

4. Service Firm

The following were included in the assets and liabilities of M. Noctor, a doctor, on 01/01/2017:

Surgery €160,000, equipment €90,000, stock of medical supplies €8,000, 7% investments €70,000, creditors for medical supplies €10,400, furniture €30,000, amount owing from medical card scheme €9,500, capital and reserves €284,700, insurance prepaid €700.

The following is a receipts and payments account for the year ended 31/12/2017:

Receipts and Payments account for the year ended 31/12/2017

Receipts	€	Payments	€
Balance at bank 01/01/2017	4,000	Purchase of medical supplies	20,600
Sale of equipment (cost €12,000)	6,000	Cleaning expenses	3,200
Medical card scheme	72,000	Insurance	2,400
Receipts from private patients	40,750	Sponsorship of prize at local GAA club	2,000
Investment income	3,500	Drawings	37,000
		Light and heat	3,000
		Telephone	8,450
		Wages of receptionist	15,500
		Investment bonds (purchased 31/12/2017)	30,000
		Balance at bank 31/12/2017	<u>4,100</u>
	<u>126,250</u>		<u>126,250</u>

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

- (i) Stock of medical supplies at 31/12/2017 was €8,300.
- (ii) The figure for cash drawings includes €1,600 for 2 weeks wages paid to a locum doctor and you are required to provide for a further 4 weeks' wages due.
- (iii) The figure for bank does not take into account bank charges of €120 and a dishonoured cheque €150 received from a private patient and lodged in December.
- (iv) 70% of light and heat and telephone relate to the practice and the remainder is for a private residence.
- (v) Provide for depreciation as follows:

Equipment	– 20% of cost
Furniture	– 15% of cost
Surgery	– 2% of cost

Note: Fixed assets are given at cost and depreciation on them has been accumulated for 3 years to 01/01/2017. The depreciation policy is to charge a full year's depreciation in the year of acquisition and none in the year of disposal.

- (vi) Fees due from medical card scheme and private patients are €9,100 and €430 respectively. Creditors for medical supplies 31/12/2017 are €5,000.
- (vii) The insurance payment is for the year ended 01/05/2018.

Required:

- (a) Prepare an income and expenditure/profit and loss account for the year ended 31/12/2017. (34)
- (b) Prepare a balance sheet as at 31/12/2017. (20)
- (c) Dr. Noctor is considering updating the IT system and requires a loan of €150,000. Outline the factors a lender should consider before granting this loan. (6)

(60 marks)