

Task IM-13.8: Eigenkapitalveränderungsrechnung

(Statement of Changes in Equity along IFRSs)

VITZTHUM Ltd. is a hotel based on shares. It does not apply the Company's act in Germany (AktG).

VITZTHUM Ltd. is established on 1.01.20X3 by a share issue of 20,000 ordinary shares with a nominal value of 5.00 EUR. The issue price is 12.30 EUR/share.

VITZTHUM Ltd. rents a building and pays rent to the extent of 14,000.00 EUR/m. Rent is VAT-free. For labour VITZTHUM Ltd. pays 20,000.00 EUR/m. For cleaning and maintenance VITZTHUM Ltd. pays 27,000.00 EUR/m to a service company. The price includes VAT.

There is a laundry service which charges 2.40 EUR per stay (stay = hotel guest stays one night). The amount includes VAT at a VAT rate of 20 %.

The hotel has 10 rooms. One stay in the hotel costs 187.00 EUR (net selling price). During the year 20X3 VITZTHUM Ltd. rents out 2,500 rooms (= stays). In 20X4, VITZTHUM Ltd. launches a marketing campaign which costs 42,000 EUR (gross amount). As a consequence, the number of stays increases to 3,400 stays in 20X4. All guests pay on cash.

On 1.07.20X4, VITZTHUM Ltd. issues 50,000 preference shares at 5.00 EUR – par value.

The appropriation of profits is in both years at a 30 : 30 : 40 ratio, such as Reserves : Profit carried forward : Dividend. The preference shareholders receive pro rata temporis a 7.0 % dividend on the nominal value of the preference shares. In both years, VITZTHUM declares a dividend to preference and ordinary shareholders.

Required: Prepare an income statement and a statement of changes in equity for 20X3 and 20X4. All expenses and proceeds are paid instantly and per cash or bank. Dividend and taxes are paid one Accounting period later.

Solution

(1) Share issue of ordinary shares:

DR Cash/Bank	246,000.00 EUR
CR Issued Shares (ord)	100,000.00 EUR
CR Capital Reserves	146,000.00 EUR

(2) Rent equals to: $14,000 \times 12 = 168,000.00$ EUR.

DR Rent	168,000.00 EUR
CR Cash/Bank	168,000.00 EUR

(3) Labour equals to: $20,000 \times 12 = 240,000.00$ EUR.

DR Labour	240,000.00 EUR
CR Cash/Bank	240,000.00 EUR

(4) Service/maintenance costs are: $12 \times 2,700/120\% = 27,000.00$ EUR.

DR Service/Maintenance	27,000.00 EUR
DR VAT	5,400.00 EUR
CR Cash/Bank	32,400.00 EUR

(5) Laundry service in 20X3 costs: $2,500 \times 2 = 5,000.00$ EUR.

DR Laundry	5,000.00 EUR
DR VAT	1,000.00 EUR
CR Cash/Bank	6,000.00 EUR

(6) Proceeds in 20X3 equal to: $2,500 \times 187 \times 120\% = 411,000.00$ EUR.

DR Cash/Bank	561,000.00 EUR
CR VAT	93,500.00 EUR
CR Revenue	467,500.00 EUR

Observe the accounts for the profit calculation.

D		Cash/Bank		C	
(1)	246,000.00	(2)	168,000.00		
(6)	561,000.00	(3)	240,000.00		
		(4)	32,400.00		
		(5)	6,000.00		
		c/d	360,600.00		
	<u>807,000.00</u>		<u>807,000.00</u>		
b/d	360,600.00				

D		Issued ordinary shares		C	
c/d	100,000.00	(1)	100,000.00		
		b/d	100,000.00		

D		Capital reserves		C	
c/d	146,000.00	(1)	146,000.00		
		b/d	146,000.00		

D		Rent - 20X3		C	
(2)	168,000.00	P&L	168,000.00		

Exhibit 1: VITZTHUM Ltd.'s accounts

Labour - 20X3		Service/Maintenance 20X3	
D	C	D	C
(3) 240,000.00	P&L 240,000.00	(4) 27,000.00	P&L 27,000.00
VAT		Laundry -20X3	
D	C	D	C
(4) 5,400.00	(6) 93,500.00	(5) 5,000.00	P&L 5,000.00
(5) 1,000.00			
c/d 87,100.00			
93,500.00	93,500.00		
	b/d 87,100.00		
Revenue		Profit and Loss P&L	
D	C	D	C
P&L 467,500.00	(6) 467,500.00	Rnt 168,000.00	Rev 467,500.00
		Lab 240,000.00	
		S/M 27,000.00	
		Ldr 5,000.00	
		EBT 27,500.00	
		467,500.00	467,500.00
		ITL 8,250.00	b/d 27,500.00
		R/E 19,250.00	
		27,500.00	27,500.00
Income tax liabilities ITL		Retained earnings R/E	
D	C	D	C
c/d 8,250.00	P&L 8,250.00	ShD 7,700.00	P&L 19,250.00
	b/d 8,250.00	RES 5,775.00	
		c/d 5,775.00	
		19,250.00	19,250.00
			b/d 5,775.00
Earnings reserves RES		Shareholders for dividend ShD	
D	C	D	C
c/d 5,775.00	R/E 5,775.00	c/d 7,700.00	R/E 7,700.00
	b/d 5,775.00		b/d 7,700.00

Exhibit 1: VITZTHUM Ltd.'s accounts (continued)

In the next exhibit 2 the balance sheet is displayed.

