6.   Incomplete Records   **(100)**

(a)   Trading, Profit and Loss Account of   **(b)   Balance Sheet of T. Walsh**
**   T. Walsh for the year ending 31/12/2010** (52) **   as at 31/12/2010**   (40)

		€	€			€	€
Sales **(W1)**			261,850 **(11)**	Intangible Fixed Assets			
				Goodwill			17,000 **(3)**
Less Cost of Sales							
Opening Stock 01/01/2010		22,600 **(2)**		Tangible Fixed Assets			
Purchases **(W2)**		104,720 **(7)**		Premises (280,000 + 74,000)		354,000 **(2)**	
		127,320		Equipment		32,000 **(1)**	
Less Closing Stock 31/12/2010		(25,200)**(2)**		Furniture (12,000 – 2,400)		9,600 **(2)**	395,600
Cost of Goods Sold			102,120	Investment (4,750 + 900)			5,650 **(2)**
Gross Profit			159,730				418,250
Less Expenses				Current Assets			
General Expenses **(W3)**		42,000 **(5)**		Closing Stock 31/12/2010		25,200 **(1)**	
Light and Heat **(W4)**		9,360 **(6)**		Trade Debtors		21,400 **(1)**	
Insurance **(W5)**		15,300 **(6)**		Bank **(W7)**		40,450 **(5)**	
Interest **(W6)**		2,250 **(4)**		Cash		890 **(2)**	
Total Expenses			68,910	Insurance prepaid		3,900 **(3)**	
			90,820			91,840	
Add Income from Investment fund			900 **(3)**	Creditors: Amounts falling due			
Net Profit			*91,720 **(6)**	within 1 year			
				Creditors		19,200 **(1)**	
				Interest due		800 **(3)**	
				Electricity due		1,200 **(1)**	
						21,200	
							70,640
				Total Net Assets			488,890
				Financed by			
				Creditors: Amounts falling due			
				after 1 year			
				Loan			80,000 **(2)**
				Share Capital			
				Balance 01/01/2010		325,000 **(2)**	
				Add Capital Introduced		6,500 **(3)**	
				Add Net Profit		91,720	
						423,220	
				Less Drawings **(W8)**		(14,330)**(6)**	408,890
				Capital Employed			488,890

*   Accept correct figures only.

Workings:

W1   Debtors Control a/c

Date	Details	€	Date	Details	€
01/01/2010	Balance b/d	18,400 **(2)**	31/12/2010	Bank	41,000 **(2)**
31/12/2010	Credit Sales	44,000	31/12/2010	Balance c/d	21,400 **(2)**
		62,400			62,400
01/01/2011	Balance b/d	21,400			

Cash a/c

Date	Details	€	Date	Details	€
	Cash Sales	217,850		Lodgements	108,000
				General Expenses	42,800 **(2)**
				Purchases	62,000
				Drawings	4,160 **(1)**
				Balance	890 **(1)**
		217,850			217,850

Total Sales   =   Credit Sales + Cash Sales
                =   44,000 + (108,000 + 42,800 + 62,000 + 4,160 + 890)
                =   €261,850 **(1)**

DEB
exams

W2
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Creditors Control a/c
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Date	Details	€	Date	Details	€
31/12/2010	Bank	44,000 **(2)**	01/01/2010	Balance b/d	15,800 **(1)**
31/12/2010	Balance c/d	19,200 **(2)**	31/12/2010	Credit Purchases	47,400
		63,200			63,200
			01/01/2011	Balance b/d	19,200

Total Purchases = Cash Purchases + Credit Purchases – Drawings
= 47,400 + 62,000 **(1)** – 4,680 **(1)**
= €104,720

		€				€
W3	General Expenses		**W6**	Interest		
	Payments	42,800 **(2)**		Payable: 9% of 80,000 × 5/12		3,000
	Less Wages due 01/01/2010	(800)**(3)**		Payments		(2,200)
		42,000		Interest due		800
W4	Light and Heat					
	Payments	10,500 **(2)**	**W8**	Drawings		
	Electricity due 31/12/2010	1,200 **(2)**		Goods		4,680 **(1)**
		11,700		Cash		4,160 **(1)**
	Less Drawings (20% of 11,700)	(2,340)**(2)**		Furniture		2,400 **(1)**
		9,360		Light and Heat		2,340 **(1)**
				Interest		750 **(2)**
						14,330
W5	Insurance					
	Payments	15,600 **(2)**				
	Add Insurance prepaid 01/01/2010	3,600 **(2)**				
		19,200				
	Less Insurance prepaid 31/12/2010	(3,900)**(2)**				
		15,300				

W7
<center>

Bank a/c
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Date	Details	€	Date	Details	€
	Lodgements	108,000		Equipment	32,000
	Debtors	41,000 **(1)**		Light and Heat	8,400
	Capital dividends	6,500		Insurance	15,600
	Loan	80,000 **(1)**		Creditors	44,000 **(1)**
				Interest	2,200
				Furniture	12,000
				Investment	4,750 **(1)**
				Buildings	74,000 **(1)**
				Balance c/d	40,450
		235,500			235,500

(c) (i) Outline what is meant by the 'Net Worth' method for incomplete records. **(2 × 2)** (4)

– the net worth of a business is equal to the total assets less outside liabilities
– taking capital introduced and drawings into account, changes in net worth from one date to another can be associated with the profit or loss for that period

(ii) State **two** disadvantages of using the net worth method when preparing accounts. (4)

Any 2: **(2 × 2)**
– a full trading. Profit and loss account is not prepared //
– detailed figures for analysis purposes are not provided //
– unreliable as it uses a lot of estimates //
– revenue earned and expenses incurred are not shown // *etc*.

** Accept other appropriate answers.