5	ΑΣΚΗΣΕΙΣ ΚΕΦΑΛΑΙΟΥ REVIEW QUESTIONS

1. Amalthea plc provided the following information at 31 December 2017:

	€
Share capital (€1 ordinary shares)	400.000
General reserve	40.000
Retained earnings	75.000
Share premium	80.000

On 30 September 2017 an interim dividend of €0,10 per share was paid.

The draft profit for the year ended 31 December 2017 was €85.000.

Required:

Prepare the statement of changes in equity for Amalthea plc for the year ended 31 December 2017 in the following form.

	Share Capital €	Share Premium €	General Reserve €	Retained Earnings €	Total €

2. Hermes Plc provided the following information at 30 June 2017

	€000
Share capital (€0.50 ordinary shares)	400
General reserve	40
Retained earnings	95
Share premium	80

- ✓ On 31 March 2017 an interim dividend of €0,10 per share was paid
- ✓ On 30 June 2017 an amount of €10.000 was transferred to the general reserve
- ✓ On 30 June 2017 the directors proposed to pay final dividend of €0.20 per share on the ordinary shares.

The draft profit for the year ended 30 June 2017 was €192.000

<u>Required:</u>

Prepare the statement of changes in equity for Hermes plc for the year ended 30 June 2017 in the following form.

	Share Capital €	Share Premium €	General Reserve €	Retained Earnings €	Total €

3. Classify the following items by **function** of expenditure in cost of sales, distribution costs, administrative expenses and finance cost:

Distribution costs	Inventory at 1 January 2016
Administrative expenses	Irrecoverable debts
Carriage inwards	Warehouse wages
Bank interest	Auditors remuneration
Warehouse depreciation	Purchases
Sales commission	Revenue
Director fees	Inventory at 31 December
Discount received	Administration salaries

4. The trial balance extract of Paphiana Plc for the year ended 31 December 2017 was as follows:

	€000	€000
Revenue		1.920
Purchases	1.152	
Advertising expenses	73	
Audit fees	9	
Irrecoverable debt expenses	21	
Inventory at 1 January 2017	25	
Administration salaries	80	
Sales persons salaries	44	
Manufacturing wages	87	
Hire of factory plant	15	
Interim dividend declared and paid	14	
Office Premises – depreciation expense	33	
Factory Plant – depreciation expense	66	
Delivery vehicles – depreciation expense	22	
10% loan notes		200
Loan note interest paid	10	

Additional information:

- Inventory as at 31 December 2017 was valued at €29.000
- The income tax expense for the year was estimated to be €50.000

Required:

Prepare a Statement of Profit or Loss for Paphiana Ltd for the year ended 31 December 2017, classifying expenses by function, which meets the requirements of IAS 1.

5. Platonas Plc provided the following information at 30 June 2017:

	€000
General reserve	60
Share capital (€0.50 ordinary shares)	400
Retained earnings	95
Share premium	40
Premises – cost	145
Premises -accumulated depreciation	25
Land- cost	100

- ✓ Premises are depreciated at 15% per annum using the reducing (diminishing) balance method. During the year the land was revalued to €120.000.
- ✓ On 31 December 2016 an interim dividend of €0,05 per share was paid.
- ✓ On 30 June 2016 an amount of €10.000 was transferred to the general reserve.
- ✓ On 30 June 2017 a rights issue of 2 ordinary shares for every 5 shares held was made at €0,80 per share. The issue was fully subscribed.

The draft profit for the year ended 30 June 2017, before accounting for depreciation, was €132.500

Required:

Prepare the statement of changes in equity for Platonas plc for the year ended 30 June2017, in the following form.

