

- 1 Brama Sun plc manufactures solar panels at its factory. The solar panels are then delivered to the company's shops, before sale to customers. At 31 March 2017, the following balances were in the books.

	Debit	Credit
	£	£
7.5% debenture March 2021		1 200 000
8% bank loan – repayable December 2017		150 000
Allowance for doubtful debts		15 000
Auditors fees	18 500	
Bad debts	26 000	
Bank current account	117 000	
Bank current account interest		1 000
Cash	58 000	
Commission on sales	94 530	
Delivery costs	178 000	
Direct materials	2 150 000	
Discount allowed	87 000	
Discount received		43 000
Factory buildings (carrying value)	3 680 000	
General reserve		56 000
Goodwill	90 000	
Head office expenses	510 000	
Interest on bank loan	11 000	
Interest on debenture	45 000	
Inventory at 1 April 2016	772 000	
Marketing	324 000	
Motor vans (cost)	384 000	
Motor vans (provision for depreciation)		176 000
Motor vans running expenses	43 000	
Ordinary shares of £0.50 each		3 700 000
Other payables		17 500
Power	656 000	
Production machinery (carrying value)	439 000	
Rent on warehouse	280 000	

Retained earnings	624 470	
Revenue		9 864 000
Trade fairs and exhibitions expenses	110 000	
Trade payables		175 000
Trade receivables	821 000	
Wages	3 879 000	
	<u>15 397 500</u>	<u>15 397 500</u>

Additional information at 31 March 2017

- Inventory £779 000
- Rent on warehouse paid in advance is £23 000
- Wages consist of:

	£
Delivery staff	476 000
Direct factory labour	1 890 000
Head office staff	881 000
Sales staff	632 000

- The factory buildings are being depreciated over a 50-year life, using the straight line method. Ten years' depreciation has been calculated to date. Depreciation for the present year needs to be calculated and entered into the books. There have been no additions or disposals since the purchase of the factory buildings.
- The motor vans are to be depreciated over a five-year life assuming a nil residual value, using the straight line method.
- The production machinery is to be depreciated at 10% per year, using the reducing balance method.
- There is a power bill for £24 000 outstanding.
- Power is to be apportioned on the following basis:
 - Factory 70%
 - Warehouse 10%
 - Shops 15%
 - Head office 5%
- Corporation tax of £218 000 has been calculated, which is to be paid by 30 June 2017, and a provision needs to be made.
- The allowance for doubtful debts is to be 2% of trade receivables.
- There is one month's interest owing on the bank loan.
- The interest payments on the debenture are made in two equal instalments at the end of September and the end of March. The payment for March is outstanding.

Required

(a) Prepare, in accordance with International Accounting Standard (IAS) 1, a:

(i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017.

(27)

(ii) Statement of Financial Position at 31 March 2017.

(16)

(b) Evaluate the importance of the role of the auditor in limited companies.

(12)

(Total for Question 1 = 55 marks)

- 1 Sparkle plc produces dishwashers at its factory. The dishwashers are then delivered to shops, before sale to customers. At 30 September 2025, the following trial balance was extracted.

	Debit £	Credit £
Allowance for irrecoverable debts		1 700
Auditors' fees	8 700	
Bank current account		23 000
Bank current account interest	1 850	
Cash	2 670	
Computer equipment – carrying value	76 000	
9% Debenture 2026		300 000
Debenture interest paid	27 000	
Delivery costs	79 000	
Direct material purchases	670 000	
Discount allowed	47 000	
Discount received		19 000
Factory buildings at cost	3 600 000	
Factory buildings – provision for depreciation		240 000
Foreign exchange reserve		45 000
General reserve		100
Goodwill	32 000	
Inventories at 1 October 2024	321 000	
Irrecoverable debts	7 500	
Marketing	54 000	
Motor lorries at cost	280 000	
Motor lorries – provision for depreciation		56 000
Motor lorries running expenses	19 400	
Office expenses	235 000	
Ordinary shares of £1.00 each		1 900 000
Other payables		12 360
Production machinery – carrying value	240 000	
Rent on warehouse	44 000	
Retained earnings		618 660
Revaluation reserve		360 000
Revenue		3 784 000
Share premium		475 000
Trade payables		174 000
Trade receivables	28 700	
Wages	<u>2 235 000</u>	
	8 008 820	8 008 820

Additional information at 30 September 2025

- (1) The computer equipment was revalued to £47 000
- (2) There is an outstanding bill for delivery costs for £3 100
- (3) The factory buildings are being depreciated over a 50-year life, using the straight line method. Depreciation for the present year needs to be calculated and entered into the books.
- (4) In October 2023, a supplier of parts was taken over with goodwill of £40 000 being paid. No entry has been made in the books for the goodwill to be written off this year.
- (5) Inventories were £335 000
- (6) Office expenses paid in advance were £21 700
- (7) The motor lorries are to be depreciated using the reducing balance method at a rate of 20% per annum.
- (8) The production machinery is to be depreciated using the units of output method. The production machinery was purchased for £370 000. At the end of its life, it will have a residual value of £10 000
It is estimated that the production machinery will produce 80 000 units over its life. This year, the production machinery produced 13 560 units.
- (9) The allowance for irrecoverable debts is to be adjusted to be 5% of trade receivables.
- (10) Wages are to be apportioned on the following basis:
Factory 40% Warehouse 25% Transport 15% Office 20%
- (11) Corporation tax is charged at 20% on profits and is to be paid by 31 December 2025.

Required

- (a) Prepare for Sparkle plc, in accordance with International Accounting Standard 1 (Revised), a Statement of Profit or Loss and other Comprehensive Income for the year ended 30 September 2025. (34)
 - (b) Calculate the gearing ratio of Sparkle plc, stating the formula used. (9)
- Arkle is a shareholder in Sparkle plc. He is concerned about some of the profitability ratios and some of the investment ratios.
- (c) Evaluate the performance of Sparkle plc for the year ended 30 September 2025 from the point of view of Arkle.
(You may wish to support your answer with relevant calculations.) (12)