

### Exercise A4.21: Deriving F/S (Chapter 11 in the Basics)

MICKTEN Ltd. is a toast bakery store. The company get founded on 1.01.20X1 by a share issue of 1,000 ordinary shares at 10.00 EUR each. There is no share premium.

The company rents a store at 750.00 EUR/m. Rent is to be paid one month in advance except of the rent for January 20X1. Rent is not subject to VAT.

On 1.02.20X1, MICKTEN Ltd. buys fridges and toast grills at 2,400.00 EUR cost of acquisition. The kitchen equipment is depreciated along straight line method over 2 years. Depreciation commences on 1.02.20X1.

All other business activities (except of rent) start on 1.02.20X1 also:

MICKTEN Ltd. pays labour for the cook and the sales person 3,500.00 EUR/m. Labour expenses start on 1.02.20X1. All employees work like freelancers which means they pay income tax themselves. MICKTEN Ltd. doesn't pay payroll tax or whatsoever.

MICKTEN Ltd. buys food - like toast bread, sauces, cheese, ham, chicken - every month (starting February 20X1) for 2,280.00 EUR/m. The amount contains VAT. There is no closing stock to consider. MICKTEN pays the bills for food three month later. Calculate accurate to the month.

From February (inclusive) 20X1 onwards, MICKTEN Ltd. sells every month 1,600 grilled sandwiches at a net selling price of 3.00 EUR/u.

The appropriation of profits is at a 50 : 50 ratio. This means 50 % of the profit is carried forward and 50 % is paid to the proprietors the next following year.

In 20X2 MICKTEN increases the net selling price by 1.00 EUR/u.

**Required: Prepare a full set of financial statements for MICKTEN Ltd. as at 31.12.20X2. Disclose comparative information for the accounting period 20X1. It contains a balance sheet, an income statement and a statement of cash flows. Consider VAT at a VAT rate of 20 %. The total income tax rate for this task is 30 %.**

### Solution

Observe the accounts.

D	<b>Cash/Bank</b>	C
(1)	10,000.00	(2)           9,750.00
(8)	63,360.00	(4)           2,880.00
		(6)          38,500.00
		(7)          18,240.00
		c/d          3,990.00
	<u>73,360.00</u>	<u>69,370.00</u>
b/d	<u>3,990.00</u>	

D	<b>Issued capital</b>	C
c/d	10,000.00	(1)           10,000.00

D	<b>Rent</b>	C
(2)	9,750.00	(3)           750.00
		c/d          9,000.00
	<u>9,750.00</u>	<u>9,750.00</u>
b/d	<u>9,000.00</u>	

D	<b>Prepaid expenses</b>	C
(3)	750.00	c/d          750.00
b/d	<u>750.00</u>	<u>750.00</u>

### Exhibit 1: Accounts

D	P, P, E	C
(4)	<u>2,400.00</u>	c/d <u>2,400.00</u>
b/d	<u>2,400.00</u>	

D	VAT	C
(4)	480.00	(8) <u>10,560.00</u>
(7)	4,180.00	
c/d	<u>5,900.00</u>	
	<u>10,560.00</u>	<u>10,560.00</u>
	b/d	<u>5,900.00</u>

D	Depr 20X1	C
(5)	<u>1,100.00</u>	P&L <u>1,100.00</u>

D	Acc depr	C
c/d	<u>1,100.00</u>	(5) <u>1,100.00</u>
		b/d <u>1,100.00</u>

D	Labour	C
(6)	<u>38,500.00</u>	P&L <u>38,500.00</u>

D	Material expenses	C
(7)	<u>20,900.00</u>	P&L <u>20,900.00</u>

D	Profit and Loss P&L 20X1	C
Depr	1,100.00	Rev 52,800.00
Labour	38,500.00	
Rent	9,000.00	
Materials	20,900.00	NL <u>16,700.00</u>
	<u>69,500.00</u>	<u>69,500.00</u>
b/d	<u>16,700.00</u>	R/E <u>16,700.00</u>

D	Revenue	C
P&L	<u>52,800.00</u>	(8) <u>52,800.00</u>

D	Accounts payables A/P	C
c/d	<u>6,849.00</u>	(7) <u>6,840.00</u>
		b/d <u>6,840.00</u>

D	Retained earnings R/E	C
P&L	<u>16,700.00</u>	c/d <u>16,700.00</u>
b/d	<u>16,700.00</u>	

## Exhibit 1: Accounts (continued)

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

	[EUR]
Revenue	52,800.00
Other income	
	<u>52,800.00</u>
Materials	20,900.00
Labour	38,500.00
Depreciation	1,100.00
Other expenses	<u>9,000.00</u>
Earnings before int and taxes (EBIT)	<u>(16,700.00)</u>
Interest	<u>0.00</u>
<b>Earnings before taxes (EBT)</b>	<b>(16,700.00)</b>
Income tax expenses	0.00
Deferred taxes	
<b>Earnings after taxes (EAT)</b>	<b>(16,700.00)</b>

## Exhibit 2: Income statement

**Mickten Ltd.'s**  
**STATEMENT of FINANCIAL POSITION**

A	as at 31.12.20X1		C, L	
<i>Non-current assets</i>		[EUR]	<i>Owners' capital</i>	[EUR]
P, P, E	1,300.00		Share capital	10,000.00
Intangibles			Reserves	
Financial assets			R/E	(16,700.00)
<i>Current assets</i>			<i>Liabilities</i>	
Inventory			Interest bear liab	
A/R			A/P	12,740.00
Prepaid expenses	750.00		Provisions	
Cash/Bank	3,990.00		Tax liabilities	0.00
		<b>6,040.00</b>		<b>6,040.00</b>

Exhibit 3: Balance sheet

**Mickten Ltd.'s**  
**STATEMENT of CASH FLOWS**  
**for the period ended 31.12.20X1**

<i>Cash flow from operating activities</i>		
Materials bought	(18,240.00)	
Sales	63,360.00	
Labour	(38,500.00)	
Rent	(9,750.00)	
		(3,130.00)
<i>Cash flow from investing activities</i>		
Investments	(2,880.00)	
		(2,880.00)
<i>Cash flow from financing activities</i>		
Share issue	10,000.00	
		10,000.00
		3,990.00

Exhibit 4: Statement of cash flows