

- 1 The following balances had been extracted from the books of O’Riley and Co plc on 1 May 2004.

	\$
Premises at cost	520 000
Equipment at cost	200 000
Provision for depreciation on premises	104 000
Provision for depreciation on equipment	128 000
Stock	75 000
Debtors	50 000
Creditors	41 000
Provision for doubtful debts	1 000
Dividends due	16 800
Issued and fully paid-up capital	
Ordinary shares of \$0.50 each	150 000
6% Preference shares of \$1 each	80 000
5% debentures 2010	100 000
8% loan repayable 2008	25 000
Share premium	80 000
General reserve	75 000
Retained profit	87 200
Bank	?

#### REQUIRED

- (a) Calculate the bank balance at 1 May 2004.

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The following transactions took place during the year ended 30 April 2005:

	\$
Purchases	380 000
Sales	605 000
Returns outwards	10 000
Returns inwards	15 000
Wages	80 000
Other expenses	60 000

Balances on 30 April 2005 were as follows:

	\$
Debtors	60 000
Creditors	43 000
Accrued wages	2 000
Prepaid expenses	3 300
Stock	85 000
Bank	113 200

Additional information

- 1 It was decided that debts of \$3000 should be written off as bad.
- 2 Loan and debenture interest for the year were paid in full on 30 April 2005.
- 3 The provision for doubtful debts was to be 2.5% of debtors.
- 4 Depreciation on premises was 2% straight line.
- 5 Depreciation on equipment was 40% reducing (diminishing) balance.
- 6 During the year a further 40 000 ordinary shares were issued at a premium of \$0.05.

The directors proposed the following:

8% dividend to be paid on all ordinary shares in issue at the year end.  
The preference dividend to be paid in full.  
\$20 000 to be transferred to the General Reserve.

## REQUIRED

- (b)** Prepare O’Riley and Co plc’s Trading, Profit and Loss and Appropriation account for the year ended 30 April 2005.

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[14]

This image shows a full page of a notebook or worksheet. It features approximately 20 evenly spaced horizontal dotted lines across its entire width, providing a guide for handwriting practice. The background is plain white, and there are no margins, text, or other markings present.

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**(d)** Explain share premium and state how it may be used.

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