

### Task IM-3.12: Preparing Financial Statements

HOPELEY PLC is a British courier business. On 2.01.20X1, the company is established by issuing capital of 100,000.00 GBP. Therefore, issues 10,000 ordinary shares at an issue price of 12.00 GBP/s. The company operates 20 bikes bought on 4.03.20X1 at 1,700.00 GBP/u net amount. HOPELEY PLC pays the bikes to an extent of 50 % immediately and the remainder one year later. Depreciation is based on declining method at a rate of 1.5 %/m. The company also buys 30 helmets at 140.00 GBP/u cost of acquisition from the dealer. Depreciation on the helmets is along straight-line method over a period of 15 months, commencing in March 20X1, same as the bikes. The helmets are paid instantly.

HOPELEY PLC records 150,000 rides which make it earn a revenue of 8.50 GBP/ride each. 75% of the rides are paid on cash by the customers, the remainder in the next Accounting period. Labour is 3,200.00 GBP/driver and month. Labour is paid one month in advance. The first payment is on 25.02.20X1. There are 25 drivers. Operational expenses are amounting to 60,000.00 GBP (net amount), they are subjected to VAT and paid instantly.

HOPELEY PLC declares a dividend of 0.50 GBP/share. The remainder is carried forward to the next Accounting period.

**Required: Prepare a statement of financial position under consideration of appropriation of profits and calculate the operating cash flow by reconciliation.**

HOPELEY PLC ist ein Britischer Couriersdienst. Das Unternehmen wird am 2.01.20X1 mit einem Grundkapital von 100.000,00 GBP gegründet. Es gibt dafür 10.000 Stammaktien zu einem Bezugskurs von 12,00 GBP/Aktie aus. Das Unternehmen betreibt 20 Fahrräder, die am 4.03.20X1 zu 1.700.00 GBP/Stück (netto) angeschafft wurden. HOPELEY PLC zahlt die Fahrräder zu einem Anteil von 50 % sofort und den Rest ein Jahr später. Die Abschreibung folgt der degressiver Abschreibungsmethode mit einem Abschreibungssatz von 1,5 %/Monat. Das Unternehmen kauft von dem Händler ebenso 30 Helme zu 140,00 GBP/Stück Anschaffungskosten. Die Abschreibung der Helme folgt linearer Abschreibungsmethode über einen Zeitraum von 15 Monaten, beginnend mit dem März 20X1, wie die Fahrräder. Die Helme werden sofort bezahlt. HOPELEY PLC führt 150.000 Fahrten durch und erwirtschaftet einen Umsatz von 8,50 GBP/Fahrt. 75% der Fahrten werden von den Kunden bar gezahlt, der Rest in der nachfolgenden Abrechnungsperiode. Die Löhne betragen 3.200,00 GBP/Fahrer und Monat. Löhne werden einen Monat im Voraus bezahlt. Die erste Zahlung findet am 25.02.20X1 statt. Es gibt 25 Fahrer. Die Betriebskosten betragen 60,000.00 GBP (netto), sie sind umsatzsteuerrelevant und werden vollständig bezahlt.

HOPELEY PLC beschließt eine Dividende von 0,50 GBP/Aktie. Der Rest wird in die nächste Abrechnungsperiode vorgetragen.

**Gefragt: Erstellen Sie eine Bilanz unter appropriation of profits und rechnen Sie den operativen Cash Flow per Überleitungsrechnung aus.**

#### Solution:

- (1) Establishment of the company
- (2) Acquisition of the bikes
- (3) Depreciation equals:  $34,000 - 34,000 \times (1 - 1.5\%)^{10} = 4,769.16 \text{ GBP}$

<b>DR Depreciation</b> .....	<b>4,769.16 GBP</b>
<b>CR Acc. Depr.</b> .....	<b>4,769.16 GBP</b>

(4) Acquisition of the helmets

(5) Depreciation equals:  $4,200 \times 10/15 = 2,800.00$  GBP.

<b>DR Depreciation</b> .....	<b>2,800.00 GBP</b>
<b>CR Acc. Depr.</b> .....	<b>2,800.00 GBP</b>

(6) Revenue recognition

(7) Labour payment:  $11 \times 25 \times 3,200 = 880,000.00$  GBP.

<b>DR Labour</b> .....	<b>880,000.00 GBP</b>
<b>CR Cash/Bank</b> .....	<b>880,000.00 GBP</b>

(8) Prepaid expenses

(9) Operational expenses

D <b>Cash/Bank C/B</b> C		D <b>Issued capital ISS</b> C	
(1) 120,000.00	(2) 20,400.00	c/d 100,000.00	(1) 100,000.00
(6) 1,147,500.00	(4) 5,040.00		b/d 100,000.00
	(7) 880,000.00		
	(9) 72,000.00		
	c/d 290,060.00		
<u>1,267,500.00</u>	<u>1,267,500.00</u>		
b/d 290,060.00			

  

