

**Task A4.34: Preparing Financial Statements**

DRIMAN PLC is a British online trading business for computer memory chips. The company is established by a share issue of 45,000 ordinary shares at 1.00 GBP/share on 1.10.20X2 (caution: the balance sheet on 31.12.20X2 is not given).

Below, the trial balance as at 31.12.20X3 is given.

**Driman's  
TRIAL BALANCE  
as at 31.12.20X3**

Account	Debit entries	Credit entries
Property, Plant, Equipment	80,000.00	
Accumulated depreciation		20,000.00
Inventories	30,000.00	
Accounts receivables	10,000.00	
Cash/Bank	677,000.00	
Issued capital		45,000.00
Reserves		5,000.00
Retained earnings		7,000.00
Long-term liabilities		85,000.00
Short-term liabilities		5,000.00
Labour	90,000.00	
Purchase	800,000.00	
Returns outwards		100,000.00
Revenue		1,300,000.00
VAT		120,000.00
<b>Total:</b>	<b>1,687,000.00</b>	<b>1,687,000.00</b>

Adjustments have not yet been recorded. As adjustments you have to consider:

- (1) Depreciation is 20,000.00 GBP in 20X3.
- (2) Payment for interest and pay-off amounting to 1,000.00 GBP (interest) and 5,000.00 GBP (pay-off). The same amount for pay-off applies for 20X4. You have to disclose the bank loan based on IAS 1 which requires to show long-term and short-term liabilities separately. The short-term liabilities in the trial balance result from pay-off due in 20X3.
- (3) DRIMAN PLC purchased memory chips at 800,000.00 GBP (net amount). It also returns memory at 100,000.00 GBP (net amount) and receives cash from its supplier in return. The return and payment are considered on the Trial Balance already.
- (4) When DRIMAN PLC takes stock the closing stock is amounting to 120,000.00 GBP.
- (5) You have to calculate gross profit and net profit.

- (6) The appropriation of profits based on the distributable amount is Reserves : Dividend at a 40:60 ratio. Dividends are paid in the next following Accounting period.
- (7) Consider all business transactions being on cash.

**Required: Prepare a full set of financial statements (balance sheet, income statement, statement of cash flows and statement of changes in equity).**

DRIMAN PLC ist ein Online Händler für Computer-Speicherchips. Das Unternehmen wurde durch Ausgabe von 45.000 Stammaktien zu 1.00 GBP/Aktie am 1.10.20X2 gegründet (Achtung: die Bilanz zum 31.12.20X2 ist nicht gegeben!).

Untenstehend ist die Trial Balance zum 31.12.20X3 gezeigt.

**Driman's  
TRIAL BALANCE  
as at 31.12.20X3**

<b>Account</b>	<b>Debit entries</b>	<b>Credit entries</b>
Property, Plant, Equipment	80,000.00	
Accumulated depreciation		20,000.00
Inventories	30,000.00	
Accounts receivables	10,000.00	
Cash/Bank	677,000.00	
Issued capital		45,000.00
Reserves		5,000.00
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Purchase	800,000.00	
Returns outwards		100,000.00
Revenue		1,300,000.00
VAT		120,000.00
<b>Total:</b>	<b>1,687,000.00</b>	<b>1,687,000.00</b>

Die Abschlußbuchungen haben noch nicht stattgefunden. Als Abschlußbuchungen müssen sie berücksichtigen:

- (1) Die Abschreibung beträgt 20,000.00 GBP in 20X3.

