

# 5.

## ANSWERS

### Amalthea plc

#### 1. Statement of changes in equity for the year ended 31 December 2017

	Share Capital €	Share Premium €	General Reserve €	Retained Earnings €	Total €
Balance at start	400.000	80.000	40.000	75.000	595.000
Profit for the year				85.000	85.000
Dividends paid				(40.000)*	(40.000)
Balance at end					
	400.000	80.000	40.000	120.000	640.000

\*400.000 shares x €0.10

### Hermes Plc

#### 2. Statement of changes in equity for the year ended 30 June 2017

	Share Capital €	Share Premium €	General Reserve €	Retained Earnings €	Total €
Balance at start	400.000	80.000	40.000	95.000	615.000
Profit for the year				192.000	192.000
Dividends paid				(80.000)*	(80.000)
Transfer to general reserve			10.000	(10.000)	
Balance at end	400.000	80.000	50.000	197.000	727.000

\* (€400.000/0,50)800.00 shares x €0.1

**Σημείωση:** Το προτεινόμενο μέρισμα (**final/proposed dividend**) για να καταβληθεί πρέπει πρώτα να εγκριθεί από τη Γενική Συνέλευση. Μέχρι να γίνει αυτό, η εταιρεία δεν έχει καμία υποχρέωση να το πληρώσει και γι' αυτό, τυχόν προτεινόμενο (proposed) μέρισμα που δεν έχει εγκριθεί, δεν **μπορεί να θεωρηθεί ως υποχρέωση** (liability) στο τέλος του χρόνου. (σελ. 71 - βιβλίο)

### 3.

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

**COS** = cost of sales   **D**= distribution   **ADM**=administration   **FIN**= finance

4. Paphiana Plc	
Statement of Profit or Loss for the year ended 31 December 2017	
	€000
Revenue	1.920
Cost of sales	(1.316)
Gross profit	604
Distribution costs	(139)
Administrative expenses	(143)
Profit from operations	322
Finance cost	(20)
Profit before tax	302
Income tax	(50)
Net profit	252

## Workings

Cost of sales	€000	Distribution costs	€000	Administration expenses	€000
Opening inventory	25	Sales salaries	44	Administrat. salaries	80
Purchases	1.152	Advertising exps	73	Depn- premises	33
	1.177	Depn vehicles	22	Audit fees	9
Clos. inventory	(29)			Irrecoverable debts	21
	1.148				
Manuf. wages	87				
Hire of plant	15				
Depn of plant	66				
	<u>1.316</u>		<u>139</u>		<u>143</u>

## **Finance cost**

Loan notes interest: 10% of €200.000 = €20.000 (10.000 paid+10.000 due)

## **Platonas Plc**

### **5. Statement of changes in equity for the year ended 30 June 2017**

	Share Capital €	Share Premium €	General Reserve €	Revaluation Reserve	Retained Earnings €	Total €
Balance at start	400.000	40.000	60.000		95.000	595.000
Issue of shares	160.000*	96.000*				256.000
Land Revaluation				20.000		20.000
Profit for the year					114.500**	114.500
Dividends paid					(40.000)***	(40.000)
Transfer to general reserve			10.000		(10.000)	
Balance at end	560.000	136.000	70.000	20.000	159.500	945.500

### Workings

**1. Profit for the year:** €132.500 - [(€145.000-€25.000) x15%] = €114.500

**2. Dividend paid:** 800.000 shares x €0.05 = €40.000

**3. Rights issue:** 800.000 shares x 2/5 = 320.000

Share premium=Issue price – par value

Share premium= €0,80 - €0,50=€0,3

### Journal entry

Dr Bank (320.000x0.80)	€256.000	
Cr Ordinary Share Capital (320.000x€0.50)		€160.000
Cr Share premium (320.000x€0.30)		€96.000

### **4. Land revaluation**

#### Journal entry

Dr Land	€20.000	
Cr Revaluation Reserve		€20.000

6. a)	Cost of sales	Distribution costs	Administration costs
	€000	€000	€000
Opening inventory.....	150		
Purchases .....	800		
Factory Wages .....	1.000		
Rent & rates w1.....	400	100	200
Depn of machinery.....	200		
Less: closing inventory.....	(180)		
Depn of equipment w2.....		100	200
Depn of delivery vans.....		100	
Office salaries w3.....		375	125
	<u>2.370</u>	<u>575</u>	<u>525</u>

