

#### 4. Incomplete Records

On 01/01/2015, D. Dunne lodged €570,000 to a business bank account and on the same day purchased a business for €530,000, consisting of the following tangible assets and liabilities: Buildings €500,000; Stock €12,800; 3 months Rates prepaid €2,400; Debtors €26,300; Trade Creditors €47,500; Wages due €4,200.

During 2015, Dunne did not keep a full set of books but was able to supply the following information on 31/12/2015:

- (i) Each week Dunne took goods from stock to the value of €140 and a cheque for €170 to pay household expenses.
- (ii) Dunne borrowed €450,000 on 01/09/2015, part of which was used to purchase an adjoining premises costing €380,000. It was agreed that interest would be paid on the last day of each month at the rate of 4% per annum. The capital sum was to be repaid in one lump sum in the year 2023 and to provide for this the bank was instructed to transfer €5,900 on the last day of every month from Dunne's business account into an investment fund.
- (iii) During the year, Dunne lodged Receipts from cash register €135,000 and Dividends €4,700 to the business bank account.

Dunne also made the following payments by cheque: Light and Heat €9,300; Interest €4,500; Wages and General Expenses €94,000; Equipment €14,000; Rates for 12 months €10,400 and son's College Fees €3,500.

- (iv) Dunne estimated that 20% of the following: equipment, light and heat used and interest payable should be attributed to the private section of the premises.
- (v) Included in the assets and liabilities of the firm on 31/12/2015 were: Stock €14,100; Debtors €33,600; Trade Creditors €29,900; Electricity due €740; €55 Interest earned by the investment fund to date.

#### You are required to:

- (a) Prepare a Statement/Balance Sheet showing Dunne's profit or loss for the year ended 31/12/2015. **(Show your workings)** (52)
- (b) Explain why Dunne's record keeping is unsatisfactory. (8)

**(60 marks)**