

LECRURE 15 THE FINANCIAL STATEMENTS OF LIMITED COMPANIES 2

SUGGESTED ANSWERS TO TUTORIAL QUESTIONS

(A) Multiple Choice Questions

- (1) (c)
(2) (d)

(B) Discussion Questions

- (1)
(i) \$000

Item b

31.3.2000 Dr.	Profit and loss appropriation	200,000	
	Cr. General reserve		200,000

Item c

31.3.2000 Dr.	Profit and loss appropriation	150,000	
	Cr. Proposed dividend/Dividend payable		150,000
	{2,000/5 x \$0.3 + (\$1,000 x 6% - \$30)}		

- (ii)

Super Ltd.			
Trading and Profit and Loss and Appropriation Account			
For the year ended 31 March 2000			
	\$000	\$000	\$000
Sales (\$7,820 - \$130)			7,820
Less: Sales returns			130
			<hr/>
			7,690
Less: Cost of goods sold			
Opening inventory		680	
Purchases	6,080		

Less: Purchases returns	90	5,990	
		<u>6,670</u>	
Less: Closing inventory		720	5,950
		<u> </u>	<u> </u>
Gross profit			1,740
Add: <u>Other income</u>			
Discounts received revenue			10
			<u> </u>
			1,750
Less: <u>Expenses</u>			
Debenture interest expense (\$500 x 10%)		50	
Directors' remuneration expense		100	
Auditors' remuneration expense		10	
Discounts allowed expense		15	
Other operating expenses (\$620 + \$9 - \$4)		625	
Depreciation expense			
- Properties (\$4,000 x 5%)		200	
- Fixtures and fittings (\$400 x 20%)		80	
- Motor cars (\$600 x 25%)		150	1,230
		<u> </u>	<u> </u>
Net profit before appropriation			520
Less: <u>Appropriation</u>			
Transfer to general reserve		200	
Dividends -			
Interim paid - ordinary shares	40		
- preference shares	30	70	
	<u> </u>		
Final proposed - ordinary shares	120		
- preference shares	30	150	
	<u> </u>	<u> </u>	420
			<u> </u>
Retained profit for the year			100
Retained profit brought forward			500
			<u> </u>
Retained profit carried forward			600
			<u> </u>

Super Ltd.
Balance Sheet as at 31 March 2000

	\$000	\$000	\$000
	Cost	Provision for Depreciation	Net Book Value
Fixed assets			
Properties	4,000	900	3,100
Fixtures and fittings	400	240	160
Motor cars	600	350	250
	<u>5,000</u>	<u>1,490</u>	<u>3,510</u>
Current assets			
Inventory		720	
Trade debtors		700	
Prepaid expenses		4	
Cash		1,100	
		<u>2,524</u>	
Current liabilities			
Trade creditors		150	
Accrued expenses (\$25 + \$9)		34	
Dividends payable		<u>30</u>	
		<u>214</u>	
Net current assets			<u>2,310</u>
			5,820
Long-term liabilities			
10% Debentures			<u>500</u>
			<u>5,320</u>
Shareholders' equity			
Authorized Shared Capital			
600,000 Ordinary shares of \$5 Each			3,000,000
150,000 6% Preference shares of \$10 each			1,500,000
Issue Shared Capital			
400,000 Ordinary Shares of \$5 Each			2,000,000
100,000 6% Preference shares of \$10 Each, Fully paid			1,000,000
Ordinary shares of \$5 each			2,000
6% Preference shares of \$10 each			1,000
Share premium			200
General reserve (\$1,200 + \$200)			1,400
Retained profit			600
Proposed Dividends - Ordinary			<u>120</u>
			<u>5,320</u>

(2)

Amigo Ltd.		
Trading and Profit and Loss and Appropriation Account		
For the year ended 31 December 1999		
	\$000	\$000
Sales		1,018
Less: Returns inwards		14
		<hr/>
		1,004
Less: Cost of good sold		
Opening inventory	56	
Purchases	654	
	<hr/>	
	710	
Less: Closing inventory	58	652
	<hr/>	<hr/>
Gross profit		352
Less: <u>Operating expenses</u>		
Wages and salaries expense (\$144 + \$4)	148	
Sundry expenses	78	
Insurance expense (\$10 - \$2)	8	
Depreciation expense of fixture and fittings	14	
Bad and doubtful debts expense (\$4 + \$2)	6	254
	<hr/>	<hr/>
Net Profit before appropriation		98
Less: <u>Appropriation</u>		
Proposed ordinary dividend		40
		<hr/>
Retained profit for the year		58
Retained profit brought forward		28
		<hr/>
Retained profit carried forward		86
		<hr/> <hr/>

Amigo Ltd.

