

**Aufgabe 3.5 – F/S and VAT**

SCHINKEL is a production firm based on shares. The business issued 100,000 ordinary shares 1.00 EUR each on 1.01.20X1. SCHINKEL bought machines on 2.01.20X1 and paid 120,000.00 EUR. Depreciation is along straight line method and the useful life is 10 years. On 30.12.20X2 SCHINKEL sold the machines for 102,000.00 EUR (gross amount).

The opening statement of financial position is given by the exhibit 1:

SCHINKEL Ltd's STATEMENT of FINANCIAL POSITION as at eoy 20X1			
A		C,L	
<i>Non-c. assets</i>	20X1	<i>SHs' capital</i>	20X1
P,P,E	90.000	Issued capital	100.000
Int. assets		Other reserves	
Financial assets		Retained ear.	70.000
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Int. bear. liab.	
A/R	20.000	A/P	
Prepaid exp.		Provisions	
Cash	60.000	Def. income	
		Tax liabilities	
	<u>170.000</u>		<u>170.000</u>

**Exhibit 1:** Statement of financial position

On 1.01.20X2 the VAT account contains 20,000.00 EUR resulting from the acquisition of the machines. The refund is due at the beginning of fiscal year 20X2.

SCHINKEL bought on 1.01.20X2 materials. The purchase costs were 50,000.00 EUR (net amount). The business bought them on credit and paid on 3.04.20X2 the amount they owe the creditor.

On 4.05.20X2 SCHINKEL send back 10% of the materials because of quality problems. The supplier gave SCHINKEL a voucher for that return.

During 20X2 SCHINKEL sold all remaining goods for a net selling price 90,000.00 EUR on cash. Consider VAT.

Cost for labour were 20,000.00 EUR.

**Required: Make booking entries for the activities and set up a statement of financial position and a statement of comprehensive income for 20X2.**

**Solution (Lösung)**

Observe the bookkeeping entries below:

(1) Refund for VAT

<b>DR Cash/Bank</b> .....	<b>20,000.00 EUR</b>
<b>CR VAT</b> .....	<b>20,000.00 EUR</b>

(2) Purchase of materials on credit. Gross amount is  $50,000 \cdot 120\% = 60,000.00$  EUR.

<b>DR Purchase</b> .....	<b>50,000.00 EUR</b>
<b>DR VAT</b> .....	<b>10,000.00 EUR</b>
<b>CR A/P</b> .....	<b>60,000.00 EUR</b>

(3) Payment to the supplier

<b>DR A/P</b> .....	<b>60,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>60,000.00 EUR</b>

(4) Return 10 % of materials to the supplier.  $5,000 \cdot 120\% = 6,000.00$  EUR. As Schinkel got a voucher for the return there is a debit entry in the A/R for the supplier. Alternatively you can debit the A/P for the supplier as long as you only have one account per business partner.

<b>DR A/R</b> .....	<b>6,000.00 EUR</b>
<b>CR VAT</b> .....	<b>1,000.00 EUR</b>
<b>CR Returns Outwards</b> .....	<b>5,000.00 EUR</b>

(5) Sales of goods to customers on cash. Gross amount is  $90,000 \cdot 120\% = 108,000.00$  EUR. You do not see the movement of inventory because we apply a periodic system.

<b>DR Cash/Bank</b> .....	<b>108,000.00 EUR</b>
<b>CR VAT</b> .....	<b>18,000.00 EUR</b>
<b>CR Sales</b> .....	<b>90,000.00 EUR</b>

(6) Depreciation on machinery. Depreciation charge is  $100,000/10 = 10,000.00$  EUR/a.

<b>DR Depr</b> .....	<b>10,000.00 EUR</b>
<b>CR Acc Depr</b> .....	<b>10,000.00 EUR</b>

(7) Sales of the machines for 102,000.00 EUR

<b>DR Cash/Bank</b> .....	<b>102,000.00 EUR</b>
<b>DR Acc Depr.</b> .....	<b>20,000.00 EUR</b>
<b>CR P, P, E</b> .....	<b>100,000.00 EUR</b>
<b>CR VAT</b> .....	<b>17,000.00 EUR</b>
<b>CR Profit on Disposal (P&amp;L)</b> .....	<b>5,000.00 EUR</b>

(8) Accounting for labour is 20,000.00 EUR.

**DR Labour . . . . . 20,000.00 EUR**

**CR Cash/Bank . . . . . 20,000.00 EUR**

Observe the accounts for SCHINKEL below (exhibit 2):

<table> <tr><th>D</th><th>Cash/Bank</th><th></th><th>C</th></tr> <tr><td>OV</td><td>60.000,00</td><td>(3)</td><td>60.000,00</td></tr> <tr><td>(1)</td><td>20.000,00</td><td>(8)</td><td>20.000,00</td></tr> <tr><td>(5)</td><td>108.000,00</td><td></td><td></td></tr> <tr><td>(7)</td><td>102.000,00</td><td>c/d</td><td>210.000,00</td></tr> <tr><td></td><td><u>290.000,00</u></td><td></td><td><u>290.000,00</u></td></tr> <tr><td>b/d</td><td>210.000,00</td><td></td><td></td></tr> </table>				D	Cash/Bank		C	OV	60.000,00	(3)	60.000,00	(1)	20.000,00	(8)	20.000,00	(5)	108.000,00			(7)	102.000,00	c/d	210.000,00		<u>290.000,00</u>		<u>290.000,00</u>	b/d	210.000,00						
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Exhibit 2: Accounts

**Schinkel Ltd's**  
**STATEMENT of COMPREHENSIVE**  
**INCOME**  
**for 20X2**

Revenue	90.000,00
Profit on disposal	5.000,00
less Depreciation	(10.000,00)
less Labour	(20.000,00)
less Material expenses	(45.000,00)
less Interest	
EBT	20.000,00
less Taxes	(6.000,00)
EAT	14.000,00

**Exhibit 3:** Statement of Comprehensive Income

**SCHINKEL Ltd's**  
**STATEMENT of FINANCIAL POSITION**  
**as at eoy 20X2**

A			C,L
<i>Non-c. assets</i>	20X1	<i>SHs' capital</i>	20X1
P,P,E		Issued capital	100.000
Int. assets		Other reserves	
Financial assets		Retained ear.	84.000
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Int. bear. liab.	
A/R	6.000	A/P	26.000
Prepaid exp.		Provisions	
Cash	210.000	Def. income	
		Tax liabilities	6.000
	<u>216.000</u>		<u>216.000</u>

**Exhibit 4:** Statement of financial position