

Task IM-9.44: Inventory valuation

RODDER Ltd. is a company based on shares. RODDER Ltd. is established by the proprietors paying in 40,000.00 EUR together on 1.01.20X7.

RODDER Ltd. runs a pub in Dresden-Neustadt, called RODDER-GATE. The pub sells beers and wines to its guests. The beers are bought in barrels and sell by the draft. One barrel contains 50 litres. The wines are bought in bottles at 0.75 litres each.

On the 1.01.20X8 the inventories are: 700 litres of beer valued at 1.20 EUR/litre and 89 bottles of wine valued at 4.00 EUR/bottle.

Rodder Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X7			
A			C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>	[EUR]
P, P, E	234,000.00	Share capital	40,000.00
Intangibles		Reserves	
Financial assets		Retained earnings	25,200.00
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	1,196.00	Interest bear liab	
Accounts receivables		Accounts payables	163,000.00
Prepaid expenses	3,000.00	Provisions	
Cash/Bank	804.00	Tax liabilities	10,800.00
Total assets	239,000.00	Total equity and liab.	239,000.00

Exhibit 1: RODDER Ltd's balance sheet

As most restaurants and pubs RODDER-GATE applies a periodic inventory system. Furthermore, the sequence of consumption is First-In-First-Out.

The company buys in 20X8 1,200 barrel of beer, the first 1,000 barrels at 1.20 EUR/litre and the last 200 barrels at 1.30 EUR/litre. With regard to selling beer, there is a waste rate of 5 % to be considered, meaning in order to sell 1 litre of beer the consumption is 1.05 litres. At the end of the Accounting period 20X8 there are 80 barrels of beer on stock. A glass of beer (0.5 litre) is sold to the guests at 5.00 EUR/glass.

During the Accounting period 20X8, RODDER Ltd. buys 600 bottles of wine at 4.10 EUR/bottle. As one box of wines (includes 6 bottles) is damaged, the procurement department returns it (6 bottles therein) to the supplier and receives a voucher in return. Wine is only served by the bottle in the RODDER-GATE and is sold at 20.00 EUR/botte. At the end of the Accounting period 20X8, there are still 222 bottles on stock. It was recorded, that during the Accounting period 20X8 12 bottles fell down and broke (waste).

For labour, RODDER Ltd. pays 216,000.00 EUR/a. The rent of the pub is 36,000.00 EUR/a and is paid one month in advance. Depreciation of the interior equals to 26,000.00 EUR/a. The interior was build-in on 4.01.20X7. Depreciation is along straight line method over 10 years. No residual value to be considered after the useful life is over.

At the beginning of 20X8, RODDER Ltd. pays its suppliers the total amount of 163,000.00 EUR it owes them.

On the 1.04.20X8, RODDER Ltd. takes a bank loan of 100,000.00 EUR. The rate of interest equals to 3.5 % and the annual pay-off amount equals to 5,000.00 EUR. Interest is paid on 31.12. of every year and the pay-off on 30.03. of every year (not 20X8).

Required: Prepare a set of financial statements that comprises the balance sheet and the income statement for RODDER Ltd. Ignore VAT!

Die RODDER Ltd. ist eine Kapitalgesellschaft. Die RODDER Ltd. wird durch Einlagen in Höhe von 40.000,00 EUR durch alle Anteilseigner gemeinsam am 1.01.20X7 gegründet.

Die RODDER Ltd. betreibt eine Kneipe in Dresden-Neustadt mit dem Namen RODDER-TOR. Die Kneipe verkauft Bier und Wein an seine Gäste. Das Bier wird in Fässern gekauft und vom Faß ausgeschänkt. Ein Faß enthält 50 Liter. Die Weine werden in Flaschen zu 750 ml/Flasche gekauft.

Am 1.01.20X8 betragen die Vorräte: 700 Liter Bier mit einem Wert von 1,20 EUR/l und 89 Flaschen Wein bewertet zu 4,00 EUR/Flasche.

Rodder Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X7			
A			C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>	[EUR]
P, P, E	234,000.00	Share capital	40,000.00
Intangibles		Reserves	
Financial assets		Retained earnings	25,200.00
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	1,196.00	Interest bear liab	
Accounts receivables		Accounts payables	163,000.00
Prepaid expenses	3,000.00	Provisions	
Cash/Bank	804.00	Tax liabilities	10,800.00
Total assets	239,000.00	Total equity and liab.	239,000.00

Exhibit 1: RODDER Ltd's balance sheet

Wie die meisten Restaurants und Kneipen wendet RODDER-TOR ein periodisches Lagerhaltungssystem an. Darüber hinaus wird die Verbrauchsfolge First-In-First-Out angenommen.

