

7. Incomplete Records (100)

- (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)

Balance Sheet (of C. Clay) as at 31/12/2014			Trading, Profit and Loss Account (of C. Clay) for the year ended 31/12/2014		
€	€	€	€	€	€
Cost	Dep.	NBV			
<u>Intangible Fixed Assets</u>			Sales W19		•534,000 (2)
Goodwill W1		26,700 (3)	<u>Less Cost of Sales</u>		
<u>Tangible Fixed Assets</u>			Stock 01/01/2014	39,000 (2)	
Premises W2	570,000	570,000 (2)	Purchases	•374,040 (2)	
Equipment W3,4	43,000 (2)	37,225	<u>Less Drawings W16</u>	(6,240)(2)	367,800
Delivery Vans W5	24,000 (1)	22,000			406,800
	<u>637,000</u>	<u>629,225</u>	<u>Less Stock 31/12/2014 W6</u>		(33,000)(2)
<u>Financial Fixed Assets</u>			Cost of Goods Sold		373,800
4% Investments		60,000 (2)	Gross Profit		160,200
		<u>715,925</u>	Add Investment Interest W10		2,400 (2)
<u>Current Assets</u>					162,600
Stock 31/12/2014 W6		33,000 (2)	<u>Less Expenses</u>		
Stock of Heating Oil		400 (2)	Light and Heat W18	6,680 (6)	
Debtors W7	29,500 (2)		Loan Interest W13	2,400 (4)	
<u>Less Prov. Bad Debts</u>	(885)(1)	28,615	Wages and Gen. Expenses W17	89,400 (5)	
Rates prepaid W8		8,700 (2)	Rates W9	8,560 (6)	
Investment Interest due W11		400 (2)	Provision for Bad Debts W7	•885 (2)	
		<u>71,115</u>	Deprec: Delivery Vans W4	•2,000 (2)	
<u>Less Creditors: amounts falling due within 1 year</u>			Equipment W3	•5,775 (2)	(115,700)
Creditors		17,200 (2)	Net Profit		<u>•46,900 (1)</u>
Bank Overdraft		8,700 (2)			
Loan Instalments due W12		15,000 (2)			
Loan Interest due W14		500 (2)			
Electricity due		550 (2)			
		<u>(41,950)</u>			
Net Current Assets		29,165			
Total Assets less Current Liabilities		<u>745,090</u>			
<u>Financed by:</u>			Workings:	€	€
<u>Creditors: amounts falling due after 1 year</u>			W1		
Loan W12		165,000 (2)	Goodwill		
<u>Capital and Reserves</u>			Purchase Price 01/01/2014		510,000
Capital 01/01/2014	510,000 (2)		<u>Assets</u>		
Capital Introduced W15	50,000 (2)		Premises	350,000	
Net Profit	•46,900 (4)		Stock 01/01/2014	39,000	
	606,900		Debtors	38,500	
<u>Less Drawings W16</u>	(26,810)(6)	580,090	Rates prepaid	7,800	
Capital Employed		<u>745,090</u>	Equipment	25,000	
			4% investments	60,000	
				<u>520,300 (1)</u>	
			<u>Less Liabilities</u>		
			Trade Creditors	35,600	
			Wages due	1,400	
				<u>(37,000)(1)</u>	(483,300)
			Figure transferred to Balance Sheet		<u>26,700 (1)</u>
			W2		
			Premises		
			Cost of Premises 01/01/2014	350,000 (1)	
			+ Purchases (cost) 01/09/2014	<u>220,000 (1)</u>	
			Figure transferred to Balance Sheet		570,000

- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.