	Share Capital €	Share Premium €	General Reserve €	Revaluation Reserve €	Retained Earnings €	Total €

6. Markos Ltd trial balance as at 31 December 2017 shows the following items:

	€000	€000
Revenues		6.000
Opening Inventories	150 (1*)	
Purchases of raw materials	800	
Factory Wages	1.000	
Depreciation of machinery	200	
Depreciation of delivery vans	100	
Depreciation of equipment	300 (2*)	
Rent & rates	700 (3*)	
Office salaries	500 (4*)	
Interest	100	

*see note

Further information:

1. Closing Inventories at 31 December 2017 are €180.000
2. 1/3 of office equipment by net book value is used by the sales department. The rest is used for general administration.
3. Rent and rates will be apportioned in accordance with the floor space as follows:

Factory	4000m^2
Delivery and marketing office	1000m^2
General administration	2000m^2

4. 75% of office salaries relate to delivery, marketing and sale staff.

<u>Required:</u>

a) Allocate and apportion these expenses between cost of sales, selling and distribution costs, and administration costs.

b) Prepare Markos' Ltd Statement of profit or loss for the year ended 31 December 2017 using the functional method.

7. The following balances have been extracted from the books of Columbus International Plc as at 31 December 2017:

	Dr	**Cr**
	€	**€**
Issued share capital 400.000 ordinary shares of €0.50 each		200.000
Office equipment - cost	200.000	
Office equipment – accumulated depreciation		20.000
Bank	50.000	
6% Loan stock		100.000
Retained earnings at 1 January 2017		76.000
Trade receivables	100.000	
Trade payables		70.000
Other payables		10.000
Other receivables	8.000	
Inventory at 1 January 2017	100.000	
Sales		480.000
Purchases	360.000	
Salaries and wages	100.000	
Office rent	10.000	
Heat and light	7.000	
Loan interest	3.000	
Delivery vehicle expenses	2.000	
Distribution expenses	16.000	
	956.000	956.000

The following adjustments are also required:

a) Office equipment are depreciated at 10 per cent per annum on a reducing balance basis.

b) Inventory at 31 December 2017 was valued at €91.000.

c) Auditor's remuneration of €4.000 is due.

d) The interest on the 6% Loan stock for the second half of the year was outstanding.

e) An allowance of 2% on trade receivable is created after writing off a debt of €4.000 which is considerable to be irrecoverable.

f) On 31 December 2017 the company had a rights issue of 1 new share for every 5 shares already held at a price of €1,40 per share.

Required:

a) Prepare the statement of profit or loss for the year ended 31 December 2017.

b) Prepare the statement of financial position as at 31 December 2017.

c) Prepare the statement of changes in equity for the year ended 31 December 2017.

8. The following balances have been extracted from the books of Acropolis Plc as at 31 December 2017:

	Dr	Cr
	€	€
Ordinary share capital: €1 shares		500.000
Share premium		60.000
General reserve		24.000
Revenue		2.545.185
Returns inwards	68.100	
Inventory	168.360	
Retained earnings		69.875
Purchases	1.237.955	
Returns outwards		60.610
Warehouse wages	205.120	
Carriage inwards	3.170	
Carriage outwards	21.895	
Motor vehicle expenses	42.385	
Sales department salaries	152.555	
Administrative wages and salaries	138.595	
Plant and machinery	305.000	
Accumulated depreciation: plant and machinery		108.145
Directors' remuneration	97.570	
General distribution expenses	13.565	
General administrative expenses	23.995	
Ordinary dividend paid	187.500	
Rent income		18.575
Trade receivable	811.785	
Cash at bank and in hand	89.625	
Trade accounts payable		180.785
	3.567.175	3.567.175

Notes:

a) Inventory at 31.12.2017 €206.390

b) Plant and machinery is apportioned: distributive 60%, administrative 40%.

c) Accrued auditors' remuneration: €35.500.

d) Depreciate plant and machinery: 20% on cost.

e) Of the motor expenses, €27.500 is for distributive purposes.

f) Corporation tax on profits is estimated at €119.200 and is payable on 01.10.2018

g) Directors remuneration incudes €22.500 of the marketing director.

<u>Required:</u>

a) Prepare the statement of profit or loss for the year ended 31 December 2017.

b) Prepare the statement of financial position as at 31 December 2017.

c) Prepare the statement of changes in equity for the year ended 31 December 2017.