D <b>Reserves RES</b> C		D <b>Property, plant, equipment PPE</b> C	
c/d 20,000.00	(1) 20,000.00	(2) 34,000.00	c/d 38,200.00
	b/d 20,000.00	(4) 4,200.00	
		<u>38,200.00</u>	<u>38,200.00</u>
		b/d 38,200.00	

D		Value added tax VAT	C
(2)	6,800.00	(6)	255,000.00
(4)	840.00		
(9)	12,000.00		
c/d	235,360.00		
	<u>255,000.00</u>		<u>255,000.00</u>
		b/d	235,360.00

D		Accounts payables A/P	C
c/d	20,400.00	(2)	20,400.00
	<u>20,400.00</u>	b/d	20,400.00
c/d	25,400.00	A/P	5,000.00
	<u>25,400.00</u>		<u>25,400.00</u>
		b/d	25,400.00

D		Depreciation-20X1 DPR	C
(3)	4,769.16	c/d	7,569.16
(5)	2,800.00		
	<u>7,569.16</u>		<u>7,569.16</u>
b/d	7,569.16	P&L	7,569.16

D		Accumulated depreciation	C
c/d	7,569.16	(3)	4,769.16
	<u>7,569.16</u>	(5)	2,800.00
			<u>7,569.16</u>
		b/d	7,569.16

D		Revenue-20X1 REV	C
c/d	1,275,000.00	(6)	1,275,000.00
P&L	1,275,000.00	b/d	1,275,000.00

D		Accounts receivables A/R	C
(6)	382,500.00	c/d	382,500.00
b/d	382,500.00		

D		Labour-20X1 LAB	C
(7)	880,000.00	(8)	80,000.00
		c/d	800,000.00
	<u>880,000.00</u>		<u>880,000.00</u>
b/d	800,000.00	P&L	800,000.00

D		Prepaid expenses PRE	C
(8)	80,000.00	c/d	80,000.00
b/d	80,000.00		

D <b>Operational expenses-20X1</b> C		D <b>Profit and Loss-20X1</b> C	
(9) <u>60,000.00</u>	c/d <u>60,000.00</u>	DPR 7,569.16	REV 1,275,000.00
b/d <u>60,000.00</u>	P&L <u>60,000.00</u>	LAB 800,000.00	
		OEX 60,000.00	
		c/d <u>407,430.84</u>	
		<u>1,275,000.00</u>	<u>1,275,000.00</u>
		ITL 122,229.25	b/d <u>407,430.84</u>
		R/E 285,201.59	
		<u>407,430.84</u>	<u>407,430.84</u>

  

D <b>Income tax liabilities ITL</b> C		D <b>Retained earnings R/E</b> C	
c/d <u>122,229.25</u>	P&L <u>122,229.25</u>	c/d <u>285,201.59</u>	P&L <u>285,201.59</u>
	b/d <u>122,229.25</u>	A/P 5,000.00	b/d <u>285,201.59</u>
		c/d <u>280,201.59</u>	
		<u>285,201.59</u>	<u>285,201.59</u>
			b/d <u>280,201.59</u>

Exhibit 1: Accounts

Hopeley PLC's  
**STATEMENT of FINANCIAL POSITION**  
**as at 31.12.20X1**

A		C, L	
<i>Non-current assets</i>	[GBP]	<i>Equity</i>	[GBP]
P, P, E	30,630.84	Share capital	100,000.00
Intangibles		Reserves	20,000.00
Financial assets		Retained earnings	280,201.59
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Long-term Liab. IBL	
Accounts receivables	382,500.00	Short-term Liab. A/P	260,760.00
Prepaid expenses	80,000.00	Provisions	
Cash/Bank	290,060.00	Tax liabilities	122,229.25
<b>Total assets</b>	<b>783,190.84</b>	<b>Total equity and liab.</b>	<b>783,190.84</b>

Exhibit 2: Balance sheet

**Hopeley PLC's  
STATEMENT of CASH FLOWS  
for the period ended 31.12.20X1**

	[GBP]	[GBP]
<i>Cash flow from operating activities</i>		
EAT	285,201.59	
add Interest paid		
add Coupon paid		
add Depreciation	7,569.16	
...		
	<u>292,770.75</u>	
<i>changes in working capital</i>		
changes in A/R	(382,500.00)	
changes in Prepaid expenses	(80,000.00)	
changes in inventory	0.00	
changes in A/P	20,400.00	
changes in I/TL	122,229.25	
changes in VAT/r only materials	(12,000.00)	
changes in VAT/p	<u>255,000.00</u>	
		<u>215,900.00</u>
<i>Cash flow from investing activities</i>		
Investments	(40,800.00)	
...	<u>(5,040.00)</u>	
		<u>(45,840.00)</u>
<i>Cash flow from financing activities</i>		
Share issue	120,000.00	
Bond issued		
Coupon paid		
Pay-off plus interest		
Dividends	<u>0.00</u>	
		<u>120,000.00</u>
<b>Total cash flow</b>		<u><u>290,060.00</u></u>

**Exhibit 3:** Cash flow statement