

Aufgabe QR-4.8: Trial Balance

(Trial Balance):

WYNBERG Ltd. renders office services and was established on 1.01.20X8. The company is based on shares. On the first day it issued 50,000 shares 1.00 EUR each. Make the DR in the bank account.

WYNBERG takes a bank loan (annuity) 30,000.00 EUR. The rate of interest is 6% per annum and the initial pay-off rate is 4% per annum. WYNBERG issued 10,000 preference shares at a face value 1.00 EUR/share. The issue price was 1.20 EUR. The preference dividend is 5 % of the face value per annum.

WYNBERG buys material on cash 24,000.00 EUR (gross amount). At the end of the fiscal year still half of materials is in the raw materials inventory account. The fair value of material is 7,000.00 EUR at that stage. (See for valuation of inventories chapter 9, here it is only required to write them off.)

WYNBERG bought office furniture, computer, printer and scanner 34,800.00 EUR (gross amount) on 3.04.20X8. It only pays 1/3 of the amount due. The remaining amount is to be paid in 20X9. Apply straight line method for depreciation. Useful lives are 4 years, there is no salvage value to be considered.

The total revenue (paid) in 20X8 amounts to 220,000.00 EUR (net amount).

Consider that VAT payments and payments for income taxation are to be paid in 20X9 for fiscal year 20X8.

With regard to the appropriation of profit WYNBERG decided to pay a dividend at 40 % of the distributable amount. The remaining amount is carried forward to 20X9. Apply para 150 of the German companies act (§ 150 AktG). Along that para a German company based on shares is supposed to put 5 % of the distributable amount to legal earnings reserves in case the total of legal earnings reserves and capital reserves is less than 10 % of issued share capital. Pls., note that preference shares are to be seen as equity because they are non-redeemable.

Required: Make bookkeeping entries for WYNBERG or set up the accounts and set up a trial balance. Derive a set of financial statements which comprises the statement of financial position as at 31.12.20X8, a statement of comprehensive income, a statement of cash flows and a statement of changes in equity for 20X8. VAT rate is 20 % and total income tax rate is 30 %.

Lösung (Solution)

The bookkeeping entries are as follows:

(1) Share issue

DR Bank	50,000.00 EUR
CR SCap	50,000.00 EUR

(2) Bank loan

DR Bank	30,000.00 EUR
CR IBL	30,000.00 EUR

(3) Interest is $6\% \cdot 30,000 = 1,800.00$ EUR:

DR Interest	1,800.00 EUR
CR Bank	1,800.00 EUR

(4) Pay off is $4\% \cdot 30,000 = 1,200.00$ EUR:

DR IBL	1,200.00 EUR
CR Bank	1,200.00 EUR

(5) Preference share issue:

DR Bank	12,000.00 EUR
CR SCap	10,000.00 EUR
CR Capital reserves	2,000.00 EUR

(6) Purchase of material:

DR Purchase	20,000.00 EUR
DR VAT	4,000.00 EUR
CR Bank	24,000.00 EUR

(7) Transfer purchase to inventory:

DR Inventory	20,000.00 EUR
CR Purchase	20,000.00 EUR

(8) Material expense

DR Mat Exp	10,000.00 EUR
CR Inventory	10,000.00 EUR

(9) Impairment loss on material

DR Other expenses	3,000.00 EUR
CR Inventory	3,000.00 EUR

(10) Acquisition of P, P, E: $34,800 / 120\% = 29,000.00$ EUR.

DR P, P, E	29,000.00 EUR
DR VAT	5,800.00 EUR
CR Bank	11,600.00 EUR
CR Creditors	23,200.00 EUR

(11) Depreciation on P, P, E = $(9/12) \cdot 29,000/4 = 5,437,50$ EUR.

DR Depr	5,437.50 EUR
CR Acc. Depr.	5,437.50 EUR

(12) Posting revenue: $220,000 \cdot 120\% = 264,000.00$ EUR.