**Workings:****(1) Rent and rates apportionment**

Factory  $(4.000/7.000) \times 700 = 400$

Distribution  $(1.000/7.000) \times 700 = 100$

Administration  $(2.000/7.000) \times 700 = 200$

**(2) Depreciation of equipment**

Distribution  $(1/3 \times 300) = 100$

Administration  $(2/3 \times 300) = 200$

**(3) Office salaries**

Distribution  $(75\% \times 500) = 375$

Administration  $(25\% \times 500) = 125$

**b) Markos Ltd – Statement of Profit or Loss for the year ended 31 December 2017**

	€000	€000
Revenues		6.000
Cost of sales		2.370
<b>Gross Profit</b>		3.630
Distribution expenses	575	
Administrative expenses	525	(1.100)
<b>Profit from operations</b>		2.530
Finance costs		(100)
<b>Profit before tax</b>		2.430

7. (a)

**Columbus International Plc**  
**Statement of Profit or Loss for the year ended 31 December 2017**

	€	€
Revenue		480.000
Cost of sales		(369.000)
Gross profit		111.000
Distribution costs	18.000	
Administrative costs (W4)	144.920	(162.920)
		(51.920)
Finance cost (W3)		(6.000)
Loss for the year		(57.920)

**WORKINGS:**

**(W1) Cost of sales**

	€
Opening inventory	100.000
Purchases	360.000
Closing inventory	(91.000)
	369.000

**(W2) Distribution costs:** €16.000+€2.000=€18.000

**(W3) Administrative expenses**

	€
Salaries and wages	100.000
Office rent	10.000
Heat and light	7.000
Depreciation (200.000 – 20.000 )x10%	18.000
Auditors remuneration	4.000
Irrecoverable debt written off	4.000
Allowance for receivables (100.000 – 4.000)x2%	1.920
	144.920

**(W4) Loan interest**

€100.000 x 6% = €6.000

€6.000 - €3.000(paid) = €3.000 due

<b>Columbus International Plc</b> <b>Statement of financial position</b> <b>as at 31 December 2017</b>		
(b)	€	€
<b>Non-Current assets</b>		
Office equipment (200.000 – 20.000 – 18.000)		162.000
<b>Current Assets</b>		
Inventory	91.000	
Trade receivables (100.000 – 4.000 – 1.920)	94.080	
Other receivables	8.000	
Bank (50.000 + 112.000)	162.000	355.080
<b>Total Assets</b>		517.080
<b>Equity and Liabilities</b>		
Share capital	240.000	
Share premium	72.000	
Retained profits	18.080	330.080
<b>Non-Current Liabilities</b>		
6% loan stock		100.000
<b>Current Liabilities</b>		
Trade payables	70.000	
Other payables (10.000 +3.000+4.000 )*	17.000	87.000
		517.080

\*Accrued interest and auditors' remuneration due

**WORKINGS:**

**(W5) Rights issue- Journal entry**

	€	€
Dr Cash (80.000*) x€1,4	112.000	
Cr Share capital (80.000x€0,5)		40.000
Cr Share premium 80.000x€0,9**		72.000

\*400.000X1/5=80.000

\*\*Share premium=Issue price – par value

Share premium= €1,40 - €0,50 = €0,90

**Columbus International Plc**  
**Statement of Changes in Equity**  
**for the year ended 31 December 2017**

**(c)**

	Share capital	Share premium	Retained earnings	Total
	€	€	€	€
Balance at 1 January 2017	200.000	-	76.000	276.000
Shares issued	40.000	72.000	-	112.000
Loss for the year	-	-	(57.920)	(57.920)
Balance at 31 December 2017	240.000	72.000	18.080	330.080

