

## Question 4

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(a)

		<b>Balance Sheet as at 31 December 2010</b>	
		€	€
<b>Intangible Assets</b>			
Goodwill			31,500 [3]
<b>Fixed Assets</b>			
Buildings	(400,000 + 280,000)	680,000 [4]	
Equipment		<u>8,800 [3]</u>	688,800
<b>Financial Assets</b>			
Investments			<u>14,436 [5]</u>
			734,736
<b>Current Assets</b>			
Stock at 31 December 2010		16,700 [2]	
Trade Debtors		31,200 [2]	
Bank		125,260 [5]	
Rates prepaid		<u>2,100 [3]</u>	175,260
<b>Less Creditors: amounts falling due within 1 year</b>			
Creditors		27,300 [2]	
Interest due		1,200 [3]	
Electricity due		<u>620 [2]</u>	<u>(29,120)</u>
Net Current assets			<u>146,140</u>
			<u>880,876</u>
<b>Financed by</b>			
<b>Creditors: amounts falling due after more than 1 year</b>			
Loan			360,000 [2]
<b>Capital - Balance at 1/1/2010</b>		480,000 [2]	
Add Capital introduced		3,800 [3]	
Less Drawings		<u>(21,224) [7]</u>	462,576
			822,576
Add Net Profit			<u>58,300 [4]</u>
Capital Employed			<u>880,876</u>

(b)

O'Hagan should keep a detailed cash book and general ledger supported by appropriate subsidiary day books. This would enable O'Hagan to prepare an accurate trading and profit and loss account and therefore would avoid reliance on estimates.

### Workings

<b>Light and heat</b> - amount paid	8,100
Add electricity due 31/12/2010	620
Less drawings	<u>(1,744)</u>
<b>Rates</b> - amount paid	8,400
Add rates prepaid 1/1/2010	1,800
Less rates prepaid 31/12/2010	<u>(2,100)</u>
<b>Interest</b> - amount paid	2,400
Add interest due	1,200
Less drawings	<u>(720)</u>

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**Drawings**

Drawings of stock	8,320
Cash/bank	<b>6,240</b>
College fees – family member	2,000
Equipment	<b>2,200</b>
Light and heat	1,744
Interest	<u>720</u>
	<b><u>21,224</u></b>

**Bank Account**

Balance/Lodgment	480,000	Business	420,000
Loan	360,000	Drawings	6,240
Capital introduced	3,800	Wages	86,000
Cash lodgments	120,000	Equipment	11,000
		Purchases	280,000
		Investments	14,400
		Light & heat	8,100
		Interest	2,400
		Rates	8,400
		College Fees	2,000
		Balance	<u>125,260</u>
	<u>963,800</u>		<u>963,800</u>