

**Question 4**

(a)

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**Balance Sheet as at 31/12/2015**

		€	€
<b>Intangible Assets</b>			
Goodwill	<b>W 1</b>		51,100 <b>[3]</b>
<b>Fixed Assets</b>			
Buildings	(450,000 + 295,000)	745,000 <b>[4]</b>	
Equipment	<b>W 2</b>	<u>11,200</u> <b>[3]</b>	756,200
<b>Financial Assets</b>			
Investments			<u>15,639</u> <b>[5]</b>
			822,939
<b>Current Assets</b>			
Stock at 31/12/2015		17,300 <b>[2]</b>	
Trade debtors		37,300 <b>[2]</b>	
Bank	<b>W 3</b>	112,700 <b>[5]</b>	
Rates prepaid	<b>W 4</b>	<u>2,700</u> <b>[3]</b>	170,000
<b>Less Creditors: amounts falling due within 1 year</b>			
Creditors		44,600 <b>[2]</b>	
Interest due	<b>W 5</b>	1,750 <b>[3]</b>	
Electricity due		<u>760</u> <b>[2]</b>	(47,110)
Working capital			<u>122,890</u>
			<u>945,829</u>
<b>Financed by</b>			
<b>Creditors: amounts falling due after more than 1 year</b>			
Loan			350,000 <b>[2]</b>
<b>Capital - Balance at 01/01/2015</b>		560,000 <b>[2]</b>	
Add Capital introduced		4,200 <b>[3]</b>	
Less Drawings	<b>W 6</b>	<u>(31,643)</u> <b>[7]</b>	<u>532,557</u>
			882,557
Add Net profit			<u>63,272</u> <b>[4]</b>
Capital employed			<u>945,829</u>

(b)

**8**

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

## Workings

<b>1. Goodwill account</b> – (Purchase price less net worth)			€
Purchase price			490,000
<b>Assets</b>			
Buildings	450,000		
Stock	15,700		
Rates prepaid	2,400		
Debtors	<u>26,600</u>	494,700	
<b>Less Liabilities</b>			
Wages due	4,800		
Creditors	<u>51,000</u>	<u>(55,800)</u>	
Net worth			(438,900)
<b>Goodwill</b>			<u>51,100</u>
<b>2. Equipment</b> less drawings 30% [16,000 - 4,800]			11,200
<b>3.</b>	<b><u>Bank Account</u></b>		
	€		€
Lodgement	560,000	Business	490,000
Loan	350,000	Drawings	7,800
Capital introduced	4,200	Wages	94,000
Cash lodgements	145,000	Equipment	16,000
		Purchases-premises	295,000
		Investments	15,600
		Light and heat	9,200
		Interest	3,500
		Rates	10,800
		College fees	4,600
		Balance	<u>112,700</u>
	<u>1,059,200</u>		<u>1,059,200</u>
<b>4. Rates</b> - amount paid			10,800
Add rates prepaid 01/01/2015			2,400
Less rates prepaid 31/12/2015 [25% × 10,800]			<u>(2,700)</u>
<b>5. Interest</b> - amount paid			3,500
Add interest due			<u>1,750</u>
			5,250
Less drawings			<u>(1,575)</u>
<b>6. Drawings</b>			
Drawings of stock			9,880
Cash/bank			7,800
College fees – family member			4,600
Equipment			4,800
Light and heat			2,988
Interest			<u>1,575</u>
			<u>31,643</u>
<b>7. Light and heat</b> - amount paid			9,200
Add electricity due 31/12/2015			<u>760</u>
			9,960
Less drawings [30% × 9,960]			<u>(2,988)</u>