Question 7

(a) **52**

Trading and Profit and Loss Account for the year ended 31/12/2014

		€		€	
Sales	**W 1**			290,840	[9]
Less Cost of sales					
Opening stock		17,000	[3]		
Purchases (138,400 – 5,200)	**W 2**	133,200	[7]		
		150,200			
Closing stock (16,200 – 5,000)		(11,200)	[5]	(139,000)	
Gross Profit				151,840	
Less Administration expenses					
General expenses	**W 3**	44,000	[5]		
Donation		3,000	[2]		
Insurance	**W 4**	4,050	[7]		
Light and heat	**W 6**	5,385	[7]	(56,435)	
				95,405	
Less Interest	**W 5**			(1,600)	[2]
				93,805	
Add Income from Investment Fund				30	[2]
Net Profit				93,835	[3]

(b) **40**

Balance Sheet as at 31/12/2014

		€		€		€	
Intangible Fixed Assets							
Goodwill						27,700	[3]
Tangible Fixed Assets							
Buildings				270,000	[2]		
Delivery Vans				35,200	[1]		
Furniture	**W 7**			22,500	[2]	327,700	
Financial Assets							
Investment Fund						5,030	[2]
						360,430	
Current Assets							
Stock		11,200	[1]				
Debtors	**W 8**	26,400	[3]				
Bank		50,600	[7]				
Cash		600	[1]				
Prepayments (Insurance)		950	[2]	89,750			
Creditors: **amounts falling due within 1 year**							
Creditors		32,600	[1]				
Interest due	**W 5**	500	[2]				
Electricity due		380	[1]	(33,480)		56,270	
						416,700	
Financed By							
Creditors: **amounts falling due after more than one year**							
Loan						120,000	[2]
Capital				220,000	[2]		
Capital introduced				4,000	[3]		
Net Profit				93,835			
				317,835			
Less Drawings	**W 9**			(21,135)	[5]	296,700	
						416,700	

(c) **8**

The accruals Concept – The accruals concept matches expenses and gains to a specific period. All expenses incurred and income gained in a particular period must be included in the accounts of that period regardless of whether they are paid/received or not e.g electricity due for the current year must be included in the accounts, although the bill may not be paid until the following year as the expense refers to the current year. Advertising prepaid should not be included in the current year's accounts as the payment refers to the following year.
Similarly, all revenue income must be included in the accounts of that period whether received or not. Items sold on credit must be treated as income immediately and not when the money is actually received. **[4]**

Financial Statements are prepared on an accruals rather than on a cash basis. If Financial Statements are not prepared on an accruals basis profits and assets will be overstated or understated for the period covered by the statements because expenses and income included or excluded may refer to a past or future period. **[4]**

Workings

1.	Sales - credit	[34,000 + 26,400 – 18,000)]	42,400	
	Sales - cash	[110,000 + 45,800 + 86,200 + 6,240 + 600 – 400]	248,440	
	Total Sales			290,840
2.	Purchases			
	Credit purchases	[42,100 + 32,600 -22,500]	52,200	
	Cash purchases		86,200	
	Total Purchases		138,400	
	Less drawings of stock		(5,200)	
	Total purchases			133,200
3.	General Expenses	[45,800 – 1,800]		44,000
4.	Insurance	[1,200 + 3,800 – 950]		4,050
5.	Interest	[2,000 – 400]		1,600
	Interest due	[2,000 – 1,500]		500
6.	Light and heat	[6,800 + 380 – 1,795]		5,385
7.	Furniture	[120,000 – 90,000 = 30,000 – 7,500]		22,500
8.	Debtors	[20,400 + 6,000]		26,400
9.	Drawings	[6,240 + 5,200 + 7,500 + 400 + 1,795]		21,135

10. **Bank Account**

Lodgements – sales	110,000	Creditors	42,100
Debtors	34,000	Light and heat	6,800
Dividends	4,000	Interest	1,500
Bank	120,000	Insurance	3,800
		Standing order	3,000
		Delivery van	35,200
		Showroom	90,000
		Furniture	30,000
		Investment fund	5,000
		Balance	**50,600**
	268,000		268,000