7. Incomplete Records (100)

(a) Trading, Profit and Loss Account of D. Newman for the year ending 31/12/2012 (52)

	€	€	
Sales **(W1)**		281,910	**(9)**
Less Cost of Sales			
Opening Stock	23,600 **(2)**		
Purchases **(W2)**	100,660 **(8)**		
	124,260		
Less Closing Stock	(24,300)**(2)**		
Cost of Goods Sold		99,960	
Gross Profit		181,950	
Less Expenses			
General Expenses **(W3)**	46,900 **(4)**		
Light and Heat **(W4)**	9,300 **(7)**		
Insurance **(W5)**	14,000 **(6)**		
Interest **(W6)**	3,000 **(4)**		
Rent **(W7)**	700 **(5)**		
Charity Donation	2,700 **(2)**		
Total Expenses		76,600	
Net Profit		*105,350	**(3)**

* Accept correct figures only.
** Incorrect figure (1 mark).

(b) Balance Sheet of D. Newman as at 31/12/2012 (40)

	€	€
Intangible Fixed Assets		
Goodwill		**24,900 **(3)**
Tangible Fixed Assets		
Premises **(W8)**	370,000 **(2)**	
Equipment	37,000 **(1)**	
Delivery Van	22,800 **(1)**	429,800
		454,700
Current Assets		
Stock	24,900 **(1)**	
Debtors	23,400 **(1)**	
Bank **(W9)**	34,400 **(5)**	
Cash	850 **(1)**	
Insurance prepaid **(W5)**	**3,600 **(3)**	
Rent prepaid **(W7)**	**3,500 **(3)**	
	90,650	
Creditors: Amounts falling due within 1 year		
Creditors	18,200 **(1)**	
Interest due	**600 **(3)**	
Electricity due	1,800 **(1)**	
Loan Repayments due	**18,000 **(2)**	
	38,600	
		52,050
		506,750
Financed by		
Creditors: Amounts falling due after 1 year		
Loan		**72,000 **(2)**
Capital	345,000 **(2)**	
Add Capital Introduced	4,500 **(3)**	
Add Net Profit	105,350	
	454,850	
Less Drawings **(W10)**	(20,100)**(5)**	434,750
		506,750

W1 Sales

	€
Debtors Lodged	36,000 **(1)**
Less Debtors 01/01/2012	(16,400)**(1)**
Add Debtors 31/12/2012	23,400 **(1)**
Add Cash Balance 31/01/2012	850 **(1)**
Add Lodgements	118,000 **(1)**
Add General Expenses	47,800 **(1)**
Add Purchases	63,500 **(1)**
Add Drawings	9,360 **(1)**
Less Cash Balance 01/01/2012	(600) **(1)**
	281,910

W2 Purchases

	€
Creditors Payments	43,000 **(2)**
Less Creditors 01/01/2012	(17,800) **(2)**
Add Creditors 31/12/2012	18,200 **(2)**
Add Cash Purchases	63,500 **(1)**
Less Cash Drawings	(6,240) **(1)**
	100,660

W3 General Expenses

	€
Payments	47,800 **(2)**
Less Wages due 01/01/2012	(900)**(2)**
	46,900

W4 Light and Heat

	€
Payments	11,200 **(2)**
Electricity due 31/12/2012	1,800 **(2)**
Less Stock of Fuel 31/12/2012	(600) **(2)**
	12,400
Less Drawings (25% of 12,400)	**(3,100) **(1)**
	9,300

** Accept student's own figure.

W5 Insurance

	€
Payments	14,400 **(2)**
Add Insurance prepaid 01/01/2012	3,200 **(2)**
	17,600
Less Insurance prepaid 31/12/2012	(3,600)**(2)**
	14,000

W6 Interest

	€
Payments	2,400 **(2)**
Interest due	600 **(2)**
Payable (8% of €90,000 × 5/12)	3,000

W7 Rent

	€
Payments	5,600 **(2)**
Less Drawings	1,400 **(2)**
	4,200
Less Rent prepaid (€4,200 × 10/12)	**3,500 **(1)**
	700

W8 Premises

	€
Original Premises	295,000 **(1)**
Add New Premises	75,000 **(1)**
	370,000

W9 **Bank a/c**

Date	Details	€	Date	Details	€
	Debtors	36,000		Equipment	37,000
	Cash	118,000 **(1)**		Creditors	43,000
	Dividends	4,500		Light and Heat	11,200
	Loan (€90,000 – €75,000)	15,000 **(2)**		Interest	2,400
				Insurance	14,400 **(2)**
				Charitable Organisation	2.700
				Delivery Van	22,800
				Rent	5.600
				Balance c/d	34,400
		173,500			173,500

W10 Drawings

		€
Goods	(€120 × 52)	6,240 **(1)**
Cash	(€180 × 52)	9,360 **(1)**
Rent		**1,400 **(1)**
Light and Heat		**3,100 **(1)**
		20,100 **(1)**

** Accept student's own figure.

(c) (i) Explain the term 'Accounting Concept'. (2)

– the accounting practices or rules **(1)** that are applied in the preparation of financial statements **(1)**

(ii) State and explain **two** fundamental accounting concepts. (6)

Any 2: **(2 × 3)**

<u>Going Concern Concept</u> (1)

– the business for which the accounts are prepared is seen as continuing in its present form (1) for the foreseeable future (1)

<u>Accruals Concept</u> (1)

– all revenue and costs are included in the accounts when earned or incurred (1) and not when received or paid (1)

<u>Consistency Concept</u> (1)

– similar items are treated in the accounts in the same way from one period to another (1) to allow comparisons (1)

<u>Prudence Concept</u> (1)

– revenues are only included in the accounts when realised or certain (1). Costs are included when incurred or anticipated (1). This ensures that revenues are not overstated or costs understated