6. Incomplete Records

On 1/1/2010 T. Walsh purchased a business for €325,000 consisting of the following tangible assets and liabilities: Premises €280,000, Stock €22,600, Debtors €18,400, 3 months Premises Insurance prepaid €3,600, Trade Creditors €15,800 and Wages due €800.

During 2010 Walsh did not keep a full set of accounts but was able to supply the following information on 31/12/2010.

Cash Payments:	Lodgements €108,000, General Expenses €42,800, Purchases €62,000.
Bank Payments:	Equipment €32,000, Light and Heat €10,500, Annual Premises Insurance premium €15,600, Creditors €44,000, Interest €2,200, Furniture €12,000.
Bank Lodgements:	Debtors €41,000, Cash €108,000, Dividends €6,500.

Walsh took from stock goods to the value of €90 and cash €80 per week for household use during the year. Walsh borrowed €80,000 on 1/8/2010 part of which was used to purchase an adjoining premises costing €74,000. It was agreed that Walsh would pay interest on the last day of each month at the rate of 9% per annum. The capital sum was to be repaid in a lump sum in the year 2016 and to provide for this the bank was to transfer €950 on the last day of each month from Walsh's bank account into an investment fund. Walsh estimated that 20% of Furniture and Light and Heat used as well as 25% of interest payable for the year should be attributed to the private section of the premises.

Included in the assets and liabilities of the firm on 31/12/2010 were Stock €25,200, Debtors €21,400, Trade Creditors €19,200, Cash €890, Electricity due €1,200 and €900 interest earned by the fund to date.

You are required to show, with workings, the:

(a) Trading, Profit and Loss Account, for the year ended 31/12/2010. (52)

(b) Balance Sheet as at 31/12/2010. (40)

(c) (i) Outline what is meant by the 'Net Worth' method for incomplete records.
(ii) State **two** disadvantages of using the net worth method when preparing accounts. (8)

(100 marks)