Vitzthum Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X3			
A			C, L
<i>Non-current assets</i>	[EUR]	<i>Owners' capital</i>	[EUR]
P, P, E		Share capital	100,000.00
Intangibles		Reserves	151,775.00
Financial assets		R/E	5,775.00
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Interest bear liab	
A/R		A/P	94,800.00
Prepaid expenses		Provisions	
Cash/Bank	360,600.00	Tax liabilities	8,250.00
	<u>360,600.00</u>		<u>360,600.00</u>

Exhibit 2: VITZTHUM Ltd.'s balance sheet

In the next Accounting period 20X4, we use capitals to identify bookkeeping entries.

(A) Payment of income taxes

(B) Payment of VAT

(C) Payment of dividend

(D) Rent equals to: $14,000 \times 12 = 168,000.00$ EUR.

DR Rent 168,000.00 EUR

CR Cash/Bank 168,000.00 EUR

(E) Labour equals to: $20,000 \times 12 = 240,000.00$ EUR.

DR Labour 240,000.00 EUR

CR Cash/Bank 240,000.00 EUR

(F) Service/maintenance costs are: $12 \times 2,700/120\% = 27,000.00$ EUR.

DR Service/Maintenance 27,000.00 EUR

DR VAT 5,400.00 EUR

CR Cash/Bank 32,400.00 EUR

(G) Laundry service in 20X4 costs: $3,400 \times 2 = 6,800.00$ EUR.

DR Laundry	6,800.00 EUR
DR VAT	1,360.00 EUR
CR Cash/Bank	8,160.00 EUR

(H) Proceeds in 20X4 equal to: $3,400 \times 187 \times 120\% = 762,960.00$ EUR.

DR Cash/Bank	762,960.00 EUR
CR VAT	127,160.00 EUR
CR Revenue	635,800.00 EUR

(I) The marketing campaign's net amount equals to $42,000/120\% = 35,000.00$ EUR.

DR Marketing	35,000.00 EUR
DR VAT	7,000.00 EUR
CR Cash/Bank	42,000.00 EUR

(J) The issue of preference shares is recorded as below:

DR Cash/Bank	250,000.00 EUR
CR Issued capital (prf)	250,000.00 EUR

The preference dividend is PRT: $7.0\% \times 250,000 \times 0.5 = 9,375.00$ EUR.

Check for the profit calculation and the appropriation of profits the accounts below:

D		Cash/Bank	C		D		Issued shares (ord)	C	
(1)	246,000.00	(2)	168,000.00		c/d	100,000.00	(1)	100,000.00	
(6)	561,000.00	(3)	240,000.00				b/d	100,000.00	
		(4)	32,400.00						
		(5)	6,000.00						
		c/d	360,600.00						
	<u>807,000.00</u>		<u>807,000.00</u>						
b/d	360,600.00	(A)	8,250.00						
(H)	762,960.00	(B)	87,100.00						
(J)	250,000.00	(C)	7,700.00						
		(D)	168,000.00						
		(E)	240,000.00						
		(F)	32,400.00						
		(G)	8,160.00						
		(I)	42,000.00						
		c/d	779,950.00						
	<u>1,373,560.00</u>		<u>1,373,560.00</u>						
b/d	779,950.00								

D		Capital reserves	C		D		Rent - 20X3	C	
c/d	146,000.00	(1)	146,000.00		(2)	168,000.00	P&L	168,000.00	
		b/d	146,000.00						

D		Labour - 20X3	C		D		Service/Maintenance 20X3	C	
(3)	240,000.00	P&L	240,000.00		(4)	27,000.00	P&L	27,000.00	

D		VAT	C		D		Laundry -20X3	C	
(4)	5,400.00	(6)	93,500.00		(5)	5,000.00	P&L	5,000.00	
(5)	1,000.00								
c/d	87,100.00								
	<u>93,500.00</u>		<u>93,500.00</u>						
(B)	87,100.00	b/d	87,100.00						
(F)	5,400.00	(H)	127,160.00						
(G)	1,360.00								
(I)	7,000.00								
c/d	113,400.00								
	<u>214,260.00</u>		<u>214,260.00</u>						
		b/d	113,400.00						