7. Incomplete Records (cont'd.)

Workings (cont'd.):	€	€	€
W3 Equipment			
Cost of Equipment 01/01/2014		25,000 (1)	
+ Purchases (cost) 01/04/2014		18,000 (1)	
Figure transferred to Balance Sheet		<u>43,000</u>	
W4 Depreciation: Equipment			
Depreciation charge for year			
[15% of €25,000]		3,750 (1)	
[15% of €18,000 × 9/12]		2,025 (1)	
Figure transferred to Balance Sheet		<u>5,775</u>	
W5 Depreciation: Delivery Vans			
Depreciation charge for year			
[20% of €24,000 × 5/12]		2,000	
Figure transferred to Balance Sheet		<u>2,000 (1)</u>	
W6 Stock 31/12/2014		33,400 (1)	
– Stock of Heating Oil 31/12/2014		(400) (1)	
Figure transferred to Balance Sheet		<u>33,000</u>	
W7 Provision for Bad Debts			
3% of Debtors [3% of €29,500]		885	
Figure transferred to Balance Sheet		<u>885 (1)</u>	
W8 Rates prepaid			
Prepaid for 9 months [€11,600 × 9/12]		8,700	
Figure transferred to Balance Sheet		<u>8,700 (2)</u>	
W9 Rates			
Rates paid		11,600 (1)	
+ Rates prepaid 01/01/2014		7,800 (2)	
– Rates prepaid 31/12/2014		(8,700) (2)	
		10,700	
– Drawings [20% of €10,700]		(2,140) (1)	
Figure transferred to Profit & Loss a/c		<u>8,560</u>	
• Allow student's own 20% figure.			
W10 Investment Interest			
Investment Interest payable			
[4% of €60,000]		2,400	
Figure transferred to Profit & Loss a/c		<u>2,400 (2)</u>	
• Accept correct figure only.			
W11 Investment Interest due			
Investment Interest payable		2,400 (1)	
– Investment Interest paid		(2,000) (1)	
Figure transferred to Balance Sheet		<u>400</u>	
• Allow student's own previous figure.			
W12 Loan 31/12/2014			
Loan received 01/09/2014			180,000
– Loan instalments due			
[€180,000 ÷ 24 × 2]			15,000 (1)
Figure transferred to Balance Sheet			<u>165,000 (1)</u>
W13 Loan Interest			
Loan Interest payable			
[5% of €180,000 × 4/12]			3,000 (2)
– Drawings [20% of €3,000]			(600) (2)
Figure transferred to Profit & Loss a/c			<u>2,400</u>
• Allow student's own 20% figure.			
W14 Loan Interest due			
Loan Interest payable			3,000
– Loan Interest paid			(2,500)
Figure transferred to Balance Sheet			<u>500 (2)</u>
• Accept correct figure only.			
W15 Capital introduced			
Personal Funds 01/09/2014			40,000 (1)
EU Grant			10,000 (1)
Figure transferred to Balance Sheet			<u>50,000</u>
W16 Drawings			
Stock [€120 × 52 weeks]			6,240 (1)
Cash [€230 × 52 weeks]			11,960 (1)
Petrol			4,200 (1)
Rates [20% of €10,700]			2,140 (1)
Light and Heat [20% of €8,350]			1,670 (1)
Loan Interest [20% of €3,000]			600 (1)
Figure transferred to Balance Sheet			<u>26,810</u>
W17 Wages and General Expenses			
Wages and General Expenses paid			95,000 (1)
– Wages due 01/01/2014			(1,400) (2)
– Drawings (Petrol bill)			(4,200) (2)
Figure transferred to Profit & Loss a/c			<u>89,400</u>
W18 Light and Heat			
Light and Heat paid			8,200 (1)
+ Electricity due 31/12/2014			550 (2)
– Stock of Heating Oil 31/12/2014			(400) (2)
			8,350
– Drawings [20% of €8,350]			(1,670) (1)
Figure transferred to Profit & Loss a/c			<u>6,680</u>
• Allow student's own 20% figure.			
W19 Sales			
Gross Profit (30% of Sales)			
⇒ Sales [€160,200 × 100/30]			534,000
Figure transferred to Profit & Loss a/c			<u>534,000 (2)</u>
• Allow student's own figure if multiplied by '100/30'.			

7. Incomplete Records (cont'd.)

- (c) (i) Explain what is meant by an Accounting Concept. (4) (10)
- an accounting practice or rule (2) that is applied in the preparation of financial statements / final accounts / accounts (2)
- ** Accept other appropriate material.
** Figures in brackets show breakdown of marks if answer incomplete.

- (ii) Illustrate how the 'Accruals Concept' applies to the accounts of C. Clay.

Explanation (2)

- all expenses/income relating to a particular period must be included in the accounts of that period (1) whether paid / received or not (1)

- ** Accept other appropriate material.
** Figures in brackets show breakdown of marks if answer incomplete.

Examples

Any 2: (2 × 1)

- rates prepaid //
- wages due //
- electricity due //
- loan interest due //
- investment interest due // etc.

- (iii) Name **two** other fundamental accounting concepts.

Any 2: (2 × 1)

- going concern concept //
- consistency concept //
- prudence concept

- ** Only accept above concepts as answers. Other concepts such as 'entity', 'money measurement', 'materiality', 'realisation', 'double-entry', 'period of account convention' and 'objectivity' are minor concepts and should not be accepted.