DR Bank	264,000.00 EUR
CR VAT	44,000.00 EUR
CR Revenue	220,000.00 EUR

After posting the bookkeeping entries WYNBERG sets up the trial balance, see below:

WYNBERG Ltd's TRIAL BALANCE as at 31.12.20X8		
Account	Total of DRs	Total of CRs
Bank	317.400,00	
SCap		60.000,00
IBL		28.800,00
Interest	1.800,00	
Capital reserves		2.000,00
Purchase		
VAT		34.200,00
Inv RM	7.000,00	
Material expenses	10.000,00	
Impairment loss	3.000,00	
P, P, E	29.000,00	
Creditors		23.200,00
Depreciation	5.437,50	
Accumulated depreciation		5.437,50
Revenue		220.000,00
<i>Total</i>	<u><u>373.637,50</u></u>	<u><u>373.637,50</u></u>

Exhibit 1: Trial balance

See for deriving P&L account the accounts below:

D	Bank	C
(1) 50.000,00	(3) 1.800,00	
(2) 30.000,00	(4) 1.200,00	
(5) 12.000,00	(6) 24.000,00	
(12) 264.000,00	(10) 11.600,00	
	c/d 317.400,00	
	<u>356.000,00</u>	
b/d 317.400,00		<u>356.000,00</u>

D	SCap	C
	(1)	50.000,00
c/d	(5)	10.000,00
		60.000,00
	b/d	60.000,00

D	ibL		C
(4)	1.200,00	(2)	30.000,00
c/d	28.800,00		
	30.000,00		30.000,00
		b/d	28.800,00

D	Int	C
(3)	1.800,00	c/d 1.800,00
b/d	1.800,00	P&L 1.800,00

D	Cap Res		C
c/d	2.000,00	(5)	2.000,00
		b/d	2.000,00

D	Purch	C
(6) 20.000,00	(7) 20.000,00	

D	VAT	C	
(6)	4.000,00	(12)	44.000,00
(10)	5.800,00		
c/d	34.200,00		
	<u>44.000,00</u>		<u>44.000,00</u>
	b/d		34.200,00

D	Inv RM	C	
(7)	20.000,00	(8)	10.000,00
		(9)	3.000,00
		c/d	7.000,00
	<u>20.000,00</u>		<u>20.000,00</u>
b/d	7.000,00		

D	Mat Exp	C
(8)	10.000,00	c/d 10.000,00
b/d	10.000,00	P&L 10.000,00

D	IL	C
(9) 3.000,00	c/d	3.000,00
b/d 3.000,00	P&L	3.000,00

D	PPE	C
(10) 29.000,00	c/d	29.000,00
b/d 29.000,00		

D	Creditors		C
c/d	23.200,00	(10)	23.200,00
		b/d	23.200,00
		R/E	500,00
c/d	77.833,50	R/E	54.133,50
	77.833,50		77.833,50
		b/d	77.833,50

D	Depr	C
(11)	5.437,50	c/d 5.437,50
b/d	5.437,50	P&L 5.437,50

D	Acc Depr	C
c/d	5.437,50 (11)	5.437,50
	b/d	5.437,50

D	Rev		C
c/d	220.000,00	(12)	220.000,00
P&L	220.000,00	b/d	220.000,00

D	P&L	C
Int	1.800,00	Rev 220.000,00
MatExp	10.000,00	
IL	3.000,00	
Depr	5.437,50	
NP	199.762,50	
	<u>220.000,00</u>	<u>220.000,00</u>
TaxL	59.928,75	NP 199.762,50
R/E	139.833,75	
	<u>199.762,50</u>	<u>199.762,50</u>

D		TaxL		C	
c/d	59.928,75	P&L		59.928,75	
		b/d		59.928,75	
D		ERes		C	
c/d	4.000,00			4.000,00	
		b/d		4.000,00	

D	R/E	C
Cred	500,00	P&L 139.833,75
c/d	139.333,75	
	<u>139.833,75</u>	<u>139.833,75</u>
ERes	4.000,00	b/d 139.333,75
Cred	54.133,50	
c/d	81.200,25	
	<u>139.333,75</u>	<u>139.333,75</u>
		b/d 81.200,25

Exhibit 2: Accounts

The adjusted trial balance under consideration of preference dividend and appropriation of profit looks as below:

Preference dividend is $5\% \cdot 10,000 = \mathbf{500.00 \text{ EUR}}$.

DR R/E	500.00	EUR
CR Creditors (preference dividend) ..	500.00	EUR

The amount to be put to German legal reserves is 5% of 134,833.75 (before preference dividend) but is here only 4,000.00 EUR because there are capital reserves resulting from the share issue. Accordingly the bookkeeping entry is:

DR R/E	4,000.00	EUR
CR Earnings reserves	4,000.00	EUR

Dividend to ordinary shareholders is $40\% \cdot (139,833.75 - 500 - 4,000) = 54,133.50 \text{ EUR}$.

