

Service 2000

2. Service Firm

Included among the assets and liabilities of J. Reidy, a medical practitioner, on 1/1/1999 were:

Surgery £120,000; Equipment £25,000; Motor car £24,000; Creditors for medical supplies £1,200; Stock of medical supplies £2,200; 6% Investment £100,000; Owed from medical card scheme £7,600, 7% Fixed Mortgage £90,000, Capital £165,600.

The following is the Receipts and Payments account for the year ended 31/12/1999:

Receipts & Payments Account of J. Reidy for year ended 31/12/1999.

		£			£
Jan. 1	Balance	2,400		Medical supplies	8,000
	Sale of equipment (cost £12,000)	5,000		Light and heat	3,300
	Medical Insurance Scheme	22,700		Telephone and postage	2,900
	Receipts from private patients	62,000		Wages of receptionist	8,800
	Investment income	4,800		Interest on fixed mortgage	5,775
				Car expenses	5,300
				Insurance	2,400
				Sponsorship of prize at local sports	800
				Investment bonds 31/12/1999	35,000
				Drawings	20,800
			Dec. 31	Balance	3,825
		<u>96,900</u>			<u>96,900</u>

The following information and instructions are to be taken into account:

- (i) Stock of medical supplies on 31/12/1999 was £2,350.
- (ii) The closing figure for bank does not take into account bank charges £70 and a dishonoured cheque £150 received from a private patient and lodged in late December.
- (iii) The closing figure for cash drawings includes wages £1,200 for 2 weeks paid to a substitute doctor and you are required to provide a further week's wages due.
- (iv) 75% of light and heat and telephone and postage relate to the medical practice and the remainder is private.
- (v) Depreciate fixed assets on 31/12/1999 as follows:

Equipment	— 20% of cost
Motor car	— 20% of cost
Surgery	— 2%
- (vi) Note: Fixed assets are given at cost and depreciation on them has been accumulated for 2 years by 31/12/1998. There is nil depreciation on disposed equipment in year of disposal.
- (vii) Fees due from medical cards scheme and private patients respectively are £8,400 and £250 on 31/12/1999.

You are required to prepare:

- (a) An Income and Expenditure/Profit and Loss Account for the year ended 31/12/1999. (35)
- (b) A Balance Sheet as at 31/12/1999. (25)

(60 marks)