**8. (a)**

**Acropolis Plc**  
**Statement of Profit or Loss**  
**for the year ended 31 December 2017**

	€
Revenue	2.477.085
Cost of sales	(1.142.485)
<b>Gross profit</b>	1.334.600
Other income	18.575
Distribution costs	(479.735)
Administrative expenses	(312.445)
<b>Profit for the year before tax</b>	560.995
Taxation	(119.250)
<b>Profit for the year</b>	441.745



**Workings:**

	€		€	€
Revenue	2.545.185	<u>Cost of sales:</u>		
Less Returns inwards	(68.100)	Opening inventory		168.360
	2.477.085	Add Purchases	1.237.955	
		Less Returns outwards	(60.610)	
			1.177345	
		Add Carriage inwards	3.170	1.180.515
				1.348.875
		Less Closing inventory		(206.390)
		Cost of sales		1.142.485

<b>Distribution costs:</b>	€	<b>Administrative expenses:</b>	€
Warehouse wages	205.120	Wages and salaries	138.595
Sales department salaries	152.555	Motor vehicle expenses	14.885
Carriage outwards	21.895	General expenses	23.995
General expenses	13.565	Directors' remuneration	75.070
Motor vehicle expenses	27.500	Auditors' remuneration	35.500
Depreciation: plant	36.600	Depreciation: plant	24.400
Marketing Director's remuneration	22.500		312.445
	479.735		

<b>(b) Acropolis Plc</b>		
<b>Statement of Financial Position as 31 December 2017</b>		
	€	€
<b>Non-current Assets</b>		
Plant and machinery		135.855
<b>Current Assets</b>		
Inventory	206.390	
Trade receivables	811.785	
Cash at bank and in hand	89.625	1.107.800
<b>Total Assets</b>		<b>1.243.655</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Ordinary share capital	500.000	
Share premium	60.000	
General reserve	24.000	
Retained earnings	324.120	908.120
<b>Current Liabilities</b>		
Trade payables	180.785	
Accruals	35.500	
Tax payable	119.250	335.535
<b>Total Equity and Liabilities</b>		<b>1.243.655</b>

WORKINGS		
<b>Plant and machinery</b>	€	€
Cost at 1 January 2017		305.000
<i>Less:</i>		
Accumulated Depreciation at 1 January 2017	108.145	
Charge for the year	61.000	(169.145)
		135.855

**Accruals:**

Auditors' remuneration	35.500
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<b>(c) Statement of Changes in Equity for the year ended 31 December 2017</b>				
	Share Capital	Share Premium	General Reserve	Retained earnings
	€	€	€	€
Balance at 1 January 2017	500.000	60.000	24.000	69.875
Profit for the year				441.745
Dividends paid				(187.500)
Balance at 31 December 2017	500.000	60.000	24.000	324.120

**Green Park Ltd**

**9. Statement of profit or loss for the year ended 31 August 2015**

	€
Revenue	950.000
Cost of sales	(536.540)
Gross Profit	413.460
Administration expenses	(186.332)
Distribution costs	<u>(124.640)</u>
Profit from operations	102.488
Finance cost	(10.000)
Profit for the year	92.488

**Workings :**

	€
<b>1) Revenue</b> (sales)	959.678
Sales returns	(9.678)
	<b>950.000</b>

<b>2) Cost of Sales</b>	€
Opening Inventory	46.540
Purchases	524.900
Carriage inwards	26.000
Purchases returns	(4.900)
Closing inventory $(64.350 - 5.000 - 7.250^*) + (4.250 - 350)^{**}$	(56.000)
	<b>536.540</b>
* Damaged goods which are irreparable have zero value and should not be included in inventory (their replacement cost is ignored)	
**NRV	

<b>3) Administration expenses</b>	€
General administration expenses	74.560
Allowance for irrecoverable debts $(65.700 \times 10\%) - 4.598$	1.972
Irrecoverable debts	3.500
Depreciation on office buildings $(242.000 \times 10\%)$	24.200
Depreciation on fixtures & fittings $(40.000 \times 10\%) \times 75\%$	3.000
Depreciation on machinery $[(80.000 - 56.000) \times 20\%] \times 75\%$	3.600
Wages & salaries $(92.500 + 7.500) \times 80\%$	80.000
Discount allowed	2.500
	<b>193.332</b>