9. Green Park Ltd extracted the following balances at 31 August 2015:

	€
Allowances for irrecoverable debts	4.598
Carriage inwards	26.000
Carriage outwards	35.450
Discount allowed	2.500
Fixtures and fittings accumulated depreciation	15.000
Fixtures and fittings at cost	40.000
General administration expenses	74.560
General distribution costs	44.970
Irrecoverable debts	3.500
Office buildings at cost	242.000
Loan at 10%	100.000
Machinery accumulated depreciation	56.000
Machinery at cost	80.000
Motor vans accumulated depreciation	24.000
Motor vans at cost	60.000
Opening inventory	46.540
Purchases returns	4.900
Purchases	524.900
Sales	959.678
Sales returns	9.678
Trade payables	79.850
Trade receivables	65.700
Wages and salaries	92.500
Warehouse rent	17.000

Additional information:

- On 1 June 2015 a motor van, cost €20.000, with accumulated depreciation of €14.600 was sold for €6.000. This has not yet been recorded in the books.

- The depreciation policy is to be charge a full year's depreciation in the year of acquisition and none in the year of disposal

- Inventory at 31 August 2015 was valued at 64.350

    - ✓ This included damaged goods costing €5.000. These goods can be repaired at an additional cost of €350 and can be sold for €4.250

    - ✓ This also included damaged goods costing €7.250, which are irreparable and unsaleable but can be replaced at a cost of €8.750

- Wages, and salaries, €7.500, were outstanding. The wages and salaries were shared between administration expenses and distribution costs in the ratio of 80% and 20% respectively

- Allowances for irrecoverable debts was to be maintained at 10% of trade receivables

- The warehouse rent included €1 500 for the quarter ending 30 September 2015.

- Depreciation is to be charged as follows:

Non-Current Assets	**Method**	**Apportionment**
Office buildings	10% straight line	
Motor vans	20% reducing balance	
Machinery	20% reducing balance	Administration expense 75% Distribution cost 25%
Fixtures and fittings	10% straight line	Administration expense 75% Distribution cost 25%

Required:

Prepare Green Parks Ltd.'s statement of profit or loss the year ended 31 August 2015, in line with IAS 1, classifying the expenses by function

10. The following balances appeared in Bookers' Ltd books after the preparation of the statement of Profit and Loss for the year ended 30 June 2016:

	€
Issued capital: 400,000 €0.50 ordinary shares fully paid	200.00
6% €1 Irredeemable preference shares fully paid	50.000
Freehold land and buildings at cost	420.00
Inventory	57.800
10% debentures (repayable 2018)	40.000
Trade receivables	24.800
Trade payables	9.400
Expenses prepaid	850
Share premium	76.220
General reserve	40.000
Expenses accrued	530
Retained earnings at 1 July 2015	46.200
Bank (Cr)	1.600
Fixtures & fittings:	
Cost	63.000
Accumulated depreciation	28.500
Preference interim dividend paid	1.500
Ordinary interim dividend paid	10.000

The company's Statement of Profit and loss had been prepared and revealed a net profit of €84,100. However, this figure and certain balances shown above needed adjustment in view of the following details which had not been recorded in the company's books.

(i) It appeared that a trade receivable who owed €400 would not be able to pay. It was decided to write off his account as irrecoverable debt.

(ii) An examination of the company's inventory on 30 June 2016 revealed that some items shown in the accounts at a cost of €2.300 had deteriorated and had a resale value of only €1.700.

(iii) At the end of the financial year some fixtures & fittings which had cost €4.200 and which had a net book value of €900 had been sold for €1.400. A cheque for this amount had been received on 30 June 2016 and had been entered **only** in the cash book. No depreciation is accounted for in the year of sale.

(iv) A half-year's debenture interest is unpaid.

Required:

(a) Prepare a statement which shows the changes that should be made to the net profit of €84.100, in view of these unrecorded details.

The directors proposed to transfer €60.000 to the general reserve on 30 June 2016.

(b) Prepare Bookers' Ltd Statement of Changes in Equity for the year ended 30 June2016.

(c) Prepare Bookers' Ltd Statement of Financial Position at 30 June 2016 in line with IAS 1