

INSTRUCTIONS – READ CAREFULLY

Your coursework **MUST** be:

- **Handwritten**
- Using **blank sheets of paper**
(i.e. do not use the pro formas given on Blackboard)
- Presented in **ONE document file**
(i.e. do NOT send a series of photos, jpegs, or separate pages/files)
You need to scan your work onto ONE document in the correct order
(preferably in pdf format)
- Clearly label your work with your **University ID number at the top of each sheet of paper but not your name**
- Submit by e mail to jo88
- E-mail BEFORE: **12 pm (noon) on Wednesday 25 April 2018**
(Late submissions will be penalised)

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QUESTION

Diprock Ltd is a retail business and the Thomas, the finance director, has produced the following trial balance for the year ended 31 July 2017.

The trial balance produced does not balance and he has asked for your help.

Diprock Ltd

Trial Balance as at 31 July 2017

	Dr £'000	Cr £'000
Accumulated depreciation – Office equipment at 1 August 2016		1,296
Accumulated depreciation – Factory buildings at 1 August 2016		2,416
Accumulated depreciation – Vans at 1 August 2016		200
Allowance for receivables at 1 August 2016	96	
Carriage inwards	128	
Carriage outwards	224	
Directors remuneration	2,400	
Discounts allowed	208	
Discounts received		100
Dividends paid	96	
Insurance	1,640	
Inventory at 1 August 2016	2,220	
Irrecoverable and impaired debts	236	
Land and factory buildings – Cost	15,400	
Light and heat	2,440	
Loan from bank at 4%		12,000
Loan interest paid	360	
Office equipment – Cost	2,560	
Office expenses	80	
Overdraft		800
Payables		2,808
Purchases	30,372	
Receivables	8,092	
Retained earnings at 1 August 2016		8,484
Returns inwards	144	
Returns outwards		224
Revenue		39,484
Share capital (shares have nominal value of 20p)		96
Share premium account		48
Vans – Cost	1,000	
Wages	2,492	
	70,188	67,596
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Additional information:

1. Diprock Ltd sold some equipment on 31 January 2017 for £120,000. The finance director has debited the bank account with the £120,000 but has done nothing else. The equipment cost £336,000 on 1 November 2013.
2. The land and buildings figure in the trial balance includes £6,600,000 for the land.

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3. The depreciation policy for Diprock Ltd is as follows:
Factory buildings – straight line basis over 60 years.
Office equipment – 15% per annum on a reducing balance basis.
Vans – straight line basis over 4 years.
A full year of depreciation is charged in the year of acquisition and none in the year of disposal.
The vans are used to deliver goods to customers. The factory buildings depreciation is charged to cost of sales and office equipment to administrative expenses.
4. A debt of £240,000 is to be written off and an allowance made for a further debt of £120,000. The debt of £96,000 for which allowance was made in the previous financial statements has now been paid in full.
5. Diprock Ltd employ 45 staff, of which 25 work in the factory, 10 are delivery drivers and 10 work in administration.
6. An accrual for light and heat for the months of June 2017 and July 2017 is needed. This summer was particularly hot.
7. A payment for delivery costs to customers for £64,000 has been debited to the carriage inwards account and credited to the cash at bank account.
8. A cash receipt from a customer of £960,000 has been debited to receivables and debited to the cash at bank account.
9. A 25 year bank loan was taken out on 1 August 2012.
The loan capital is being repaid in equal instalments starting on 31 July 2013 and on 31 July each year thereafter.
10. Insurance includes £480,000 for the year to 31 March 2018.
11. An invoice for goods purchased for resale totalling £48,000 has been debited to insurance and credited to payables.
12. Taxation for the year is estimated at £360,000.
13. A dividend for shareholders of £1 per share was proposed on 15 August 2017 but has not yet been paid.
14. On 31 July 2017 there was a fire in the warehouse and all of the inventory and the inventory records were destroyed.
In addition to the information above and in the trial balance you know that:
 - all sales are made based on a gross profit mark-up of 40% on the direct cost of goods sold, and
 - Diprock Ltd has an insurance policy which covers the sales value of any items of inventory that is lost.

Required:

- (a) Prepare the journal entries to correct the trial balance and deal with all of the year-end adjustments.
You should clearly state all relevant assumptions made, show all your workings and show the suspense account clearance. (40 marks)
- (b) Produce a statement of profit or loss for the year, a statement of changes in equity and a statement of financial position for Diprock Ltd as at 31 July 2017, in a form suitable for publication. (30 marks)
- (c) Write a report to the Directors of Diprock Ltd that explains clearly how the company has performed in the year and the company's financial position at 31 July 2017. (30 marks)

Total: 100 marks