

Incomplete 2001

7. Incomplete records

J. Quaid lodged £260,000 to a business bank account on 1/1/2000 and on the same day purchased a business for £180,000, consisting of the following tangible assets and liabilities: buildings £175,000, stock £14,500, three months rates prepaid £800, debtors £24,500, wages due £4,800 and trade creditors £38,000.

Quaid did not keep a full set of books during 2000 but estimates that the gross profit was 40% of sales and was able to supply the following additional information on 31/12/2000:

- (i) Each week Quaid took from stock goods to the value of £90 and cash £120 for household expenses.
- (ii) On 1/10/2000 Quaid borrowed £150,000, part of which was used to purchase an adjoining premises costing £120,000. It was agreed that Quaid would pay interest on the last day of the month at the rate of 9% per annum. The capital sum was to be repaid in one lump sum in the year 2009 and to provide for this the bank was instructed to transfer £1,200 on the last day of every month from Quaid's business account into an investment fund.
- (iii) During the year, Quaid lodged dividends £2,000 to the business bank account and made the following payments: light and heat £6,600, interest £2,250, wages and general expenses £68,000, equipment £12,000, rates for twelve months £3,600 and college fees £4,000.
- (iv) Quaid estimated that 20% of the following: equipment, light and heat *used* and interest *payable* should be attributed to the private section of the premises. Quaid further estimates that 70% of college fees should be attributed to a family member and the remainder to an employee.
- (v) Included in the assets and liabilities of the firm on 31/12/2000 were stock £18,400, debtors £21,600, trade creditors £19,700, cash at bank £87,670, electricity due £660 and £65 interest earned by the investment fund to date.

You are required to prepare, with workings, a:

- (a) Statement/Balance Sheet showing Quaid's profit or loss for the year ended 31/12/2000. (50)
- (b) Trading, Profit and Loss Account, in as much detail as possible, for the year ended 31/12/2000. (40)
- (c) Summary of the advice you would give Quaid. (10)

(100 marks)

