

Task IM-6.6: Financial Statements along IAS 1
(Formaler Jahresabschluss)

HANEKENFAEHR Ltd is in the production industry for grass mowers. The business is established on 1.01.20X5 by a share issue of 100,000 ordinary shares at 5.60 EUR/share. The shares' face value is 5.00 EUR/share. On 1.01.20X5 HANEKENFAEHR takes a bank loan of 200,000.00 EUR from their house bank at a rate of interest 4.5 %. The bank loan is to be paid-off at an amount of 20,000.00 EUR every year. Interest is a non-manufacturing expense. Interest and pay-off is paid at the yearend. Liabilities are to be recognized at their settlement value (no discounting required).

The business buys materials at cost of purchase 370,000.00 EUR (net amount) and uses 300,000.00 EUR thereof for production. HANEKENFAEHR pays 15% of the amount due in the next accounting period. HANEKENFAEHR Ltd. buys machinery 120,000.00 EUR (cost of acquisition, net amount) and writes off the assets along straight line method over 5 years. There is a residual value 20,000.00 EUR.

HANEKENFAEHR Ltd. pays for factory rent 36,000.00 EUR/a (no VAT to be considered). The business pays for labour in the production department 147,000.00 EUR/a.

HANEKENFAEHR Ltd. produces 1,250 mowers during 20X5 and sells 960 units thereof at a cost price (gross amount) 859.20 EUR.

The appropriation of profit is on a 50 : 50 ratio as reserves : profit carried forward.

Required: Prepare a full set of financial statements which contains a statement of financial position, a statement of comprehensive income, a statement of cash flows, and a statement of changes in equity. (German company's act (AktG) doesn't apply for HANEKENFAEHR Ltd.)

HANEKENFAEHR Ltd ist ein Produktionsunternehmen für Rasenmäher. Das Unternehmen wird am 1.01.20X5 durch Ausgabe von 100,000 Stammaktien zu einem Bezugskurs von 5,60 EUR/Aktie gegründet. Der Nennwert der Aktien beträgt 5,00 EUR/Aktie. Am 1.01.20X5 nimmt HANEKENFAEHR ein Darlehen bei seiner Hausbank in Höhe von 200.000,00 EUR mit einem Zinssatz von 4,5% auf. Das Bankdarlehen wird in jedem Jahr mit 20.000,00 EUR zurückgezahlt. Zinsen stellen nicht produktionsbezogenen Aufwand dar. Zinsen und Tilgung werden jeweils zum Jahresende gezahlt. Die Schulden werden zum Erfüllungsbetrag angesetzt (kein Diskontieren erforderlich).

Das Unternehmen kauft Material zu Anschaffungskosten (netto) von 370.000,00 EUR und verbraucht 300.000,00 EUR davon für die Produktion. HANEKENFAEHR zahlt 15 % des fälligen Betrags in der nächsten Abrechnungsperiode.

HANEKENFAEHR Ltd. kauft Maschinen für 120.000,00 EUR (Anschaffungskosten, netto) und schreibt die Vermögenswerte über lineare Abschreibungsmethode über 5 Jahre ab. Es gibt einen Restbuchwert von 20.000,00 EUR.

HANEKENFAEHR Ltd. zahlt für die Miete der Fabrik 36.000,00 EUR/Jahr (keine Vorsteuer zu berücksichtigen). Das Unternehmen zahlt für Löhne im Produktionsbereich 147.000,00 EUR/Jahr.

HANEKENFAEHR Ltd. stellt 1.250 Rasenmäher während 20X5 her und verkauft 960 Einheiten davon zu einem Verkaufspreis (brutto) von 859,20 EUR.

Die Verwendung des Ergebnisses ist 50 : 50 wie Rücklagen : Gewinnvortrag.

Gefragt: Erstellen Sie einen vollständigen Jahresabschluss der eine Bilanz, eine Gewinn- und Verlustrechnung, eine Kapitalflussrechnung und eine Eigenkapitalveränderungsrechnung umfasst. (Das deutsche Aktiengesetz findet keine Anwendung auf die HANEKENFAHR Ltd.)

