

## Resource Sheet – Accounting

### Company Final Accounts - Student Activity Answers

**(Q1) State where the following items would be shown in the final accounts:**

**(a) Discount (Net) - credit side of Trial Balance. (b) Profit and Loss Balance 01/01 - debit side of Trial Balance. (c) VAT - debit side of Trial Balance. (d) VAT - credit side of Trial Balance**

- (a) Operating Income
- (b) Subtract in the Appropriation Account
- (c) Current Asset
- (d) Creditor: amount falling due within 1 year

**(Q2) State the layout of the following:**

**(a) Manufacturing Account. (b) Trading and Profit and Account. (c) Balance Sheet.**

- (a) Raw Materials
  - Direct Costs
  - Prime Cost
  - Factory Overheads
  - Factory Cost
  - Work in Progress, Sale of Scrap Materials
  - Cost of Manufacture
- (b) Sales
  - Cost of Goods Sold
  - Gross Profit
  - Administration Expenses
  - Selling and Distribution Expenses
  - Operating Income
  - Operating Profit
  - Investment Income, Debenture Interest
  - Net Profit
  - Dividends
  - Retained Profit
  - Profit and Loss Balances

- (c) Intangible Fixed Assets
  - Tangible Fixed Assets
  - Financial Fixed Assets
  - Current Assets
    - Creditors: amounts falling due within 1 year
    - Net Current Assets
  - Financed by
    - Creditors: amounts falling due after more than 1 year
    - Capital and Reserves
    - Capital Employed

**(Q3) State how the following information should be treated:**

**An invoice has been received for raw materials costing €20,000 which were in transit on 31/12. No record has been made in the books.**

Purchases of Raw Materials	+ 20,000
Creditors	+ 20,000
Closing Stock of Raw Materials	+ 20,000

**(Q4) State how the following information should be treated:**

**During the year the company built an extension to the warehouse. The work was carried out by the company's own employees. The cost of their labour €25,000 is included in factory wages.**

**The materials costing €35,000 were taken from stocks. No record has been made in the books in respect of this extension.**

Factory Wages	- 25,000
Purchases of Raw Materials	- 35,000
Factory Buildings	+ 60,000

(Q5) State how the following information should be treated:

Patents €75,000 (31/12/2015) are being written off over 8 years which commenced in 2012.

Patents written off	<b>15,000</b>	$\left(\frac{5}{8} = 75,000 : \frac{1}{8} = 15,000\right)$
Patents	<b>75,000 - 15,000 = 60,000</b>	

(Q6) State how the following information should be treated:

Factory Buildings (Cost €590,000 and Acc. Dep. €130,000) are to be depreciated at 2% of cost. At the end of the year the company revalued the buildings at €700,000.

Dep. of Factory Buildings	<b>11,800</b>	$(590,000 \times 2\%)$
Acc. Dep: Factory Buildings	<b>(130,000 + 11,800) - 141,800</b>	= 0
Factory Buildings	<b>590,000 + 110,000</b>	= 700,000
Revaluation Reserve	<b>110,000 + 141,800</b>	= 251,800

(Q7) State how the following information should be treated:

The directors are proposing that Corporation Tax of €35,000 be provided for.

Corporation Tax	<b>35,000</b>	(Subtract from Net Profit)
Corporation Tax due	<b>35,000</b>	(Creditor: amount falling due within 1 year)

(Q8) State how the following information should be treated:

Goods should be transferred from factory at Current Market Value €850,000. (Cost of Manufacture is €811,500).

Cost of Manufacture	811,500	
Add Profit on Manufacture	<u>38,500</u>	(Add to Gross Profit)
Current Market Value	<u>850,000</u>	(Add to Opening Stock in the Trading Account)