

- (a) Prepare a Statement/Balance Sheet showing Dunne's profit or loss for the year ended 31/12/2015. (Show your workings) (52)

Balance Sheet (of D. Dunne)
as at 31/12/2015

	€	€
<u>Intangible Fixed Assets</u>		
Goodwill (1) ■ W1		•40,200 (3)
<u>Tangible Fixed Assets</u>		
Buildings W2	880,000 (3)	
Equipment W3	<u>11,200 (3)</u>	891,200
<u>Financial Fixed Assets</u>		
Investments W4		<u>23,655 (4)</u>
		955,055
<u>Current Assets</u>		
Stock 31/12/2015	14,100 (2)	
Debtors	33,600 (2)	
Bank (1) ■ W5	•81,560 (4)	
Rates prepaid (1) ■ W6	<u>2,600 (2)</u>	
	131,860	
<u>Less Creditors: amounts falling due within 1 year</u>		
Creditors	29,900 (2)	
Loan Interest due (1) ■ W7	1,500 (4)	
Electricity due	<u>740 (2)</u>	
Working Capital	(32,140)	<u>99,720</u>
Total Net Assets		<u><u>1,054,775</u></u>
<u>Financed by:</u>		
<u>Creditors: amounts falling due after 1 year</u>		
Loan		450,000 (2)
<u>Capital and Reserves</u>		
Capital 01/01/2015	570,000 (2)	
Capital Introduced	4,700 (3)	
Net Profit	<u>•55,705 (4)</u>	
	630,405	
Less Drawings W8	<u>(25,630)(6)</u>	<u>604,775</u>
Capital Employed		<u><u>1,054,775</u></u>

- Allow 1 mark for student's own figure.
- Accept correct figure only.
- Allow no marks for each item shown under the incorrect heading.

Workings:		€	€	€
W1	Goodwill			
	Purchase Price 01/01/2015	530,000		
	<u>Assets</u>			
	Buildings	500,000		
	Stock	12,800		
	Rates prepaid	2,400		
	Debtors	<u>26,300</u>		
		541,500 (1)		
	<u>Less Liabilities</u>			
	Trade Creditors	47,500		
	Wages due	<u>4,200</u>		
		(51,700)(1)	(489,800)	
	Figure transferred to Balance Sheet		<u><u>•40,200 (1)</u></u>	
	W2 Buildings			
	Cost of Buildings 01/01/2015		500,000 (1)	
	+ Purchases (cost) 01/09/2015		<u>380,000 (2)</u>	
	Figure transferred to Balance Sheet		880,000	
	W3 Equipment			
	Purchases during the year		14,000 (1)	
	– Drawings [20% of 14,000]		<u>2,800 (2)</u>	
	Figure transferred to Balance Sheet		11,200	

4. Incomplete Records (cont'd.)

(a) (cont'd.)

Workings:

€

W4	Investments	
	Funds Transferred [€5,900 × 4]	23,600 (2)
	+ Interest earned by fund	55 (2)
	Figure transferred to Balance Sheet	<u>23,655</u>

W5

Bank a/c

	€		€
01/01/2015 Lodged	570,000	Business Purchased	530,000
Loan Excess [€450,000 – €380,000]	70,000	Household Expenses [€170 × 52]	8,840
Cash Receipts	135,000	Investments [€5,900 × 4]	23,600
Dividends	4,700	Light and Heat	9,300
		Interest	4,500
		Wages and General Expenses	94,000
		Equipment	14,000
		Rates	10,400
		College Fees	3,500
		31/12/2015 Balance b/d	•81,560 (4)
	<u>779,700</u>		<u>779,700</u>

€

W6	Rates prepaid	
	Prepaid 31/12/2015 [€10,400 × 3/12]	<u>2,600</u>
	Figure transferred to Balance Sheet	2,600 (2)

W7	Loan Interest due	
	Payable [4% of €450,000 × 4/12]	6,000 (2)
	– Loan Interest paid	<u>(4,500)(2)</u>
	Figure transferred to Balance Sheet	1,500

W8	Drawings	
	Stock [€140 × 52]	7,280 (1)
	Household Expenses [€170 × 52]	8,840 (1)
	College Fees	3,500 (1)
	Equipment [20% of €14,000]	2,800 (1)
	Light & Heat [20% of (€9,300 +€750)]	2,010 (1)
	Interest [20% of €450,000 × 4% × 4/12]	<u>1,200 (1)</u>
	Figure transferred to Balance Sheet	25,630

- Allow 1 mark for student's own figure.

(b) Explain why Dunne's record keeping is unsatisfactory. (2 × 4) (8)

- Dunne does not keep a detailed cash book (1) and general ledger (2) supported by appropriate subsidiary books (1)
- this would enable Dunne to prepare an accurate (1) trading and profit and loss account (2) and therefore would avoid reliance on estimates (1)

- ** Figures in brackets show the breakdown of marks if answer incomplete.
- ** Accept student's own wording if equivalent meaning conveyed.
- ** Accept other appropriate material.