Solution:

(1) Share issue of ordinary shares

DR Cash/Bank	560,000.00 EUR
CR Issued Capital	500,000.00 EUR
CR Capital Reserves	60,000.00 EUR

(2) Taking the bank loan

DR Cash/Bank	200,000.00 EUR
CR Interest Bearing Liabilities	200,000.00 EUR

(3) Pay-off as given

DR Interest Bearing Liabilities	20,000.00 EUR
CR Cash/Bank	20,000.00 EUR

(4) Interest paid $4.5\% \cdot 200,000 = 9,000.00$ EUR

DR Interest	9,000.00 EUR
CR Cash/Bank	9,000.00 EUR

(5) Transferring short-term liabilities

DR Interest Bearing Liabilities	20,000.00 EUR
CR Short-term Liabilities	20,000.00 EUR

(6) Purchase: $370,000 \cdot 120\% = 444,000.00$ EUR

DR Purchase	370,000.00 EUR
DR VAT	74,000.00 EUR
CR Cash/Bank	377,400.00 EUR
CR A/P	66,600.00 EUR

(7) Acquisition of machinery $120,000 \cdot 120\% = 144,000.00$ EUR

DR P, P, E	120,000.00 EUR
DR VAT	24,000.00 EUR
CR Cash/Bank	144,000.00 EUR

(8) Depreciation: $(120,000 - 20,000)/5 = 20,000.00 \text{ EUR}$

DR Depreciation	20,000.00 EUR
CR Acc. Depr.	20,000.00 EUR

(9) Rent as given

DR Rent	36,000.00 EUR
CR Cash/Bank	36,000.00 EUR

(10) Accounting for labour

DR Labour	147,000.00 EUR
CR Cash/Bank	147,000.00 EUR

(11) Revenue made by grass mowers: $960 \cdot 859.20 = 824,832.00 \text{ EUR}$. The net amount is $824,832/120\% = 687,360.00 \text{ EUR}$

DR Cash/Bank	824,832.00 EUR
CR VAT	137,472.00 EUR
CR Sales	687,360.00 EUR

For the profit calculation the closing stock is to be calculated. The costs of manufacturing for one mower amount to $(300,000 + 20,000 + 36,000 + 147,000)/1,250 = 402.40 \text{ EUR}$. The closing stock of Finished Goods amounts to $(1,250 - 960) \cdot 402.40 = 116,696.00 \text{ EUR}$.

The appropriation of profit is $50\% \cdot 204,439.20 = 102,219.60 \text{ EUR}$.

DR R/E	102,219.60 EUR
CR Earnings Reserves	102,219.60 EUR

D		Cash/Bank	C	
(1)	560.000,00	(3)	20.000,00	
(2)	200.000,00	(4)	9.000,00	
(11)	824.832,00	(6)	377.400,00	
		(7)	144.000,00	
		(9)	36.000,00	
		(10)	147.000,00	
		c/d	851.432,00	
	<u>1.584.832,00</u>		<u>1.584.832,00</u>	
b/d	851.432,00			

D		Issued Capital	C	
c/d	500.000,00	(1)	500.000,00	
		b/d	500.000,00	

D		Capital reserves	C	
c/d	60.000,00	(1)	60.000,00	
		b/d	60.000,00	

D		**Int bear liabilities**	C	
(3)	20.000,00	(2)	200.000,00	
(5)	20.000,00			
c/d	160.000,00			
	200.000,00		200.000,00	
b/d	160.000,00			

D		Interest	C	
(4)	9.000,00	P&L	9.000,00	

D		s-t liabilities	C	
c/d	20.000,00	(5)	20.000,00	
		b/d	20.000,00	

D		**Purchase**	C	
(6)	370.000,00	P&L	370.000,00	

D		VAT	C	
(6)	74.000,00	(11)	137.472,00	
(7)	24.000,00			
c/d	39.472,00			
	<u>137.472,00</u>		<u>137.472,00</u>	
b/d	39.472,00			

D		A/P	C	
c/d	66.600,00	(6)	66.600,00	
		b/d	66.600,00	

D		**PPE**	C	
(7)	120.000,00	c/d	120.000,00	
b/d	120.000,00			

D		Depr	C	
(8)	20.000,00	P&L	20.000,00	

D		Acc depr	C	
c/d	20.000,00	(8)	20.000,00	
		b/d	20.000,00	

D		**Rent**	C	
(9)	36.000,00	P&L	36.000,00	

D		Labour	C	
(10)	147.000,00	P&L	147.000,00	

D		Revenue	C	
P&L	687.360,00	(11)	687.360,00	

D		**P&L**	C	
Purch	370.000,00	Rev	687.360,00	
Int	9.000,00	RM	70.000,00	
Depr	20.000,00	FG	116.696,00	
Rent	36.000,00			
Lab	147.000,00			
EBT	292.056,00			
	874.056,00		874.056,00	
Tax	87.616,80	b/d	292.056,00	
R/E	204.439,20			
	292.056,00		292.056,00	