- (2) Die Zahlung für Zins und Tilgung beträgt 1.000,00 GBP (Zins) und 5.000,00 GBP (Tilgung). Der gleiche Betrag für Tilgung ist für 20X4 anzuwenden. Sie müssen das Bankdarlehn nach IAS 1 ausweisen, was erfordert das lang- und kurzfristige Schulden getrennt zu zeigen sind. Die kurzfristigen Schulden in der Trial Balance resultieren aus der Tilgung, die in 20X3 fällig ist.
- (3) DRIMAN PLC kauft Computer-Speicherchips zu 800.000,00 GBP (netto) ein. Das Unternehmen schickt Computer-Speicherchips im Wert von 100.000,00 GBP (netto) an den Lieferanten zurück und erhält im Gegenzug eine entsprechende Geldzahlung. Die Rücksendung und die Zahlung sind bereits berücksichtigt in der Trial Balance.
- (4) Wenn DRIMAN PLC Inventur macht, wird ein Schlussbestand von 120.000,00 GBP festgestellt.
- (5) Sie müssen den Rohertrag und den Gewinn vor Steuern bestimmen.
- (6) Die Verwendung des Ergebnisses bezieht sich auf den ausschüttungsfähigen Betrag und entspricht einer 40:60 Gewinnverwendung (Rücklagen : Dividenden). Die Dividende wird erst im nächsten Geschäftsjahr gezahlt.
- (7) Berücksichtigen Sie alle Geschäftsvorfälle als zahlungsrelevant.

**Gefordert: Erstellen Sie einen kompletten Jahresabschluß (Bilanz, Gewinn- und Verlustrechnung, Kapitalflußrechnung (nach direkter Methode) und Eigenkapitalveränderungsrechnung).**

**Solution:**

Bookkeeping entries:

- (1) Depreciation
- (2) Interest
- (3) Pay-off
- (4) reclassifying short-term liabilities.

Observe the remainder of Bookkeeping entries in the accounts below:

D		P, P, E	C	
T/B	80,000.00	c/d	80,000.00	
b/d	80,000.00			

D		Acc depr	C	
		T/B	20,000.00	
c/d	40,000.00	(1)	20,000.00	
	40,000.00		40,000.00	
		b/d	40,000.00	

D		Inventories	C	
T/B	30,000.00	INV	30,000.00	
INV	120,000.00	c/d	120,000.00	
	150,000.00		150,000.00	
b/d	120,000.00			

D		Accounts receivables	C	
T/B	10,000.00	c/d	10,000.00	
b/d	10,000.00			

D		Cash/Bank	C	
T/B	677,000.00	(2)	1,000.00	
		(3)	5,000.00	
		c/d	671,000.00	
	677,000.00		677,000.00	
b/d	671,000.00			

D		Issued capital	C	
c/d	45,000.00	T/B	45,000.00	
		b/d	45,000.00	

Exhibit 2: Accounts

D		VAT	C
	160,000.00		20,000.00
c/d	120,000.00		260,000.00
	<u>280,000.00</u>		<u>280,000.00</u>
		b/d	120,000.00

D		Reserves	C
		T/B	5,000.00
c/d	211,150.00	R/E	206,150.00
	<u>211,150.00</u>		<u>211,150.00</u>
		b/d	211,150.00

D		Retained earnings	C
A/P	206,150.00	T/B	7,000.00
RES	206,150.00	R/E	405,300.00
	<u>412,300.00</u>		<u>412,300.00</u>

D		Long-term liabilities	C
(4)	5,000.00	T/B	85,000.00
c/d	80,000.00		
	<u>85,000.00</u>		<u>85,000.00</u>
		b/d	80,000.00

D		Short-term liabilities	C
(3)	5,000.00	T/B	5,000.00
		(4)	5,000.00
c/d	211,150.00	R/E	206,150.00
	<u>216,150.00</u>		<u>216,150.00</u>
		b/d	211,150.00

D		Labour	C
	T/B	90,000.00	P&L
		<u>90,000.00</u>	<u>90,000.00</u>

D		Purchase	C
	T/B	800,000.00	PUR
		<u>800,000.00</u>	<u>800,000.00</u>

D		Returns outwards	C
	R.O.	100,000.00	T/B
		<u>100,000.00</u>	<u>100,000.00</u>

D		Revenue	C
REV	1,300,000.00	T/B	1,300,000.00
	<u>1,300,000.00</u>		<u>1,300,000.00</u>

