

7. Incomplete Records

On 01/01/2014, C. Clay purchased a business for €510,000 which included the following tangible assets and liabilities: Premises €350,000; Stock €39,000; Debtors €38,500; 9 months Rates prepaid €7,800; Equipment €25,000; Trade Creditors €35,600; Wages due €1,400; 4% Investments €60,000.

During 2014, Clay did not keep a full set of accounts but estimates that the gross profit was 30% of sales and was able to supply the following information on 31/12/2014.

- (i) Each week Clay took goods from stock to the value of €120 and cash €230 for household expenses.
- (ii) On 01/09/2014 Clay borrowed €180,000 which, together with €40,000 of Clay's personal funds, was used to purchase an adjoining premises. It was agreed that the sum borrowed would be repaid in 24 equal half-yearly instalments. The first instalment becomes due on 01/05/2015. Interest was to be charged at the rate of 5% per annum to be paid monthly at the end of each month.
- (iii) During the year, Clay lodged to the business bank account, EU grant €10,000 and Investment Interest €2,000.

Clay also made the following payments from the business bank account during the year: Light and Heat €8,200; Interest €2,500; Equipment (purchased on 01/04/2014) €18,000; Delivery Vans (purchased on 01/08/2014) €24,000; Wages and General Expenses €95,000; Rates for 12 months €11,600. The payment for wages and general expenses includes €4,200 petrol bill for Clay's private use.

- (iv) Clay estimated that 20% of the following: rates **payable**, light and heat **used** and interest **payable** should be attributed to the private section of the premises.
- (v) Clay has decided to set up a Provision for Bad Debts amounting to 3% of debtors and to charge depreciation at 20% per annum on delivery vans and 15% per annum on equipment held on 31/12/2014.
- (vi) Included in the assets and liabilities of the firm on 31/12/2014: Stock €33,400 (which includes a stock of heating oil €400); Debtors €29,500; Trade Creditors €17,200; Bank Overdraft €8,700; Electricity due €550.

You are required to:

- (a) Prepare, with workings, a Statement/Balance Sheet showing Clay's profit or loss for the year ended 31/12/2014. (50)
- (b) Prepare, with workings, a Trading, Profit and Loss Account, in as much detail as possible, for the year ended 31/12/2014. (40)
- (c)
 - (i) Explain what is meant by an 'Accounting Concept'.
 - (ii) Illustrate how the 'Accruals Concept' applies to the accounts of C. Clay.
 - (iii) Name **two** other fundamental accounting concepts. (10)

(100 marks)