D		RM inv	C	
P&L	70.000,00	c/d	70.000,00	
b/d	70.000,00			

D		FG inv	C	
P&L	116.696,00	c/d	116.696,00	
b/d	116.696,00			

D		**IT liab**	C	
c/d	87.616,80	P&L	87.616,80	
		b/d	87.616,80	

D		R/E	C	
ERes	102.219,60	P&L	204.439,20	
c/d	102.219,60			
	<u>204.439,20</u>		<u>204.439,20</u>	
b/d	102.439,20			

D		Earnings res	C	
c/d	102.219,60	R/E	102.219,60	
		b/d	102.219,60	

Exhibit 1: Accounts

Observe the financial statements below:

Hanekenfaehr Ltd's
STATEMENT of FINANCIAL POSITION
as at 31.12.20X5

	20X5	
	[EUR]	[EUR]
Non-current assets		
Property, plant and equipment	100.000,00	
Investment property		
Intangible assets		
Financial assets		
Investment accounted [...]		
<i>Total of non-current assets</i>	<u>100.000,00</u>	<u>0,00</u>
Current assets		
Inventories	186.696,00	
Trade and other receivables		
Cash and cash equivalents	851.432,00	
Prepaid expenses		
<i>Total of current assets</i>	<u>1.038.128,00</u>	<u>0,00</u>
Total assets	<u>1.138.128,00</u>	<u>0,00</u>
Liabilities		
[...] Interest bearing liabilities	160.000,00	
Trade and other payables	126.072,00	
Provisions		
Liabilities and assets [...] IAS 12	87.616,80	
Deferred tax liabilities [...] IAS 12		
Deferred income		
<i>Total of liabilities</i>	<u>373.688,80</u>	<u>0,00</u>
Capital		
Issued capital	500.000,00	
Other reserves	162.219,60	
Retained earnings	102.219,60	
<i>Total of shareholder's equity</i>	<u>764.439,20</u>	<u>0,00</u>
Total equity and liabilities	<u>1.138.128,00</u>	<u>0,00</u>

Exhibit 2: Statement of financial position

**Schepsdorf Ltd's
STATEMENT of COMPREHENSIVE INCOME
for 20X5**

	20X5	20X4
	[EUR]	[EUR]
Revenue	687.360,00	
Other income		
Changes in inventory of finished goods and work in progress	116.696,00	
Work performed by the entity and capitalized		
<i>Total</i>	<u>804.056,00</u>	
Raw material and consumables used	(300.000,00)	
Employee benefits expense	(147.000,00)	
Depreciation and amortisation expense	(20.000,00)	
Impairment of property, plant and equipment	0,00	
Other expenses	(36.000,00)	
Finance costs	(9.000,00)	
Share of profit of associates		
Profit before taxation	<u>292.056,00</u>	
Income tax expenses	(87.616,80)	
Deferred tax income/expense		
Profit for the period	<u>204.439,20</u>	

Exhibit 3: Statement of comprehensive income

**Hanekenfaehr Ltd's
STATEMENT of CASH FLOWS
for 20X5**

	20X5	20X4
	[EUR]	[EUR]
CF from operating activities		
Purchase	(377.400,00)	
Wages	(147.000,00)	
Rent	(36.000,00)	
Revenue	824.832,00	
Rent income		
	<u>264.432,00</u>	
CF from investing activities		
Investment	(144.000,00)	
	<u>(144.000,00)</u>	
CF from financing activities		
Bank rate	(29.000,00)	
Share issue	560.000,00	
Bank loan	200.000,00	
Dividend to SHs	0,00	
	<u>731.000,00</u>	
Total cash flow:	<u>851.432,00</u>	

Exhibit 4: Statement of cash flows

**Hanekenfaehr Ltd's
STATEMENT of CHANGES in EQUITY
for 20X5**

	Issued capital	Capital reserves	Earnings reserves	Retained earnings	Total Shareholders' Equity
Equity as at 1.01.20X5	500,000.00	60,000.00			560,000.00
Profit 20X5				204,439.20	204,439.20
Appropriation of Profit			102,219.60	(102,219.60)	0.00
<i>Equity as at 31.12.20X5</i>	<i>500,000.00</i>	<i>60,000.00</i>	<i>102,219.60</i>	<i>102,219.60</i>	<i>764,439.20</i>

Exhibit 5: Statement of changes in equity