3. **Incomplete Records**

On 01/01/2017, T. Walsh purchased a business for €425,000 consisting of the following tangible assets and liabilities: premises €300,000, equipment €30,000, stock €22,600, debtors €28,300, 3 months premises insurance prepaid €4,800, trade creditors €25,400 and wages due €800.

During 2017 Walsh did not keep a full set of accounts but was able to supply the following information for the year ended 31/12/2017:

Cash Payments:	Lodgements €141,000, general expenses €43,200, purchases €76,000.
Bank Payments:	Light and heat €11,500, annual premises insurance premium €19,600, creditors €47,000, interest €1,200, rent for one year €24,000, equipment €12,000, standing order for charitable donation €2,000.
Bank Lodgements:	Debtors €52,000, cash €141,000.

Walsh took from stock goods to the value of €70 per week and cash €90 per week for household use during the year.

Walsh borrowed €120,000 on 01/07/2017 to purchase an adjoining premises. It was agreed that Walsh would pay interest at the rate of 6% per annum. One quarter of **this** building was used as a private residence. The capital sum is to be repaid using an investment fund which has been set up. This fund has earned interest of €900 to date.

Walsh estimated that 20% of the light and heat used as well as 25% of the interest payable for the year should be attributed to the private section of the premises.

The figure for rent was in respect of an adjoining building rented by Walsh on 01/08/2017, payable in advance.

Equipment owned on 31/12/2017 is to be depreciated at a rate of 14% of cost per annum.

Included in the assets and liabilities of the business on 31/12/2017 were: stock €24,200, debtors €23,400, trade creditors €18,200, cash €860 and electricity due €1,300.

Required:

(a) Prepare the trading, profit and loss account, for the year ended 31/12/2017. Show your workings.

(52)

(b) (i) Explain why Walsh should keep records of the amounts taken out as drawings.

(ii) Explain the importance of double entry bookkeeping for Walsh.

(8)

(60 marks)