

3. Incomplete Records

On 01/01/2019, S. Staunton lodged €500,000 into a business bank account and on the same day purchased a business for €450,000 which included the following tangible assets and liabilities:

Premises €300,000; stock €25,300; debtors €47,000; three months rates prepaid €2,100; delivery vans €84,000; trade creditors €38,600; wages due €12,750 and 4% investments €25,000.

During 2019 Staunton did not keep a full set of accounts but was able to supply the following information on 31/12/2019:

- (i) Each week Staunton took stock costing €280 and cash €150 for household expenses.
- (ii) On 01/09/2019, Staunton borrowed €270,000 at 4% per annum, which, together with €20,000 of Staunton's personal funds, was used to purchase an adjoining premises costing €245,000. The remaining balance was used to purchase a delivery van on the same date.

It was agreed that interest would be paid monthly at the end of each month. The sum borrowed would be repaid over 15 years in 30 equal half-yearly instalments. The first instalment becomes due on 01/04/2020.
- (iii) During the year Staunton lodged to the business bank account, an EU capital grant of €18,000 and investment interest of €750.
- (iv) Staunton made the following payments from the business bank account during the year:
Light and heat €5,600, interest €2,000, rent for twelve months €32,400, rates for twelve months €10,320, cleaning services on Staunton's private premises €1,200.

The figure for rent was in respect of an adjoining warehouse rented by Staunton on 01/11/2019, payable in advance.
- (v) Staunton estimated that 15% of light and heat and 20% loan interest for the year should be attributed to the private premises.
- (vi) Staunton has decided to:
 - 1. Set up a provision for bad debts amounting to 3% of debtors.
 - 2. Provide for depreciation on delivery vans at the annual rate of 20% of cost from date of purchase to date of sale.
- (vii) Included in the assets and liabilities of the firm on 31/12/2019 were:
stock €32,800 (which includes a stock of heating oil €400), debtors €54,000, trade creditors €32,600, bank €48,600 and electricity due €960.

Required:

- (a) Prepare, with workings, a statement/balance sheet showing Staunton's profit or loss for the year ended 31/12/2019. (52)
- (b) Illustrate how the accruals concept applies to these accounts. (8)

(60 marks)