Das Unternehmen kauft in 20X8 1.200 Fässer Bier, die ersten 1.000 Fässer zu 1,20 EUR/Liter und die letzten 200 Fässer zu 1,30 EUR/Liter. Hinsichtlich des Bierausschanks wird eine Abweichung von 5 % angenommen, was bedeutet, dass für den Ausschank von 1 Liter Bier ein Verbrauch von 1,05 Litern gerechnet wird. Am Ende der Abrechnungsperiode 20X8 sind noch 80 Bierfässer auf Lager. Ein Glas Bier (500 ml) wird and die Gäste zu 5,00 EUR/Glas verkauft.

Während der Abrechnungsperiode 20X8 kauft die RODDER Ltd. 600 Weinflaschen zu 4,10 EUR/Flasche. Weil eine Kiste mit Weinen (Inhalt 6 Flaschen) beschädigt wird, schickt sie der Einkauf (die Einkaufsabteilung) zurück and den Lieferanten und erhält dafür eine Gutschrift. Weine werden in RODDER-TOR nur in Flaschen angeboten und zu 20,00 EUR/Flasche verkauft. Am Ende der Abrechnungsperiode 20X8 sind noch 222 Flaschen auf Lager. Es wurde registriert, dass 12 Flaschen während des Geschäftsjahrs zu Boden gefallen sind und zerbrochen sind (Abfall).

Für Löhne zahlt die RODDER Ltd. 216.000,00 EUR/Jahr. Die Kneipenmiete beträgt 36.000,00 EUR/Jahr und wird einen Monat im Voraus bezahlt. Die Abschreibung auf die Inneneinrichtung beträgt 26.000,00 EUR/Jahr. Die Inneneinrichtung wurde am 4.01.20X7 eingebaut. Die Abschreibung erfolgt nach linearer Abschreibungsmethode über 10 Jahre. Es ist kein Restwert nach dem Ende der Nutzungsdauer zu berücksichtigen.

Zu Beginn von 20X8 zahlt die RODDER Ltd. ihren Lieferanten den gesamten Betrag in Höhe von 163.000,00 EUR, den es ihnen schuldet.

~~On the 1.04.20X8, RODDER Ltd. takes a bank loan of 100,000.00 EUR. The rate of interest equals to 3.5 % and the annual pay-off amount equals to 5,000.00 EUR. Interest is paid on 31.12. of every year and the pay-off on 30.03. of every year (not 20X8).~~

Gefragt: Erstellen Sie einen Jahresabschluss, der aus seiner Bilanz und einer Gewinn- und Verlustrechnung für die RODDER Ltd. besteht. Ignorieren Sie die Umsatzsteuer!

Solution:

(1) Payment of taxes 10,800.00 EUR.

(2...4) deleted

(5) Payment of debts: 163,000.00 EUR

(6a, 6b) Purchase of beer at $1.2 \times 50 \times 1,000 = \mathbf{60,000.00 \text{ EUR}}$. The second purchase costs: $1.3 \times 200 \times 50 = \mathbf{13,000.00 \text{ EUR}}$.

(7) Purchase of wines: $600 \times 4.10 = \mathbf{2,460.00 \text{ EUR}}$

(8) Recording the return: $6 \times 4.10 = \mathbf{24.60 \text{ EUR}}$

(9) The broken bottles are recorded as other expenses. $12 \times 4.10 = \mathbf{49.20 \text{ EUR}}$.

DR Other expenses	49.20 EUR
CR Trading Account	49.20 EUR

(10) The revenue is based on the consumption. Beer: $2 \times 5.00 \times (700 + 1,200 \times 50 - 80 \times 50) / 1.05 = \mathbf{540,000.00 \text{ EUR}}$. The sale of wines is: $(89 + 600 - 6 - 12 - 222) \times 20 = \mathbf{8,980.00 \text{ EUR}}$.

(11) Labour costs is 216,000.00 EUR.

