

7. Incomplete Records

On 01/01/2014, A. Murphy purchased a business for €220,000 consisting of the following tangible assets and liabilities: Premises €180,000; Stock €17,000; Debtors €18,000; 3 months Premises Insurance prepaid €1,200; Trade Creditors €22,500; Wages due €1,800 and Cash €400.

During 2014 Murphy did not keep a full set of accounts but was able to supply the following information on 31/12/2014.

Cash Payments: Lodgements €110,000, General Expenses €45,800, Purchases €86,200.

Bank Payments: Creditors €42,100, Light and Heat €6,800, Interest €1,500, annual Premises Insurance Premium €3,800, Standing Order for Charitable Organisation €3,000, Delivery Vans €35,200.

Bank Lodgements: Debtors €34,000, Cash €110,000, Dividends €4,000.

Murphy took goods from stock to the value of €100 per week and cash €120 per week for household expenses during the year.

Murphy borrowed €120,000 on 01/09/2014, part of which was used to purchase an adjoining showroom costing €90,000. The remainder of the loan was used to purchase furniture. It was agreed that Murphy would pay interest on the last day of each month at a rate of 5% per annum. The capital sum was to be repaid in a lump sum in the year 2022 and to provide for this the bank was to transfer €1,250 on the last day of each month from Murphy's business bank account into an investment fund commencing on 30/09/2014.

Murphy estimated that 25% of the furniture, 20% of interest *payable* for the year and 25% of light and heat *used* should be attributed to the private section of the premises.

On the 31/12/2014 goods with a sales value of €6,000 which had been sold on credit at a mark-up of 20% on cost had not been recorded in the books. An invoice was issued to the debtor on the same date. The goods were still in the warehouse and were included in closing stock.

Included in the assets and liabilities of the firm on 31/12/2014 were: Stock €16,200, Debtors €20,400, Trade Creditors €32,600, Cash €600, Electricity due €380 and €30 Interest earned by the fund to date.

Required:

- (a) Trading and Profit and Loss Account for the year ended 31/12/2014. **(Show workings)** (52)
- (b) Balance Sheet as at 31/12/2014. **(Show workings)** (40)
- (c) Explain the 'Accruals Concept' and why it is fundamental to Accounting practice. (8)

(100 marks)