  | **(1)** |  | |
| Dividend Income Receivable | |  | | | 15 | |  | **(2)** | **for those not awarded individual marks** | |
| Other Receivables |  |  | | | 2 | |  |  |  | |
|  |  |  | | | 63 | |  |  |  | |
|  |  |  | | |  | |  |  |  | |
| **Current Liabilities:** |  |  | | |  | |  |  |  | |
| Trade Payables |  | 21 | | |  | |  |  |  | |
| Taxes Payable |  | 11 | | |  | |  |  |  | |
| Office Expenses Payable |  | 2 | | |  | |  | **(2)** | **for those not awarded individual marks** | |
| Debenture Interest Payable | | 10 | | |  | |  | **(1)** |  | |
| Cash and Cash Equivalents | | 51 | | | 95 | | -32 | **(1)** |  | |
| Net Assets Employed | |  | | |  | | 525 |  |  | |
| **Non-current Liabilities** |  |  | | |  | |  |  |  | |
| 10% Debentures |  |  | | |  | | 100 | **(1)** |  | |
|  |  |  | | |  | |  |  |  | |
| **Net Assets** |  |  | | |  | | **425** |  |  | |
|  |  |  | | |  | |  |  |  | |
| **Equity** |  |  | | |  | |  |  |  | |
| Ordinary Share Equity (50p) |  |  | | | 150 | |  | **(1)** |  | |
| 8% £1 Preference Shares |  |  | | | 200 | | 350 | **(1)** |  | |
| Unappropriated Profit c/f |  | |  |  | | 75 | | **(1)** | |  | |
|  |  | |  |  | | **425** | |  | |  | |

**16**

**Total marks (29)**