Balance Sheet as at 31 December 1999

	\$000 Cost	\$000 Provision for Depreciation	\$000 Net Book Value
Fixed assets			
Buildings	240	-	240
Fixtures and fittings	140	44	96
	<u>380</u>	<u>44</u>	<u>336</u>
Current assets			
Inventory		58	
Trade debtors	158		
Less: Provision for doubtful debts	6	152	
Prepaid expenses		2	
Cash		46	
		<u>258</u>	
Current liabilities			
Trade creditors		64	
Accrued expenses		4	
Proposed dividends		<u>40</u>	
		<u>108</u>	
Net current assets			<u>150</u>
			<u>486</u>
Shareholder's equity			
Ordinary share capital at \$1 each			400
Retained profit			<u>86</u>
			<u>486</u>

(3)

(i)

General Journal

Item	Date	Particulars	Dr. (\$)	Cr. (\$)
(a)	31.12 2000	Profit and loss – depreciation expenses Provision for depreciation – Premises Provision for depreciation – Machinery	40,300	8,800 31,500
(b)	31.12 2000	Profit and loss – doubtful debts Provision for doubtful debts	140	140
(c)	31.12 2000	Inventory Trading	35,000	35,000
(d)	31.12 2000	Profit and loss appropriation General reserve	5,000	5,000
(e)	31.12 2000	Profit and loss appropriation Proposed dividend	9,000	9,000

(ii)

IVE Ltd.

Trading and Profit and Loss and Appropriate Account

For the year ended 31 December 2000

	\$	\$
Sales		210,900
Less: Cost of good sold		
Opening inventory	16,000	
Purchases	120,000	
Carriage inwards	1,000	
	<hr/>	
	137,000	
Less: Closing inventory	35,000	102,000
	<hr/>	<hr/>
Gross profit		108,900
Less: <u>Operating expenses</u>		
Debenture interest expense	3,000	
Carriage outwards expense	2,500	
Salaries expense	14,000	
Auditor's fee	3,500	
Directors' fee	10,000	
Doubtful debts expense	140	
Depreciation expense		
- Premises	8,800	
- Machinery	31,500	73,440
	<hr/>	<hr/>
Net profit before appropriation		35,460
Less: <u>Appropriation</u>		

Transfer to general reserve	5,000	
Dividend		
- Preference share	4,000	
- Ordinary share	10,500	19,500
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Retained profit for the year		15,960
Retained profit brought forward		9,100
		<hr/>
Retained profit carried forward		25,060
		<hr/> <hr/>

(4)

(i) Item 6

31 March 2000	Dr.	Profit and loss appropriation	\$110,000	
	Cr.	Provision for taxation		\$110,000

(ii)

Standard Ltd.

Trading and Profit and Loss and Appropriate Account

For the year ended 31 March 2000

	\$000	\$000	\$000
Sales			3,600.00
Less: Sales returns			43.50
			<hr/>
			3,556.50
Less: Cost of good sold			
Opening inventory		566.16	
Purchases	1,960.00		
Carriage inwards	11.00	1971.00	
	<hr/>	<hr/>	
		2,537.16	
Less: Closing inventory		679.62	1,857.54
		<hr/>	<hr/>
Gross profit			1,698.96
Add: <u>Other income</u>			
Discounts received revenue			79.38
			<hr/>
			1,778.34
Less: <u>Operating expenses</u>			
Bad and doubtful debts expenses (\$30.42 + \$8.96)		39.38	
Selling and distribution expenses		72.94	
Administration expenses		177.18	



Debenture interest expense	36.00	
Wages and salaries expense	374.06	
Depreciation expense - Fixture and Fittings	141.00	
Depreciation expense - Plant and equipment	430.00	1,270.56
		<hr/>
Net profit before tax		507.78
Less: Taxation		110.00
		<hr/>
Net profit after tax		397.78
<u>Less: Appropriation</u>		
Transfer to fixed asset replacement reserve	130.00	
Interim dividend	127.00	
Proposed final dividend	153.00	410.00
		<hr/>
Retained loss for the year		(12.22)
Retained profit brought forward		<u>330.00</u>
Retained profit carried forward		<u>317.78</u>

Standard Ltd.

Balance Sheet as at 31 March 2000

	\$000	\$000	\$000
	Cost	Provision for Depreciation	Net Book Value
Fixed assets			
Plant and machinery	2,420.00	700.00	1,720.00
Furniture and equipment	1,410.00	591.00	819.00
	<hr/>	<hr/>	<hr/>
	3,830.00	1,291.00	2,539.00
	<hr/>	<hr/>	
Current assets		679.62	
Inventory			
Trade debtors	571.00		
Less: Provision for doubtful debts	<u>45.68</u>	525.32	
Prepaid expenses		32.00	
Cash		298.44	
		<hr/>	
		1,535.38	
		<hr/>	
Current Liabilities		283.50	
Trade creditors		65.10	
Accrued expenses		153.00	
Dividends payable		<u>110.00</u>	
Tax payable		611.60	
		<hr/>	
Net current assets			923.78
			<hr/>
			3,462.78



Long-term liabilities

8% Debentures	450.00
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3,012.78

Shareholders' equity

Ordinary shares of \$5 each	2,040.00
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Share premium	300.00
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Fixed asset replacement reserve	355.00
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Retained profit	317.78
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<i>Rep Final Div.</i>	<u>153.00</u>
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3,012.78