Revenue - 20X3				Profit and Loss P&L - 20X3			
D			C	D			C
P&L	<u>467,500.00</u>	(6)	<u>467,500.00</u>	Rnt	168,000.00	Rev	467,500.00
				Lab	240,000.00		
				S/M	27,000.00		
				Ldr	5,000.00		
				EBT	<u>27,500.00</u>		
					<u>467,500.00</u>		<u>467,500.00</u>
				ITL	8,250.00	b/d	<u>27,500.00</u>
				R/E	<u>19,250.00</u>		
					<u>27,500.00</u>		<u>27,500.00</u>

Income tax liabilities ITL				Retained earnings R/E			
D			C	D			C
c/d	<u>8,250.00</u>	P&L	<u>8,250.00</u>	ShD	7,700.00	P&L	19,250.00
(A)	8,250.00	b/d	8,250.00	RES	5,775.00		
c/d	<u>47,700.00</u>	ITL	<u>47,700.00</u>	c/d	<u>5,775.00</u>		
	<u>55,950.00</u>		<u>55,950.00</u>		<u>19,250.00</u>		<u>19,250.00</u>
		b/d	47,700.00	ShD	8,750.00	b/d	5,775.00
				ShD	43,330.00	R/E	111,300.00
				RES	32,497.50		
				c/d	<u>32,497.50</u>		
					<u>117,075.00</u>		<u>117,075.00</u>
						b/d	<u>32,497.50</u>

Earnings reserves RES				Shareholders for dividend ShD			
D			C	D			C
c/d	<u>5,775.00</u>	R/E	<u>5,775.00</u>	c/d	<u>7,700.00</u>	R/E	<u>7,700.00</u>
		b/d	5,775.00	(C)	7,700.00	b/d	7,700.00
c/d	<u>38,272.50</u>	RES	<u>32,497.50</u>			ShD	8,750.00
	<u>38,272.50</u>		<u>38,272.50</u>	c/d	<u>52,080.00</u>	ShD	<u>43,330.00</u>
		b/d	38,272.50		<u>59,780.00</u>		<u>59,780.00</u>
						b/d	<u>52,080.00</u>

D		Rent - 20X4		C	
(D)	168,000.00	P&L	168,000.00		
D		Service/Maintenance - 20X4		C	
(F)	27,000.00	P&L	27,000.00		
D		Revenue - 20X4		C	
P&L	635,800.00	(H)	635,800.00		
D		Labour - 20X4		C	
(E)	240,000.00	P&L	240,000.00		
D		Laundry - 20X4		C	
(G)	6,800.00	P&L	6,800.00		
D		Marketing Mkt		C	
(I)	35,000.00	P&L	35,000.00		
D		Issued capital (prf)		C	
c/d	250,000.00	(J)	250,000.00		
		b/d	250,000.00		
D		Profit and Loss P&L - 20X4		C	
Rnt	168,000.00	Rev	635,800.00		
Lab	240,000.00				
S/M	27,000.00				
Ldr	6,800.00				
Mkt	35,000.00				
c/d	159,000.00				
	635,800.00		635,800.00		
ITL	47,700.00	b/d	159,000.00		
R/E	111,300.00				
	159,000.00		159,000.00		

Exhibit 3: VITZTHUM Ltd.'s accounts (continued)

In order to check the double entry system we provide the balance sheet below:

Vitzthum Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X4			
A			C, L
<i>Non-current assets</i>	[EUR]	<i>Owners' capital</i>	[EUR]
P, P, E		Share capital	350,000.00
Intangibles		Reserves	184,272.50
Financial assets		R/E	32,497.50
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Interest bear liab	
A/R		A/P	165,480.00
Prepaid expenses		Provisions	
Cash/Bank	779,950.00	Tax liabilities	47,700.00
	779,950.00		779,950.00

Observe the statement of changes in equity below:

Vitzthum Ltd.'s STATEMENT of CHANGES in EQUITY as at 31.12.20X4				
	Share capital	Reserves	R/E	total
as at 1.01.20X3	100,000.00	146,000.00		246,000.00
Profit 20X3			19,250.00	19,250.00
Dividend 20X3			(7,700.00)	(7,700.00)
Reserves		5,775.00	(5,775.00)	0.00
as at 31.12.20X3	100,000.00	151,775.00	5,775.00	257,550.00
Share issue pfd	250,000.00			250,000.00
Profit 20X4			111,300.00	111,300.00
pfd Dividend			(8,750.00)	(8,750.00)
Dividend 20X4			(43,330.00)	(43,330.00)
Reserves		32,497.50	(32,497.50)	0.00
as at 31.12.20X4	350,000.00	184,272.50	32,497.50	566,770.00

Exhibit 5: Statement of changes in equity