<b>4) Distribution costs</b>	
General distribution costs	44.970
Carriage outwards	35.450
Depreciation on Motor van $[(60.000-20.000)-(24.000-14.600) \times 20\%]$	6.120
Profit on disposal of Motor van (w6)	(600)
Depreciation on fixtures & fittings $(40.000 \times 10\%) \times 25\%$	1.000
Depreciation on machinery $[(80.000-56.000) \times 20\%] \times 25\%$	1.200
Wages and salaries $(92.500+7.500) \times 20\%$	20.000
Warehouse rent $(17.000-(1.500 \times 1/3))$	16.500
	<b>124.640</b>
<b>5) Finance costs</b> $(100.000 \times 10\%)$	<b>10.000</b>

### Working 6

#### Disposal a/c

	€		€
Motor van	20.000	Accum. Depn	14.600
Profit on disposal	<u>600</u>	Bank	<u>6.000</u>
	<u>20.600</u>		<u>20.600</u>

10. (a) Bookers Ltd : Calculation of corrected net profit		€
Original net profit		84.100
Add Profit on sale of Fixtures and Fittings (1.400 - 900)		500
		84.600
Less Debenture Interest due (40.000X 10%X6/12)		2.000
Irrecoverable debts written off		400
Inventory reduced to net realisable value (2.300-1.700)		<u>600</u>
Corrected net profit		<u>81.600</u>

### Statement of Changes in Equity for Bookers' Ltd for the year ended 30 June 2016

	Ordinary Share capital €	6% Irredeemable Share capital €	Share premium €	General Reserve €	Retained earnings €	Total €
Balance at 1 July 2015	200.000	50.000	76.220	40.000	46.200	362.420
Equity Shares issued						
Net profit					81.600	81.600
Transfer to general reserve				60.000	(60.000)	
Dividends (1.500+1.500+10.000)					(13.000)	(13.000)
Balance at 30 June 2016	200.000	50.0000	76.220	100.000	54.800	481.020

### WORKINGS

#### Fixtures and Fittings A/c

	€		€
Balance b/d	63.000	Disposal	4.200
		Balance c/d	58.800
	<u>63.000</u>		<u>63.000</u>
Balance b/d	58.800		

#### Accumulated depreciation of Fixtures and Fittings A/c

	€		€
Disposal (4.200 - 900)	3.300	Balance b/d	28.500
Balance b/d	25.200		
	<u>28.500</u>		<u>28.500</u>
		Balance b/d	25.200

(d)

**Bookers' Ltd**  
**Statement of Financial Position at 30 June 2016**  
**(In line with IAS 1)**

<b>Non-current assets</b>	€
Freehold Land & buildings	420.000
Fixtures & fittings (58.800 – 25.200)	33.600
	<hr/> 453.600
<b>Current assets</b>	
Inventories (57.800 – 600)	57.200
Trade receivables (24.800 – 400)	24.400
Other receivables (prepaid expenses)	850
	<hr/> 82.450
<b>Total assets</b>	<hr/> <b>536.050</b> <hr/>
<b>Equity and Liabilities</b>	
<b>Equity</b>	
Ordinary share capital	200.000
6% Irredeemable Preference share capital	50.000
Share premium	76.220
General Reserve	100.000
Retained earnings	54.800
	<hr/> 481.020
<b>Non-current liabilities</b>	
10% Debentures	40.000
<b>Current liabilities</b>	
Trade payables	9.400
Other payables*	4.030
Bank overdraft	1.600
	<hr/> 15.030
	<hr/> <b>536.050</b> <hr/>

**\*Other payables:**

Debenture interest due €2.000

Final Preference dividend due ( $€50.000 \times 6\%$ ) – €1.500 = €1.500

Expenses accrued €530

## NOTES TO TEACHERS

1. In the financial statements prepared in line with IAS 1
  - Statement of Profit or Loss is used instead of Income Statement
  - Revenue should be used instead of sales
2. In the solutions of this book the discount received is deducted under administration expenses although it could alternatively included under other income
3. In the solutions of this book the profit on sale of a non- current asset is included under administration or distribution expenses, depending on the use of the asset. Alternatively, it could be included under other income