

### Task IM-13.6b: Eigenkapitalveränderungsrechnung (Statement of Changes in Equity along IFRSs)

ALDRUP AG is a company based on shares and applies the Company's act in Germany (AktG). ALDRUP AG has been established in 20X2 by a share issue of 100,000 ordinary shares at 1.00 EUR each. The share issue was at 1.05 EUR/share. ALDRUP AG earned a profit after taxes as displayed in the table below:

Accounting period	Earnings after tax
20X2	(80,000.00)
20X3	100,000.00
20X4	(8,000.00)
20X5	100,000.00

**Exhibit 1:** Profit earned after income tax

The appropriation of profit is in every year: Dividend (to be paid in the next accounting period): 40 %, Reserves 30 % and profit carried forward: 30 %. The percentages are linked to the distributable amount which is the annual surplus plus the profit carried forward from previous periods. § 150 AktG applies which requires deducting 5 % of the annual surplus in case capital reserves and legal reserves are below the mark of 10 % of the issued capital.

However, in 20X4 ALDRUP AG dissolved other earnings reserves in order to cover the loss less the (not more!). There were no changes regarding legal or capital reserves during that accounting period of 20X4.

~~On 1.07.20X4 ALDRUP AG issued 50,000 preference shares which are non-redeemable but cumulative. The dividend is fixed to be 8 % of the face value. However, in 20X4 no preference dividend is declared. The face value of the preference shares is 1.00 EUR/share. The issue price was 3.00 EUR/share.~~

~~As the preference shares are cumulative the dividend not declared in 20X4 will be declared a year later. Accordingly, the preference dividend amounts to 150 % of a normal preference dividend in 20X5.~~

**Required:** Prepare the statement of changes in equity ALDRUP AG along IFRSs for the year that ended on 31.12.20X5. It is necessary to provide information about the previous period for comparison purpose.

Ignore § 150 AktG.

### Solution (Lösung)

It is a save approach to make bookkeeping entries for all accounting periods: However, as the profit is given it is fine to just assume the profit has been recorded with a contra entry in the cash account. The full statement is not required for that reason, it doesn't bother to make debit and credit entries in the Cash/Bank account.

In 20X2:

(1) Share issue of ordinary shares.

<b>DR Cash/Bank</b> .....	<b>105,000.00 EUR</b>
<b>CR Issued Capital</b> .....	<b>100,000.00 EUR</b>
<b>CR Capital Reserves</b> .....	<b>5,000.00 EUR</b>

(2) ALDRUP AG makes a loss in 20X2. The loss is recorded with contra entry made in the Cash/Bank account.

<b>DR P&amp;L-20X2 Account</b> .....	<b>80,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>80,000.00 EUR</b>

In the first year the profit is carried forward to the next accounting period 20X3.

In the next year the profit is 100,000.00 EUR.

(a) Recording the profit

<b>DR Cash/Bank</b> .....	<b>100,000.00 EUR</b>
<b>CR P&amp;L-20X3 Account</b> .....	<b>100,000.00 EUR</b>

~~In 20X3 ALDRUP AG has to put 10 % of the profit less loss carried forward into the Legal Reserves account.~~

~~(b) Transfer to legal reserves:  $(100,000 - 80,000) \times 5\% = 1,000.00 \text{ EUR}$ .~~

<del><b>DR Retained Earnings</b> .....</del>	<del><b>1,000.00 EUR</b></del>
<del><b>CR Legal Reserves</b> .....</del>	<del><b>1,000.00 EUR</b></del>

(c, d) Appropriation of the remaining profit is along the 40 : 30 : 30 ratio. Dividend is 40 % x (100,000 – 80,000 – 1,000) = **8,000.00 EUR**. Earnings reserves will increase by 30 % (100,000 – 80,000 – 1,000) = **6,000.00 EUR**.

<b>DR Retained Earnings</b> .....	<b>6,000.00 EUR</b>
<b>CR Earnings Reserves</b> .....	<b>6,000.00 EUR</b>
 <b>DR Retained Earnings</b> .....	 <b>8,000.00 EUR</b>
<b>CR Shareholder for Dividend</b> .....	<b>8,000.00 EUR</b>

Bookkeeping entries in 20X4:

(A) Payment to shareholders (not required for solution):

<b>DR Shareholders for Dividend</b> .....	<b>7,200.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>7,200.00 EUR</b>

(B) Recording the loss of 35,000.00 EUR.

<b>DR P&amp;L-20X4 Account</b> .....	<b>35,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>35,000.00 EUR</b>

(C) ALDRUP AG dissolves Earnings reserves to an extent of  $8,000 - 5,700 = 2,300.00$  EUR.

<b>DR Earnings Reserves</b> .....	<b>2,300.00 EUR</b>
<b>CR Retained Earnings</b> .....	<b>2,300.00 EUR</b>

In that accounting period of 20X4 there is no appropriation of profit further.

