

**Aufgabe A4.20: Exercise on Preparing Financial Statements**

ZELTER Ltd. is a dealership for cars. The company is established by an ordinary share issue of 100,000 shares at 1.00 EUR each on 1.01.20X1.

ZELTER Ltd. takes a bank loan from their house bank which is 50,000.00 EUR on 2.01.20X1. The rate of interest is 2.5 %/a and there is an agreement to pay-off 5,000.00 EUR every year. Interest and pay-off are due at the end of the year.

At the beginning of the accounting period (5.01.20X1) ZELTER Ltd. buys and pays a computer for bookkeeping at a price of 3,000.00 EUR. Depreciation is 1,000.00 EUR/a.

ZELTER Ltd. purchase and pay 10 cars Mercedes at a purchase price of 15,000.00 EUR each on 3.01.20X1.

During the accounting period they sell 7 thereof at a selling price of 22,000.00 EUR.

The rent for the show room is 1,000.00 EUR/month and paid by bank transfer.

Administration costs are 15,000.00 EUR/a.

On 1.10.20X1 ZELTER Ltd. buys and pays another 5 Mercedes cars at a purchase price of 16,000.00 EUR.

**Required: Write down all bookkeeping entries and make entries in T-accounts. Prepare the financial statements balance sheet and income statement. Ignore VAT.**

**Solution:**

(1) Share issue

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

(2) Taking bank loan

<b>DR Cash/Bank</b> .....	<b>50,000.00 EUR</b>
<b>CR Interest Bearing Liab.</b> .....	<b>50,000.00 EUR</b>

(3) Interest due at the end of 20X1 equals to  $50,000 \times 2.5\% = 1,250.00$  EUR.

<b>DR Interest</b> .....	<b>1,250.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>1,250.00 EUR</b>

(4) Pay-off equals to 5,000.00 EUR.

<b>DR Interest Bearing Liab.</b> .....	<b>5,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>5,000.00 EUR</b>

(5) Acquisition of computer for accounting.

<b>DR P, P, E</b> .....	<b>3,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>3,000.00 EUR</b>

(6) Depreciation on the computer is  $3,000 / 3 = 1,000.00$  EUR.

<b>DR Depreciation</b> .....	<b>1,000.00 EUR</b>
<b>CR P, P, E</b> .....	<b>1,000.00 EUR</b>

(7) Purchase of cars:  $10 \times 15,000 = 150,000.00$  EUR.

<b>DR Inventory</b> .....	<b>150,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>150,000.00 EUR</b>

(8) Selling cars at  $7 \times 22,000 = 154,000.00$  EUR.

<b>DR Cash/Bank</b> .....	<b>154,000.00 EUR</b>
<b>CR Revenue</b> .....	<b>154,000.00 EUR</b>

(9) Posting material flow:  $7 \times 15,000 = 105,000.00$  EUR.

<b>DR Material Expenses</b> .....	<b>105,000.00 EUR</b>
<b>CR Inventory</b> .....	<b>105,000.00 EUR</b>

(10) Recording rent payment which equals to  $12 \times 1,000 = 12,000.00$  EUR.

<b>DR Rent</b> .....	<b>12,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>12,000.00 EUR</b>

(11) Payment for administration

<b>DR Administration</b> .....	<b>15,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>15,000.00 EUR</b>

(12) Further purchase of 5 Mercedes cars at 16,000.00 EUR each. The purchase is  $5 \times 16,000 = 80,000.00$  EUR.

<b>DR Inventory</b> .....	<b>80,000.00 EUR</b>
<b>CR Cash/Bank</b> .....	<b>80,000.00 EUR</b>

<b>Cash/Bank</b>			
D		C	
(1)	100,000.00	(3)	1,250.00
(2)	50,000.00	(4)	5,000.00
(8)	154,000.00	(5)	3,000.00
		(7)	150,000.00
		(10)	12,000.00
		(11)	15,000.00
		(12)	80,000.00
		c/d	37,750.00
	<u>304,000.00</u>		<u>304,000.00</u>
b/d	37,750.00		

  

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

  

<b>Interest bearing liabilities</b>			
D		C	
(4)	5,000.00	(2)	50,000.00
c/d	<u>45,000.00</u>		<u>50,000.00</u>
	<u>50,000.00</u>	b/d	<u>45,000.00</u>

