

6. **Incomplete Records** (100)

(a) Balance Sheet of A. Fay as at 31/12/2008	€	€	(50)	(b) Trading and Profit and Loss Account of A. Fay for year ended 31/12/2008	€	€	(40)
<u>Intangible Fixed Assets</u>				Sales			**362,500 (2)
Goodwill (W1)		16,570	(3)	<u>Less Cost of Sales*</u>			
				Opening Stock 1/1/2008	36,500	(2)	
<u>Tangible Fixed Assets</u>				Purchases	219,200	(2)	
Buildings (W2)	770,000	(3)			255,700		
Equipment (W3)	14,400	(3)	784,400	<u>Less Closing Stock 31/12/2008</u>	(38,200)	(2)	
			800,970	Cost of Sales			217,500 (2)
<u>Financial Assets</u>				Gross Profit			145,000 (2)
Investments (W4)		7,320	(4)	<u>Add Investment Income</u>			120 (3)
			808,290				145,120
<u>Current Assets</u>				<u>Less Expenses</u>			
Closing Stock 31/12/2008	38,200	(1)		Rates (W5)	6,800	(6)	
Debtors	42,400	(1)		Interest (W6)	6,000	(6)	
Bank	33,220	(1)		Light and Heat (W7)	6,880	(6)	
Rates prepaid (W5)	2,360	(4)		Wages and Gen. Expenses (W9)	107,450	(6)	(127,130)
	116,180			Net Profit			<u>*17,990 (1)</u>
<u>Less Creditors: Amounts falling due within 1 year</u>							
Creditors	35,100	(1)					
Interest due (W6)	4,400	(3)					
Electricity due 31/12/2008 (W7)	300	(2)					
	(39,800)		76,380				
			<u>884,670</u>				
<u>Financed by</u>							
<u>Creditors: Amounts falling due after 1 year</u>							
Loan			250,000	(2)			
<u>Capital</u>							
Balance 1/1/2008	650,000	(2)					
Add Capital Introduced	4,800	(3)					
Less Drawings (W8)	(38,120)	(10)	616,680				
			866,680				
Add Net Profit			*17,990	(7)			
Capital Employed			<u>884,670</u>				

* Accept correct figure only.

** Accept student's own figure.



Workings		€	€	€
W1	Goodwill			
	Purchase Price		610,000	
	– Buildings	540,000		
	– Stock	36,500		
	– Rates prepaid	2,080		
	– Debtors	48,200		
	– Wages due	(850)		
	+ Trade Creditors	<u>(32,500)</u>	<u>(593,430)</u>	
	Goodwill		16,570 (3)	
W2	Buildings			
	Cost 1/1/2008		540,000 (1)	
	Purchases 1/9/2008		<u>230,000 (2)</u>	
	Total		<u>770,000</u>	
W3	Equipment			
	Cost 1/1/2008		18,000 (1)	
	– Drawings (20%)		<u>3,600 (2)</u>	
	Total		14,400	
W4	Investment Fund			
	Instalments paid (€1,800 × 4 months)		7,200 (2)	
	Interest due 31/12/2008		<u>120 (2)</u>	
	Total		7,320	
W5	Rates			
	Amount paid		7,080 (2)	
	+ Rates prepaid 1/1/2008		2,080 (2)	
	– Rates prepaid 31/12/2008 (€7,080 × 4/12)		<u>(2,360)(2)</u>	
	Total		6,800	
W6	Interest			
	€250,000 × 9% × 4/12		7,500 (3)	
	– Drawings (20%)		<u>(1,500)(3)</u>	
			6,000	
	Interest		7,500	
	– Interest paid		<u>(3,100)</u>	
	Interest due 31/12/2008		4,400 (3)	
W7	Light and Heat			
	Amount paid		8,300 (2)	
	+ Electricity due 31/12/2008		<u>300 (2)</u>	
			8,600	
	– Drawings (20%)		<u>(1,720)(2)</u>	
	Total		6,880	
W8	Drawings			
	Stock (€300 × 52 weeks)		15,600 (1)	
	Cash (€250 × 52 weeks)		13,000 (1)	
	Light and Heat (20% of €8,600)		1,720 (2)	
	Equipment (20% of €18,000)		3,600 (2)	
	Interest (20% of €7,500)		1,500 (2)	
	College fees (30% of 9,000)		<u>2,700 (2)</u>	
	Total		38,120	
W9	Wages and General Expenses			
	Amount paid		102,000 (2)	
	– Wages due 1/1/2008		<u>(850)(2)</u>	
			101,150	
	+ College Fees (70% of €9,000)		<u>6,300 (2)</u>	
	Total		107,450	

- (c) Summarise the advice you would give to Fay in relation to the information given above. (10)
- keep a detailed cash book and general ledger supported by appropriate subsidiary day books (4)
 - would enable Jones to prepare an accurate Trading, Profit and Loss Account and Balance Sheet (4)
 - avoid reliance on estimates (2)