

#### 4. Farm Accounts

Among the assets and liabilities of John and Elaine Daly, who carry on a mixed farming business, on 01/01/2014 are: Land and Buildings at cost €450,000; Vehicles and Machinery at cost €82,000; Electricity due €30; Value of Cattle €60,000; Value of Sheep €24,000; Milk cheque due €1,800; Stock of Fuel €620; three months Investment Interest due €300.

The following is a summary taken from their cheque payments and lodgements books for the year ended 31/12/2014:

Lodgements	€	Cheque Payments	€
Balance 01/01/2014	27,200	Fertiliser	2,500
Milk	29,000	General farm expenses	14,200
Sheep	28,000	Dairy wages	2,600
Cattle	14,000	Sheep	18,500
Lambs	10,400	Cattle	12,600
Calves	6,500	Light, heat and fuel	2,210
Single payment – Sheep	2,100	Machinery	6,200
Single payment – Cattle	3,500	Repairs	5,000
Wool	1,400	Veterinary fees and medicines	2,480
Forestry premium	1,800	Bank Loan plus 18 months’ interest at 6% per annum on 30/4/2014	21,800
Interest from 3% investment bond	600	Balance 31/12/2014	36,410
	<u>€24,500</u>		<u>€24,500</u>

The following information and instructions are to be taken into account:

- |   | <b>Cattle</b> | <b>Sheep</b> |
|---|---------------|--------------|
| (i) Value of Livestock on 31/12/2014 was  | €75,000       | €23,000      |
| (ii) Farm produce used by the family during the year – Milk €750; Lamb €580.  |               |              |
| (iii) Veterinary fees and medicines include a cheque for family health insurance for €1,500.  |               |              |
| (iv) General farm expenses, fertiliser, veterinary fees and medicines are to be apportioned 70% to ‘Cattle and Milk’ and 30% to ‘Sheep’.                                      |               |              |
| (v) Other expenses and costs are to be apportioned 75% to general farm and 25% to household.  |               |              |
| (vi) Depreciation to be provided on the following:<br>Vehicles and Machinery at the rate of 10% of cost per annum.<br>Buildings at 2% per annum. (Land at cost was €175,000.) |               |              |
| (vii) On 31/12/2014 a Milk cheque for €1,500 was due, Creditors for fertilisers amounted to €450 and Stock of Fuel was €60.   |               |              |

#### Required:

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|---|------|
| (a) Prepare a Statement of Capital for the farm on 01/01/2014.  | (20) |
| (b) Prepare an Enterprise Analysis Account for ‘Cattle and Milk’ and ‘Sheep’ for the year ended 31/12/2014. | (20) |
| (c) Prepare a General Profit & Loss Account for the year ended 31/12/2014                                   | (10) |
| (d) Prepare the Dalys’ Drawings Account.  | (5)  |
| (e) (i) For what purposes does a farmer prepare a General Profit & Loss Account?                            | (5)  |
| (ii) Outline the advantages of preparing farm enterprise analysis accounts.                                 | (5)  |
| <b>(60 marks)</b>   |      |