

#### 4. Incomplete Records

On 01/01/2015 H. O'Neill lodged €560,000 to a business bank account and on the same day purchased a business for €490,000, consisting of the following tangible assets and liabilities: buildings €450,000, stock €15,700, three months rates prepaid €2,400, debtors €26,600, wages due €4,800 and trade creditors €51,000.

During 2015 O'Neill did not keep a full set of books but was able to supply the following additional information on 31/12/2015:

- (i) Each week O'Neill took from stock, goods costing €190 and issued a cheque each week for €150 to pay household expenses.
- (ii) On 01/10/2015 O'Neill borrowed €350,000, part of which was used to purchase an adjoining premises costing €295,000. It was agreed that interest would be paid on the last day of each month at the rate of 6% per annum.  
The capital sum was to be repaid in one lump sum in the year 2021. To provide for this the bank was instructed to transfer €5,200 on the last day of every month from O'Neill's business account into an investment fund.
- (iii) During the year O'Neill made lodgements to the business bank account as follows:  
€145,000 from the cash register;  
€4,200 dividends.
- (iv) O'Neill also made the following payments by cheque: light and heat €9,200, interest €3,500, wages and general expenses €94,000, equipment €16,000, rates for twelve months €10,800 and diesel for private car €4,600.
- (v) O'Neill estimated that 30% of the following: equipment, light and heat for the year and loan interest for the year should be attributed to the private section of the premises.
- (vi) Included in the assets and liabilities of the firm on 31/12/2015 were stock €17,300, debtors €37,300, trade creditors €44,600, electricity due €760 and €39 interest earned by the investment fund to date.

#### Required:

- (a) Prepare a Statement/Balance Sheet showing O'Neill's profit or loss for the year ended 31/12/2015. **(Show your workings.)** (52)
- (b) What advice would you give O'Neill in relation to record keeping? (8)

**(60 marks)**