



**CHARTERED
ACCOUNTANTS
IRELAND**

BOOT CAMP GRADUATION EXAM

Maximum Recommended Time Limit: 2 hours

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Instructions to candidates: This examination comprises a single case-study style question. Read the question carefully and be sure you answer all the requirements. There is a total of 100 marks available for the question.

The following solution procedure will help you answer parts (a) and (b) of the question and it is recommended that you use it.

Solution Procedure

- Step 1: Set up your skeleton Trading, Profit and Loss Account and Balance Sheet with the relevant headings and line items. Do not insert any figures yet. Under each heading, leave a couple of extra lines for additional items you may need to include (e.g. prepayments and/or accruals).
- Step 2: Label each item in the Trial Balance: Assets (A), Liabilities (L), Capital (C), Income (I) and Expenses (E).
- Step 3: Read through the additional information and instructions. Open up T accounts to perform the required adjustments. Tick off the relevant figures in the Trial Balance as you adjust them.
- Step 4: Complete the adjustments and close off the T accounts, bringing down any new closing balances that arise as a result of your adjustments. Transfer any amounts for income earned and expenses incurred to the Trading, Profit and Loss Account and tick them off in your workings.
- Step 5: Complete the Trading, Profit and Loss Account and Balance Sheet. Tick off the remaining unticked items in your Trial Balance as you select them and also tick off the remaining unticked items in your workings as you select them.

Exam Question

It is 31 December 20X3. Wild Ride has now completed its first 3 years of trading. The following Trial Balance has been extracted from the General Ledger:

Trial Balance for Wild Ride at 31 December 20X3			
	Dr		Cr
	€		€
Premises	420,000		
Equipment	78,400		
Motor Vehicles	66,300		
4% Investments	100,000		
Debtors	94,000		
Creditors			78,800
Stock on 01/01/20X3	48,380		
Bank	14,620		
Cash	9,200		
Purchases	296,800		
Sales			423,000
Discounts Allowed	1,500		
Discounts Received			1,200
Provision for Bad Debts			1,600
Investment Income Received			2,000
Light & Heat	3,000		
Wages	58,400		
Insurance	4,800		
Interest paid on Loan	3,200		
6% Loan			80,000
Capital			612,000
	1,198,600		1,198,600

The following additional information and instructions should also be taken into account:

- (i) Closing Stock on 31 December 20X3 is €38,300.
- (ii) The payment for Light & Heat covers the 18 months up to 30 June 20X4.
- (iii) The Insurance premium for the year 20X3 was €4,000.
- (iv) The Loan was taken out on 1 January 20X3 and carries an interest rate of 6% per annum.
- (v) The Provision for Bad Debts is to be adjusted to 3% of Debtors at 31 December 20X3.
- (vi) During the year, you (the owner) took €120 in cash per week from the till for personal use. You also took goods to the value of €100 per week for personal use.

IMPORTANT: This is a stand-alone question. No information is required from any previous Wild Ride questions.

Required:

- (a) Prepare the Trading, Profit and Loss Account for the year ending 31 December 20X3. (46)
- (b) Prepare the Balance Sheet as at 31 December 20X3. (46)
- (c) (i) Explain what is meant by the Accruals Concept.
- (ii) Explain the main purpose of a Trial Balance. (8)

(100)