

Aufgabe QR-4.3: Entwickeln eines Jahresabschlusses aus einer Trial Balance

(Deriving Financial Statements via Trial Balance)

(Hint: setting up cash flow statements requires playing the detective here! You are going to learn another method for doing cash flows in chapter 10.)

The accountant with SINSEOL Ltd. set up the trial balance for first fiscal year 20X4 as shown below. Assume SINSEOL Ltd. was established on 1.01.20X4 by putting total amount for share capital into the bank account. The opening balance sheet contains nil. The company sells groceries in a small corner shop. Rent is paid on cash by SINSEOL Ltd. Assume VAT rate to be 20 %. VAT refund or liability will be paid in 20X5.

Sinseol Ltd's TRIAL BALANCE as at 31.12.20X4		
Account	Total of DRs	Total of CRs
Bank	148.000,00	
Share capital		50.000,00
Interest bearing liabilities		100.000,00
Interest	5.000,00	
Purchase	120.000,00	
Value added taxes (VAT)	9.200,00	
Creditors (A/P)		144.000,00
Debtors (A/R)	64.800,00	
Sales		108.000,00
P, P, E	34.000,00	
Depreciation	8.500,00	
Accumulated depreciation		8.500,00
Rent	21.000,00	
Total	410.500,00	410.500,00

Exhibit 1: Trial balance for SINSEOL Ltd. as at end of year 20X4

Required: Set up a full set of financial statements along IAS 1. (This means balance sheet as at 31.12.20X4 and income statement, statement of changes in equity and cash flow statement for 20X4. There are no comparative amounts to be reported on.) Closing stock inventory is 60,000.00 EUR.

Lösung: (Solution)

Derive trading and profit and loss account from trial balance given.

D		TRADING ACC.	C	
20X4	[EUR]		20X4	[EUR]
Purchases	120.000,00		Revenue	108.000,00
GP (c/d)	48.000,00		Cl. st.	60.000,00
	<u>168.000,00</u>			<u>168.000,00</u>

Abbildung 2: Trading account

D		PROFIT & LOSS ACC.	C	
20X8	[EUR]		20X8	[EUR]
Interest	5.000,00		GP	48.000,00
Depr.	8.500,00			
Rent	21.000,00			
NP (c/d)	13.500,00			
	<u>48.000,00</u>			<u>48.000,00</u>
Taxation	4.050,00		NP	13.500,00
R/E	9.450,00			
	<u>13.500,00</u>			<u>13.500,00</u>

Exhibit 3: Profit and loss account

Derive from the Profit and Loss account the statement of comprehensive income:

**Sinseol Ltd's
STATEMENT of COMPREHENSIVE
INCOME for 20X4**

	[EUR]
Revenue	108.000
Raw materials used	<u>(60.000)</u>
Gross profit	48.000
Employee expense	
Depreciation	(8.500)
Other Expenses	(21.000)
Finance Costs	<u>(5.000)</u>
Profit before Taxes	13.500
Income Tax Expenses	(4.050)
Deferred Tax	<u>0</u>
<i>Profit for the Period</i>	<u><u>9.450</u></u>

Exhibit 4: Statement of comprehensive income

Profit and loss account and the trading account give you the adjusted trial balance as displayed in exhibit 4.

Sinseol Ltd's TRIAL BALANCE as at 31.12.20X4		
Account	Total of DRs	Total of CRs
Bank	148.000,00	
Share capital		50.000,00
Interest bearing liabilities		100.000,00
Interest		
Purchase		
Value added taxes (VAT)	9.200,00	
Creditors (A/P)		144.000,00
Debtors (A/R)	64.800,00	
Sales		
P, P, E	34.000,00	
Depreciation		
Accumulated depreciation		8.500,00
Rent		
Tax liabilities		4.050,00
Retained earnings		9.450,00
Inventory, closing stock	60.000,00	
Total	316.000,00	316.000,00

Exhibit 5: Adjusted trial balance

The balance sheet can be derived directly from adjusted trial balance. See exhibit 5 below:

Sinseol Ltd's			
A	B/S as at 31.12.20X4		C,L
Non-current Asset:	[EUR]	SH's capital	[EUR]
P,P,E	25.500	Issued capital	50.000
Int. assets		Other reserves	
Financial assets		R/E	9.450
Current Assets		Liabilities	
Inventory	60.000	Int. bear. liab.	100.000
A/R	74.000	A/P	144.000
Prepaid exp.		Provisions	
Cash	148.000	Def. income	
		Tax liabilities	4.050
	<u>307.500</u>		<u>307.500</u>

Exhibit 5: Balance sheet as at 31.12.20X4

The statement of changes in equity is quite easy as there is no appropriation of profit to consider.

STATEMENT OF CHANGES IN EQUITY for 20X4

	Issued Capital	Retained Earnings	Reserves	Total
as at 1.01.20X4	0	0	0	0
Capital input	50.000			50.000
Profit for 20X4		9.450		9.450
as at 1.01.20X5	50.000	9.450	0	59.450

Exhibit 6: Statement of changes in equity as at 31.12.20X4

The cash flow statement is shown in exhibit 6. See the following considerations to understand amounts for cash inflows and outflows.

(1) There is no opening value for P, P, E so investment amounts to 34,000.00 EUR. The gross amount is $34,000 \cdot 120\% = \mathbf{40,800.00 \text{ EUR}}$. At this stage you do not know whether or not the machinery has been paid on cash or not.

(2) Share capital is paid into the bank account, accordingly there is a cash flow from investing activities 50,000.00 EUR.

(3) Rent is 21,000.00 EUR and paid on cash. So there is a cash output from operating activities.

(4) Interest is 5,000.00 EUR and paid on cash or on credit. You have to decide later.

(5) Purchase is 120,000.00 EUR. So, gross amount to be considered is 144,000.00 EUR. As accounts payables amount to 144,000.00 EUR exactly, you can assume purchase is on credit. There is no cash flow resulting from purchases. There are no further accounts payables.

(6) Under consideration of (6) you know that investment (1) is on cash. Make an entry in the cash flow from investing activities 40,800.00 EUR accordingly.

(7) Under consideration of (6) you learned interest is paid on cash. Make an entry for cash flow from investing activities 5,000.00 EUR accordingly.

(8) The business took a bank loan, because interest bearing liabilities is 100,000.00 EUR. Make an entry as cash inflow from financing activities.

(9) Sales amounts to 108,000.00 EUR net amount. That gives you a gross value for sales 129,600.00 EUR. At this stage you do not know whether or not it was paid on cash or if there was a part payment. As you got the total cash flow from the trial balance you can determine the cash inflow resulting from sales as $148,000 - 145,000 + 40,800 + 21,000 = \mathbf{64,800.00 \text{ EUR}}$. That means 50 % of sales was paid on cash. The accounts receivable amount to another 64,800.00 EUR - so you are sure the amount has been computed correctly.

The cash flow statement for SINSEOL Ltd. is as displayed below.

Sinseoul Ltd's CFS for 20X4

	20X4
	[EUR]
CF from operating activities	
Revenue	64.800,00
Purchases	0,00
Rent	(21.000,00)
Taxation	0,00
	<u>43.800,00</u>
CF from investing activities	
Investment	(40.800,00)
	<u>(40.800,00)</u>
CF from financing activities	
Share capital	50.000,00
Interest	(5.000,00)
Bank loan	100.000,00
	<u>145.000,00</u>
Total cash flow:	<u>148.000,00</u>

Exhibit 7: Cash flow statement for 20X4