DR R/E **54,133.50 EUR**
CR Creditors (ordinary dividend) **54,133.50 EUR**

The amount for creditors is $23,200 + 500 + 54,133.50 = 77,833.50 \text{ EUR}$.

The amount for P, P, E is $29,000 - 5,437.50 = 23,562.50 \text{ EUR}$.

**WYNBERG Ltd's
ADJUSTED TRIAL BALANCE
as at 31.12.20X8**

Account	Total of DRs	Total of CRs
Bank	317.400,00	
SCap		60.000,00
IBL		28.800,00
Interest		
Capital reserves		2.000,00
Purchase		
VAT		34.200,00
Inv RM	7.000,00	
Material expenses		
Impairment loss		
P, P, E	29.000,00	
Creditors		77.833,50
Depreciation		
Accumulated depreciation		5.437,50
Revenue		
Retained earnings		81.200,25
Tax liabilities		59.928,75
Earnings reserves		4.000,00
<i>Total</i>	<u>353.400,00</u>	<u>353.400,00</u>

Exhibit 3: Adjusted trial balance

**Wynberg Ltd's
STATEMENT of COMPREHENSIVE
INCOME for 20X8**

	[EUR]
Revenue	220.000
Raw materials used	<u>(10.000)</u>
Gross profit	210.000
Employee expense	
Depreciation	(5.438)
Other Expenses	(3.000)
Finance Costs	<u>(1.800)</u>
Profit before Taxes	199.763
Income Tax Expenses	(59.929)
Deferred Tax	0
<i>Profit for the Period</i>	<u><u>139.834</u></u>

Exhibit 4: Statement of comprehensive income

The amount for A/P is $77,833.50 + 34,200 = 112,033.50$ EUR.

Wynberg Ltd's			
A	SFP as at 31.12.20X8		C,L
Non-current assets	[EUR]	SHs' capital	[EUR]
P,P,E	23.563	Issued capital	60.000
Int. assets		Other reserves	6.000
Financial assets		R/E	81.200
Current assets		Liabilities	
Inventory	7.000	Int. bear. liab.	28.800
A/R		A/P	112.034
Prepaid exp.		Provisions	
Cash	317.400	Def. income	
		Tax liabilities	59.929
	<u>347.963</u>		<u>347.963</u>

Exhibit 5: Statement of financial position

Wynberg Ltd's STATEMENT of CFs for 20X8

	20X8
	[EUR]
CF from operating activities	
Revenue	264.000,00
Purchases	(24.000,00)
Taxation	0,00
	<u>240.000,00</u>
CF from investing activities	
Investment	(11.600,00)
	<u>(11.600,00)</u>
CF from financing activities	
Share capital	62.000,00
Interest and pay off	(3.000,00)
Bank loan	30.000,00
	<u>89.000,00</u>
Total cash flow:	<u>317.400,00</u>

Exhibit 6: Statement of cash flows

**Wynberg Ltd's
STATEMENT OF CHANGES IN EQUITY
for 20X8**

	Issued Capital	Retained Earnings	Reserves	Total
as at 1.01.20X8	0	0	0	0
Issue of ord. shares	50.000			50.000
Issue of pref. shares	10.000		2.000	12.000
Profit for 20X8		139.834		139.834
Earnings res. §150 AktG		(4.000)	4.000	0
Pref. dividend		(500)		(500)
Ord. dividend		(54.134)		(54.134)
as at 1.01.20X9	60.000	81.200	6.000	147.200

Exhibit 7: Statement of changes in equity

(SCap = Share capital, IbL. = Interest bearing liabilities, Int. = Interest, Cap. Res. = Capital reserves, Purch. = Purchase, VAT = Value added tax, Inv. RM. = Raw material inventory, Mat. Exp. = Material expenses, IL. = Impairment loss, PPE = Property, plant, and equipment, Depr. = Depreciation, Acc. Depr. = Accumulated depreciation, Rev. = Revenue, P&L = Profit and Loss, TaxL. = Tax liabilities, R/E = Retained earnings, ERes = Earnings reserves)