~~(D) ALDRUP AG issues 50,000 preference shares at 3.00 EUR each:  $50,000 \times 3 = 150,000.00$  EUR.~~

<del><b>DR Cash/Bank</b> .....</del>	<del><b>150,000.00 EUR</b></del>
<del><b>CR Issued Capital</b> .....</del>	<del><b>50,000.00 EUR</b></del>
<del><b>CR Capital Reserves</b> .....</del>	<del><b>100,000.00 EUR</b></del>

Recording profit in 20X5:

(i) Profit recorded:

<b>DR P&amp;L-20X5</b> .....	<b>100,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>100,000.00 EUR</b>

~~(ii) Because of the high capital reserves no crediting to the Legal Reserves is required. Before the appropriation of profit can take place ALDRUP AG has to declare a 150 % preference dividend:  $150\% \times 8\% \times 50,000 = 6,000.00$  EUR.~~

<del><b>DR Retained Earnings</b> .....</del>	<del><b>6,000.00 EUR</b></del>
<del><b>CR Shareholder for Dividend</b> .....</del>	<del><b>6,000.00 EUR</b></del>

~~(iii, iv) The dividend and the earnings reserves are based on the remaining amount of  $100,000 - 12,000 = 88,000.00$  EUR. The ordinary dividend is  $40\% \times 100,000 = 40,000.00$  EUR. The amount put into the Earnings Reserves account equals to:  $30\% \times 100,000 = 30,000.00$  EUR.~~

<b>DR Retained Earnings</b> .....	<b>40,000.00 EUR</b>
<b>CR Shareholder for Dividend</b> .....	<b>40,000.00 EUR</b>
 <b>DR Retained Earnings</b> .....	 <b>30,000.00 EUR</b>
<b>CR Earnings Reserves</b> .....	<b>30,000.00 EUR</b>

Observe the accounts:

Capital reserves			
D			C
c/d	5,000.00	(1)	5,000.00
		b/d	5,000.00
c/d	5,000.00	<del>(D)</del>	<del>100,000.00</del>
	5,000.00		5,000.00
		b/d	5,000.00

Issued capital (ordinary)			
D			C
c/d	100,000.00	(1)	100,000.00
		b/d	100,000.00
c/d	100,000.00	<del>(D)</del>	<del>50,000.00</del>
	100,000.00		100,000.00
		b/d	100,000.00

Cash/Bank			
D			C
(1)	105,000.00	(2)	80,000.00
		c/d	25,000.00
	105,000.00		105,000.00
b/d	25,000.00		
(a)	100,000.00	c/d	125,000.00
	125,000.00		125,000.00
b/d	125,000.00	(A)	8,000.00
<del>(D)</del>	<del>150,000.00</del>	(B)	8,000.00
		c/d	109,000.00
	275,000.00		125,000.00
b/d	109,000.00		
(i)	100,000.00	c/d	209,000.00
	209,000.00		209,000.00
b/d	209,000.00		

Retained earnings R/E			
D			C
P&L-X2	80,000.00	c/d	80,000.00
b/d	80,000.00	P&L-X3	100,000.00
<del>LegRes</del>	<del>1,000.00</del>		
EarRes	6,000.00		
SH4D	8,000.00		
c/d	6,000.00		
	101,000.00		100,000.00
R/E	8,000.00	b/d	6,000.00
	8,000.00	(B)	2,000.00
			8,000.00
<del>SH4pD</del>	<del>12,000.00</del>	R/E	100,000.00
SH4oD	40,000.00		
EarRes	30,000.00		
c/d	30,000.00		
	100,000.00		100,000.00
		b/d	30,000.00

P&L-20X2			
D			C
(2)	80,000.00	c/d	80,000.00
b/d	80,000.00	R/E	80,000.00

P&L-20X3			
D			C
c/d	100,000.00	(a)	100,000.00
R/E	100,000.00	b/d	100,000.00

Legal reserves LegRes			
D			C
c/d	1,000.00	LegRes	1,000.00
		b/d	1,000.00

Earnings Reserves EarRes			
D			C
c/d	6,000.00	R/E	6,000.00
(B)	2,000.00	b/d	6,000.00
c/d	4,000.00		
	6,000.00		6,000.00
		b/d	4,000.00
c/d	34,000.00	EarRes	30,000.00
	34,000.00		34,000.00
		b/d	34,000.00

Shareholder for dividend SH4D			
D			C
(A)	8,000.00	SH4D	8,000.00
		<del>SH4pD</del>	<del>12,000.00</del>
c/d	40,000.00	SH4oD	40,000.00
	40,000.00		40,000.00
		b/d	40,000.00

P&L-20X4			
D			C
(B)	8,000.00	c/d	8,000.00
b/d	8,000.00	R/E	8,000.00

P&L-20X5			
D			C
c/d	100,000.00	(i)	100,000.00
R/E	100,000.00	b/d	100,000.00

## Exhibit 3: Accounts

**Aldrup AG's  
STATEMENT OF CHANGES IN EQUITY  
for 20X4**

	Issued capital	Earnings reserves	Capital reserves	Retained Earnings	Total Shareholders' Equity
<b>Equity as at 31.12.20X3</b>	<b>100,000.00</b>	<b>6,000.00</b>	<b>5,000.00</b>	<b>6,000.00</b>	<b>117,000.00</b>
Profit 20X4				(8,000.00)	(8,000.00)
Dissolving earnings reserves		(2,000.00)		2,000.00	<b>0.00</b>
Issue of preference shares	<del>50,000.00</del>		<del>100,000.00</del>		<del>150,000.00</del>
<b>Equity as at 31.12.20X4</b>	<b>100,000.00</b>	<b>4,000.00</b>	<b>5,000.00</b>	<b>0.00</b>	<b>109,000.00</b>
Profit 20X5				100,000.00	100,000.00
<b>Preference dividend</b>				(12,000.00)	(12,000.00)
Appropriation of profit - Dividend				(40,000.00)	(40,000.00)
Appropriation of profit - EarRes		30,000.00		(30,000.00)	(30,000.00)
<b>Equity as at 31.12.20X5</b>	<b>100,000.00</b>	<b>34,000.00</b>	<b>5,000.00</b>	<b>30,000.00</b>	<b>127,000.00</b>

## Exhibit 3: Statement of changes in equity