D		Depreciation	C
(1)	20,000.00	P&L	20,000.00
	<u>20,000.00</u>		<u>20,000.00</u>

D		Interest	C
(2)	1,000.00	P&L	1,000.00
	<u>1,000.00</u>		<u>1,000.00</u>

D		Trading account	C
PUR	800,000.00	REV	1,300,000.00
INV	30,000.00	INV	120,000.00
GP	690,000.00	R.O.	100,000.00
	<u>1,520,000.00</u>		<u>1,520,000.00</u>
P&L	690,000.00	b/d	690,000.00

Exhibit 2: Accounts (continued)

Profit and Loss				Income tax liabilities			
D			C	D			C
INT	1,000.00	T/A	690,000.00	c/d	173,700.00	ITL	173,700.00
DPR	20,000.00					b/d	173,700.00
LAB	90,000.00						
EBT	579,000.00						
	<u>690,000.00</u>		<u>690,000.00</u>				
ITL	173,700.00	b/d	579,000.00				
R/E	405,300.00						

**Exhibit 2:** Accounts (continued)

Below is the set of financial statements after appropriation of profits:

**Driman PLC's**  
**STATEMENT of FINANCIAL POSITION**  
**as at 31.12.20X3**

A		C, L	
<i>Non-current assets</i>	[GBP]	<i>Equity</i>	[GBP]
P, P, E	40,000.00	Share capital	45,000.00
Intangibles		Reserves	211,150.00
Financial assets		Retained earnings	0.00
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	120,000.00	Long-term Liab. IBL	80,000.00
Accounts receivables	10,000.00	Short-term Liab. A/P	331,150.00
Prepaid expenses		Provisions	
Cash/Bank	671,000.00	Tax liabilities	173,700.00
<b>Total assets</b>	<b>841,000.00</b>	<b>Total equity and liab.</b>	<b>841,000.00</b>

**Exhibit 3:** Balance sheet

**Driman PLC's  
STATEMENT of PROFIT & LOSS  
and OTHER COMPREHENSIVE INCOME  
for the year ended 31.12.20X3**

	[GBP]
Revenue	1,300,000.00
Other income	1,300,000.00
Materials	(610,000.00)
Labour	(90,000.00)
Depreciation	(20,000.00)
Other expenses	0.00
<b>Earnings before int. &amp; taxes (EBIT)</b>	<b>580,000.00</b>
Interest	(1,000.00)
<b>Earnings before taxes (EBT)</b>	<b>579,000.00</b>
Income tax expenses	(173,700.00)
Deferred taxes	405,300.00
<b>Earnings after taxes (EAT)</b>	<b>405,300.00</b>

**Exhibit 4:** Income statement

**Driman's  
STATEMENT of CHANGES in EQUITY  
as at 31.12.20X3**

	Share capital	Reserves	Retained earnings	total
	[GBP]	[GBP]	[GBP]	[GBP]
as at 1.01.20X3	45,000.00	5,000.00	7,000.00	57,000.00
Profit 20X3			405,300.00	405,300.00
Dividend 20X3			(206,150.00)	(206,150.00)
Additions to reserves		206,150.00	(206,150.00)	0.00
as at 31.12.20X3	45,000.00	211,150.00	0.00	256,150.00

**Exhibit 4:** Statement of changes in equity

**Driman PLC's  
STATEMENT of CASH FLOWS  
for the period ended 31.12.20X3**

	[GBP]	[GBP]
<i>Cash flow from operating activities</i>		
Proceeds	1,560,000.00	
Purchase	(960,000.00)	
Returns outwards	120,000.00	
Labour	(90,000.00)	
		630,000.00
<i>Cash flow from investing activities</i>		
Investments	0.00	
		0.00
<i>Cash flow from financing activities</i>		
Pay-off plus interest	(6,000.00)	
		(6,000.00)
<b>Total cash flow</b>		<b>624,000.00</b>

**Exhibit 6:** Statement of cash flows