

Incomplete 2007

7. Incomplete Records

On 1/1/2006, P. Lynch purchased a business for €590,000 which included the following tangible assets and liabilities: Premises €560,000; Stock €19,000; Debtors €12,000; 3 months Premises Insurance prepaid €1,600; Trade Creditors €18,200; Wages due €2,600 and Cash €200.

During 2006 Lynch did not keep a full set of accounts but was able to supply the following information on 31/12/2006.

Cash Payments: Lodgements €116,000, General Expenses €73,800, Purchases €105,200.

Bank Payments: Furniture €14,000, Creditors €38,800, Light and Heat €5,400, Interest €2,250, annual Premises Insurance Premium €6,800, Delivery Van €28,400.

Bank Lodgements: Debtors €61,000, Cash €116,000, Dividends €3,000.

Each week Lynch took goods from stock to the value of €150 and cash €200 for household expenses.

Lynch borrowed €180,000 on 1/9/2006, part of which was used to purchase an adjoining premises and residence costing €155,000. It was agreed that Lynch would pay interest on the last day of each month at a rate of 5% per annum. The capital sum was to be repaid in a lump sum in the year 2015 and to provide for this the bank was to transfer €1,200 on the last day of each month from Lynch's business bank account into an investment fund commencing on 30/9/2006.

Lynch estimated that 25% of the Furniture, 20% of interest *payable* for the year and 25% of Light and heat *used* should be attributed to the private section of the premises.

Included in the assets and liabilities of the firm on 31/12/2006 were: Stock €16,400, Debtors €20,200, Trade Creditors €30,400, Cash €400, Electricity due €480 and €25 interest earned by the fund to date.

You are required to:

- (a) Prepare with workings the Trading and Profit and Loss Accounts for the year ended 31/12/2006. (52)
- (b) Show the Balance Sheet with workings as at 31/12/2006. (40)
- (c)
 - (i) Explain the term Accounting Concept?
 - (ii) Name TWO fundamental accounting concepts.
 - (iii) Illustrate an accounting concept applying to the accounts of P. Lynch. (8)

(100 marks)

