

## 7. Incomplete Records

On 1/1/2008, E. Fuller purchased a business for €400,000 which included the following tangible assets and liabilities: Premises €292,000; Stock €36,000; Debtors €32,200; 3 months Rates Prepaid €450; Equipment €20,000, Trade Creditors €35,700; Wages Due €1,200 and 5% Investments €50,000.

During 2008 Fuller did not keep a full set of accounts but estimates that gross profit was 20% of sales and was able to supply the following information on 31/12/2008.

- (i) Each week Fuller took goods from stock to the value of €80 and cash €170 for household expenses.
- (ii) On 1/8/2008 Fuller borrowed €120,000 which, together with €30,000 of Fuller's personal funds, was used to purchase an adjoining premises. It was agreed that the sum borrowed would be repaid in 20 equal half-yearly instalments. The first instalment becomes due on 1/2/2009. Interest was to be charged at the rate of 6% per annum to be paid monthly at the end of each month.
- (iii) During the year Fuller lodged to the business bank account, EU grant €6,000 and Investment Interest €2,500.

Fuller made the following payments from the business bank account during the year: Light and Heat €7,500, Interest €2,000, Equipment (purchased on 1/7/2008) €15,000, Delivery Vans (purchased on 1/9/2008) €30,000, Wages and General Expenses €80,000, Rates for 12 months €7,000. The payment for wages and general expenses includes €3,000 petrol bill for Fuller's private use.

- (iv) Fuller estimated that 20% of rates *payable* for the year, 20% of light and heat *used* and 25% of interest *payable* should be attributed to the private use.
- (v) Fuller has decided to set up a Provision for Bad Debts amounting to 3% of debtors and to charge depreciation at 15% per annum on the delivery vans and 10% per annum on equipment held on 31/12/2008.
- (vi) Included in the assets and liabilities of the firm on 31/12/2008 were stock €20,500 (which includes a stock of heating oil €300), debtors €34,000, trade creditors €35,400, bank overdraft €5,400 and electricity due €460.

**You are required to prepare, with workings, a**

- (a) Statement/Balance Sheet showing Fuller's profit or loss for the year ended 31/12/2008. (50)
- (b) Trading, Profit and Loss Account, in as much detail as possible, for the year ended 31/12/2008. (40)
- (c) Summary of the advice you would give to Fuller in relation to the information given above. (10)

**(100 marks)**