Question 7

50

Balance Sheet as at 31/12/2008

			€	€	€	€
Intangible Assets						
Goodwill						6,250 [3]
Tangible Fixed Assets			**Cost**	**Dep**	**Net**	
Premises	(292,000 + 150,000)	**W 1**	442,000 [2]	-	442,000	
Equipment	(20,000 + 15,000)	**W 1**	35,000 [2]	2,750 [1]	32,250	
Delivery Vans			30,000 [2]	1,500 [1]	28,500	
			507,000	4,250	502,750	502,750
Financial Assets						
5% Investments						50,000 [2]
						559,000
Current Assets						
Closing stock		**W 2**		20,200 [2]		
Stock of heating oil				300 [2]		
Debtors			34,000 [2]			
Less Provision for bad debts			(1,020) [1]	32,980		
Rates prepaid		**W 3**		1,750 [3]	55,230	
Less Creditors: amounts falling due within one year.						
Creditors				35,400 [2]		
Bank overdraft				5,400 [2]		
Loan instalments due				12,000 [2]		
Interest due		**W 4**		1,000 [2]		
Electricity due				460 [2]	(54,260)	
						970
						559,970
Financed by						
Creditors: amounts falling due after more than one year						
Loan						108,000 [2]
Capital – Balance 1/1/2008					400,000 [2]	
Capital introduced					36,000 [2]	
Net Profit		**W 8**			35,392 [4]	
					471,392	
Less Drawings		**W 5**			(19,422) [7]	451,970
Capital Employed						559,970

Trading and Profit and Loss Account for the year ending 31/12/2008

40

		€	€	€
Sales	**W 10**			634,500 [2]
Less Cost of Sales				
Opening stock			36,000 [2]	
Purchases		495,960		
Less drawings	**W 12**	(4,160) [1]	491,800 [2]	
			527,800	
Less closing stock	**W 11**		(20,200) [2]	507,600
Gross Profit				126,900
Add Investment interest				2,500 [2]
				129,400
Less Expenses				
Rates	**W 3**		4,560 [6]	
Light and heat	**W 7**		6,128 [6]	
Interest	**W 4**		2,250 [5]	
Wages and general expenses	**W 6**		75,800 [5]	
Bad debts provision			1,020 [2]	
Depreciation Equipment			2,750 [2]	
Depreciation Vans			1,500 [2]	(94,008)
Net Profit	**W 9**			35,392 [1]

10

Fuller should keep a detailed cash book and general ledger supported by appropriate subsidiary day books. This would enable Fuller to prepare an accurate Trading and Profit and Loss Account and therefore avoid reliance on estimates.

Workings:

1.	**Depreciation**		
	Equipment: 10% x 20,000 =	2,000	
	½ x 10% x 15,000 =	750	2,750
	Vans: 1/3 x 15% x 30,000 =		1,500
2.	**Closing stock**	20,500	
	Less heating oil	(300)	20,200
3	**Rates**	7,000	
	Add rates prepaid 1/1/2008	450	
	Less rates prepaid 31/12/2008	(1,750)	
	Less drawings	**(1,140)**	4,560
4.	**Interest paid**	2,000	
	Add interest due	1,000	
	Less drawings	**(750)**	2,250
5.	**Drawings**		
	Purchases	4,160	
	Cash	8,840	
	Petrol	3,000	
	Light and Heat	1,532	
	Rates	1,140	
	Interest	750	19,422
6	**Wages and General expenses**	80,000	
	Less wages due	(1,200)	
	Less drawings of petrol	**(3,000)**	75,800
7	**Light and Heat**	7,500	
	add electricity due	460	
	less stock of oil	(300)	
	less drawings	**(1,532)**	6,128
8.	**Net profit for the year (balancing figure in Balance Sheet)**	**€**	**€**
	Total Net Assets	559,970	
	Less loan	(108,000)	
	Less capital after drawings and before profit	(416,578)	35,392
9.	**Gross Profit**		
	Net Profit + Expenses – Gains (35,392+ 94,008 – 2,500)	=	126,900
10.	**Sales** Gross Profit = 20% of sales 126,900 x 5		634,500
11.	**Cost of sales**		
	Sales less gross profit 634,500 – 126,900	=	507,600
12.	**Purchases**		
	Cost of sales + closing stock – opening stock		
	507,600 + 20,200 – 36,000	=	491,800