(12, 13, 14) Recording rent

(15) Recording depreciation 26,000.00 EUR

(16) Calculation of the closing stock of beer: $80 \times 50 \times 1.30 = \mathbf{5,200.00 \text{ EUR}}$

(17) Calculation of the closing stock of wines: $222 \times 4.10 = \mathbf{910.20 \text{ EUR}}$.

D		P, P, E	C	
OV	260,000.00	c/d	260,000.00	
b/d	260,000.00			

D		Acc depr	C	
c/d	26,000.00	OV	26,000.00	
		b/d	26,000.00	
c/d	52,000.00	(15)	26,000.00	
	52,000.00		52,000.00	
		b/d	52,000.00	

D		Inventory beer [litres]	C	
OV	840.00	T/A	840.00	
clSt	5,200.00	c/d	5,200.00	
	6,040.00		6,040.00	
b/d	5,200.00			

D		Inventory wine [bottles]	C	
OV	356.00	T/A	356.00	
clSt	910.20	c/d	910.20	
	1,266.20		1,266.20	
b/d	910.20			

Exhibit 2: Accounts

Cash/Bank				Share capital			
D			C	D			C
OV	804.00	(1)	10,800.00	c/d	40,000.00	OV	40,000.00
(10b)	540,000.00	(5)	163,000.00			b/d	40,000.00
(10w)	8,980.00	(6a)	60,000.00				
		(6b)	13,000.00				
		(7)	2,460.00				
		(11)	216,000.00				
		(13)	36,000.00				
		c/d	48,524.00				
	<u>549,784.00</u>		<u>549,784.00</u>				
b/d	48,524.00						

Retained earnings R/E				Accounts payables			
D			C	D			C
		OV	25,200.00	(5)	163,000.00	OV	163,000.00
c/d	165,521.16	P&L	140,321.16				
	<u>165,521.16</u>		<u>165,521.16</u>				
		b/d	165,521.16				

Income tax liabilities				Prepaid expenses			
D			C	D			C
(1)	10,800.00	OV	10,800.00	OV	3,000.00	(12)	3,000.00
c/d	60,137.64	P&L	60,137.64	(14)	3,000.00	c/d	3,000.00
	<u>70,937.64</u>		<u>70,937.64</u>		<u>6,000.00</u>		<u>6,000.00</u>
		b/d	60,137.64	b/d	3,000.00		

Purchase				Depreciation			
D			C	D			C
(6a)	60,000.00	T/A	75,460.00	(15)	26,000.00	P&L	26,000.00
(6b)	13,000.00						
(7)	2,460.00						
	<u>75,460.00</u>		<u>75,460.00</u>				

Trading account T/A				Returns outwards			
D			C	D			C
OVb	840.00	Rev	548,980.00	T/A	24.60	(8)	24.60
OVw	356.00	R.O.	24.60				
T/A	75,460.00	clSt	5,200.00				
GP	478,458.80	clSt	910.20				
	<u>555,114.80</u>		<u>555,114.80</u>				

Exhibit 2: Accounts (continued)

D	A/R	C
(8)	24.60	c/d 24.60
b/d	24.60	

D	Sales	C
T/A	548,980.00	(10b) 540,000.00
		(10w) 8,980.00
	548,980.00	548,980.00

D	Labour	C
(11)	216,000.00	P&L 216,000.00

D	Rent	C
(12)	3,000.00	(14) 3,000.00
(13)	36,000.00	P&L 36,000.00
	39,000.00	39,000.00

D	Profit and Loss	C
Rnt	36,000.00	GP 478,458.80
Lab	216,000.00	
Dpr	26,000.00	
EBT	200,458.80	
	478,458.80	478,458.80
ITL	60,137.64	b/d 200,458.80
R/E	140,321.16	
	200,458.80	200,458.80

Exhibit 2: Accounts (continued)

Rodder Ltd.'s
STATEMENT of FINANCIAL POSITION
as at 31.12.20X8

A		C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>
P, P, E	208,000.00	Share capital
Intangibles		Reserves
Financial assets		Retained earnings
		165,521.16
<i>Current assets</i>		<i>Liabilities</i>
Inventory	6,110.20	Interest bear liab
Accounts receivables	24.60	Accounts payables
Prepaid expenses	3,000.00	Provisions
Cash/Bank	48,524.00	Tax liabilities
Total assets	265,658.80	Total equity and liab.
		265,658.80

Exhibit 3: Balance sheet