**Question 7**

**Company accounts**

The following balances were taken from the books of Gleneagles plc for the year ended   
31 March Year 2.

|  |  |  |
| --- | --- | --- |
|  | **£000** | **£000** |
| Gross Profit |  | 353 |
| 300,000 Ordinary Shares of £1 each |  | 300 |
| 50,000 12% Preference Shares of £1 each |  | 50 |
| Unappropriated Profit at 1 April Year 1 |  | 17 |
| 10% Debentures (Year 2 — Year 6) |  | 80 |
| Trade Payables |  | 40 |
| Trade Receivables | 178 |  |
| Rates | 84 |  |
| General Expenses | 27 |  |
| Wages and Salaries | 75 |  |
| Property (at cost) | 259 |  |
| Vehicles (at cost) | 50 |  |
| Inventory at 31 March Year 2 | 150 |  |
| Provision for Depreciation on Vehicles at 1 April Year 1 |  | 20 |
| Administration Expenses | 42 |  |
| Distribution Expenses | 12 |  |
| Cash and Cash Equivalents |  | 13 |
| VAT |  | 25 |
| Preference Dividend Paid | 6 |  |
| Ordinary Dividend Paid | 15 |  |
|  | 898 | 898 |

**Notes at 31 December Year 2**

1. Rates payable at 31 March Year 2 amounted to £6,000.
2. General expenses include a prepayment of £7,000 for next year.
3. Debenture finance costs for the year has still to be paid.
4. Deprecation on vehicles is to be provided at 20% on cost.
5. Provide for Corporation Tax of 25% on the year’s profits.

**You are required to prepare:**

1. **i)** Income Statement and an Appropriation Account for the year ended 31 March Year 2 **10**

**ii)** Statement of Financial Position as at the above date. **10**

**Total marks (20)**

**Question 7 — solution**

**Gleneagles plc**

**Income Statement for the year ended 31 March Year 2\***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **£000** | **£000** | **Marks** |
| Gross Profit |  |  | 353 | **\*** |
|  |  |  |  |  |
| Expenses: |  |  |  |  |
| Rates | 84 + 6 | 90 |  | **(1)** |
| General Expenses | 27 − 7 | 20 |  | **(1)** |
| Wages/Salaries |  | 75 |  |  |
| Administration |  | 42 |  | **(2)** |
| Distribution |  | 12 |  |  |
| Depreciation: Vehicle | 50 x 20% | 10 | (249) | **(1)** |
|  |  |  | 104 |  |
| Finance Costs | 80 x 10% |  | (8) | **(1)** |
| Profit before Tax |  |  | 96 | **\*** |
| Taxation |  |  | (24) | **(1)** |
| Profit for the Year |  |  | **72** | **\*(1)** |
| Unappropriated Profit at 1 April |  |  | 17 | **(1)** |
|  |  |  | 89 |  |
| Preference Dividends paid |  |  | (6) | **(1)** |
| Ordinary Dividends paid |  |  | (15) |  |
| Unappropriated Profit at 31 March | |  | 68 |  |
|  | | |  |  |

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**\*** This mark is for account heading and profit labels **Gleneagles plc**

**Statement of Financial Position as at 31 March Year 2**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | **£000** | | **£000** | **Marks** |
| Non-current Assets |  | |  | |  |  |
| Tangible: |  | |  | |  |  |
| Property |  | | 259 | |  | **(1)** |
| Vehicles | 50 − 20 − 10 | | 20 | | 279 | **(1)** |
|  |  | |  | |  |  |
| Current Assets: |  | |  | |  |  |
| Inventory |  | | 150 | |  |  |
| Trade Receivables |  | | 178 | |  | **(2)** |
| Other Receivables |  | | 7 | | 335 |  |
|  |  | |  | |  |  |
| **Total Assets** |  | |  | | **614** |  |
|  |  | |  | |  |  |
| Current Liabilities: |  | |  | |  |  |
| Trade Payables |  | | 40 | |  |  |
| Taxes Payable |  | | 24 | |  |  |
| Rates Payable |  | | 6 | |  | **(3)** |
| VAT |  | | 25 | |  |  |
| Debenture Finance Cost Payable |  | | 8 | |  |  |
| Bank Overdraft |  | | 13 | | (116) |  |
|  |  | |  | |  |  |
| Non-current Liabilities: |  | |  | |  |  |
| 10% Debentures |  | |  | | (80) | **(1)** |
|  |  | |  | |  |  |
| **Total Liabilities** |  | |  | | **(196)** |  |
|  |  | |  | |  |  |
| **Net Assets** |  | |  | | **418** |  |
|  |  | |  | |  |  |
| **Total Equity** |  | |  | |  |  |
| 300,000 Ordinary Shares (£1) |  | | 300 | |  | **(1)** |
| 50,000 12% £1 Preference Shares |  | | 50 | |  |  |
| Unappropriated Profit |  | | 68 | | **418** |  |
| Headings and arithmetic | | | | | | **(1)** |
|  |  |  | |  | |  |

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**Total marks (20)**