  

<b>Interest-20X1</b>			
D		C	
(3)	<u>1,250.00</u>	c/d	<u>1,250.00</u>
b/d	<u>1,250.00</u>	P&L	<u>1,250.00</u>

  

<b>PPE</b>			
D		C	
(5)	3,000.00	(6)	1,000.00
c/d	<u>2,000.00</u>		<u>3,000.00</u>
	<u>3,000.00</u>	b/d	<u>2,000.00</u>

  

<b>Depreciation-20X1</b>			
D		C	
(6)	<u>1,000.00</u>	c/d	<u>1,000.00</u>
b/d	<u>1,000.00</u>	P&L	<u>1,000.00</u>

  

<b>Inventory</b>			
D		C	
(7)	150,000.00	(9)	105,000.00
(12)	80,000.00	c/d	<u>125,000.00</u>
	<u>230,000.00</u>		<u>230,000.00</u>
b/d	<u>125,000.00</u>		

  

<b>Revenue-20X1</b>			
D		C	
c/d	<u>154,000.00</u>	(8)	<u>154,000.00</u>
P&L	<u>154,000.00</u>	b/d	<u>154,000.00</u>

  

<b>Material expenses-20X1</b>			
D		C	
(9)	<u>105,000.00</u>	c/d	<u>105,000.00</u>
b/d	<u>105,000.00</u>	P&L	<u>105,000.00</u>

  

<b>Rent-20X1</b>			
D		C	
(10)	<u>12,000.00</u>	c/d	<u>12,000.00</u>
b/d	<u>12,000.00</u>	P&L	<u>12,000.00</u>

  

<b>Admin-20X1</b>			
D		C	
(11)	<u>15,000.00</u>	c/d	<u>15,000.00</u>
b/d	<u>15,000.00</u>	P&L	<u>15,000.00</u>

  

<b>Profit and Loss account</b>			
D		C	
Int	1,250.00	Rev	154,000.00
Depr	1,000.00		
ME	105,000.00		
Rent	12,000.00		
Admin	15,000.00		
EBTc/d	<u>19,750.00</u>		
	<u>154,000.00</u>		<u>154,000.00</u>
ITL	5,925.00	b/d	<u>19,750.00</u>
R/E	<u>13,825.00</u>		<u>19,750.00</u>
	<u>19,750.00</u>		<u>19,750.00</u>

  

<b>Income tax liabilities (ITL)</b>			
D		C	
c/d	<u>5,925.00</u>	P&L	<u>5,925.00</u>
		b/d	<u>5,925.00</u>

  

<b>Retained earnings R/E</b>			
D		C	
c/d	<u>13,825.00</u>	P&L	<u>13,825.00</u>
		b/d	<u>13,825.00</u>

Exhibit 1: Accounts

**Zelter Ltd.'s**  
**STATEMENT of COMPREHENSIVE INCOME**  
**for the year ended 31.12.20X1**

	[EUR]
Revenue	154,000.00
Other income	154,000.00
Materials	105,000.00
Labour	0.00
Depreciation	1,000.00
Other expenses	27,000.00
Earnings before int and taxes (EBIT)	21,000.00
Interest	1,250.00
<b>Earnings before taxes (EBT)</b>	<b>19,750.00</b>
Income tax expenses	5,925.00
Deferred taxes	13,825.00
<b>Earnings after taxes (EAT)</b>	<b>13,825.00</b>

Exhibit 2: Income statement

**Zelter Ltd.'s**  
**STATEMENT of FINANCIAL POSITION**  
**as at 31.12.20X1**

A			C, L
<i>Non-current assets</i>	[EUR]	<i>Owners' capital</i>	[EUR]
P, P, E	2,000.00	Share capital	100,000.00
Intangibles		Reserves	
Financial assets		R/E	13,825.00
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	125,000.00	Interest bear liab	45,000.00
A/R		A/P	
Prepaid expenses		Provisions	
Cash/Bank	37,750.00	Tax liabilities	5,925.00
	<b>164,750.00</b>		<b>164,750.00</b>

Exhibit 3: Balance sheet