

SECTION A – Compulsory**(40 Marks)****Question 1**

The following trial balance has been extracted from the books of Havana Limited as at 31 December 2017

	€	€
€1 Ordinary Shares		200,000
7% Debentures		80,000
Bank	160,200	
Equipments at cost	150,000	
Accumulated depreciation - Equipment 31/12/2016		55,000
Motor vehicles at cost	195,100	
Accumulated Depreciation - Motor Vehicles 31/12/2016		76,200
Debenture interest	4,200	
Discounts allowed	1,500	
General reserves		20,000
Administration expenses	60,421	
Rent	48,000	
Light and heat	6,542	
Bad debts	3,500	
Provision for bad debts		1,200
Purchases	229,800	
Retained Earnings 31/12/2016		56,429
Sales		545,600
Inventory at 31/12/2016	28,750	
Trade payables		18,650
Trade receivables	22,500	
Wages and salaries	142,566	
	1,053,079	1,053,079

The following information is also provided:

- A) Inventory at 31 December 2017 was €36,400.
- B) Rent prepaid at 31 December 2017 was €2,000.
- C) The provision for bad debts is to be set at 6% of Trade receivables.
- D) The Corporation tax bill for the year ending 31/12/2017 is estimated at €3,200 and has not been provided for in the above trial balance.
- E) Depreciation is to be charged as follows:
 - Equipment at 10% on cost.
 - Motor Vehicles 30% per annum on reducing balance basis.
- F) Transfer €3000 to general reserves.
- G) The directors approved dividends of 15 cent per ordinary share.
- H) Provide for any Debenture interest payable at year end.