Chapter 3

E3.9 Beasle Bub

(i) You should refer to the relevant sections in Chapter 3 to check your solution.

(ii)

Year ended 31 December		2000 £	2001 £
Profit and loss account - Bad debts			
Bad debts written-off (1)		108,000	121,500
Bad debt provision	{	-	(162,000)
	{	162,000	178,200
Bad debts charge for year		270,000	137,700
As as 31 December Balance sheet - Debtors			
Debtors including debts to be written-off		2,349,000	2,583,900
Write-off of debts to profit and loss account	(1)	(108,000)	(121,500)
		2,241,000	2,462,400
Bad debt provision	{	-	162,000
	{	(162,000)	(178,200)
Debtors at end of year		<u>2,079,000</u>	2,446,200

E3.10 Napier

(i)

Depreciation for the year to 31 March 2002

	£		£
Land			-
Buildings 1% x £1,125,000			11,250
Plant at cost	412,500		
less: Residual value	37,500		
	375,000	x 6%	22,500
Motor vehicles at cost	337,500		
less: Cumulative depreciation at 31 March 2001	135,000		
	202,500	x 25%	50,625
Fixtures and fittings at cost	150,000		
less: Residual value	15,000		
	135,000	x 15%	20,250
Planned additions at cost	22,500		
less: Expected residual value	2,250		
	20,250	x 15%	3,038
Total depreciation charge for the year ended	31 March 2002		107,663

(ii)

Fixed assets as at 31 March 2002	Cost	Cumulative	Net boo
		depreciation	value
	£	£	£
Land	1,500,000	-	1,500,000
Buildings	1,125,000	236,250	888,750
Plant and machiner	412,500	360,000	52,500
Motor vehicles	337,500	185,625	151,875
Fixtures and fittings (incl. 2001/2002 additions)	172,500	125,038	47,462
	<u>3,547,500</u>	906,913	<u>2,640,587</u>

E3.11 Bronze Meadow

(i)

Trial balance for Bronze Meadow Ltd at 31 March 2001

	Debit	Credit
	£	£
Administrative expenses (including depreciation)	36,000	
Rent paid	12,000	
Motor vehicle expenses	21,000	
Salaries	106,800	
Insurance	12,000	
Cost of stock sold	459,000	
Sales		804,000
Motor vehicles net book value	84,000	
Trade creditors		102,000
Trade debtors	122,700	
Buildings at valuation	600,000	
Cash at bank	42,000	
Share capital		720,000
Closing stock 31 March 2001	90,000	
Tax payable		60,000
Tax charge (profit and loss account)	60,000	
Selling and distribution costs	40,500	
	1,686,000	1,686,000

Bronze meadow Ltd

Profit and loss account for the year ended 31 March 2001

	£	
Turnover	804,000	
Cost of sales	(459,000)	
Gross profit	345,000	
Distribution costs	(61,500)	[21+40.5]
Administrative expenses	(166,800)	[36+12+106.8+12]
Operating profit	116,700	
Other income	<u> </u>	
Profit before interest and tax	116,700	
Net interest	<u> </u>	
Profit before tax	116,700	
Taxation	(60,000)	
Net profit	56,700	

(iii)

Bronze Meadow Ltd

Balance sheet as at 31 March 2001

	£	
Fixed assets	684,000	[600+84]
Current assets		
Stocks	90,000	
Debtors	122,700	
Cash at bank	42,000	
	254,700	
Current liabilities	100 000	
Trade creditors	102,000	
Taxation	60,000	
	162,000	
Net current assets	92,700	
Net assets	776,700	
	<u> </u>	
Capital and reserves		
Share capital	720,000	
Profit and loss account	56,700	
	776,700	

(ii)