

Solution to Question 2: C. Worth Limited

Trading & Profit and Loss Account for the year ending 30.6.20X4

	€	€
Revenue (Turnover/Sales)		28,794
Cost of sales		
Opening stock	Nil	
Purchases	23,803	
Closing stock	<u>(4,166)</u>	<u>(19,637)</u>
Gross profit		9,157
Operating expenses		
Rent	854	
Light and heat	422	
Salaries and wages	3,164	
Insurance cost	105	
Sundry expenses	506	
Motor expenses	<u>1,133</u>	<u>(6,184)</u>
Net profit		2,973
Dividends paid φ		<u>(2,400)</u>
Net profit retained		573
Retained profit at 1/7/20X3 φ		<u>Nil</u>
Retained profit at 30/6/20X4 φ		<u>573</u>

Balance Sheet at 30.6.20X4

	€	€
Fixed Assets		
Buildings		50,000
Fixtures		1,000
Motor vans		<u>5,500</u>
		<u>56,500</u>
Current Assets		
Stock		4,166
Debtors		3,166
Bank		<u>3,847</u>
		<u>11,179</u>
Total assets		<u>67,679</u>
Equity		
Share capital		65,900
Retained earnings		<u>573</u>
		66,473
Current Liabilities		
Creditors		<u>1,206</u>
Equity and Current Liabilities		<u>67,679</u>

φ The income statement and balance sheet are not compliant with the requirements of international accounting standards which require completion of a statement of changes in equity in which dividends and movements on retained earnings/profits is recorded. Statements of changes in equity are covered in Section 7 of the notes for the module.