

Aufgabe QR-13.1: Eigenkapitalveränderungsrechnung

(Exercise on Statement of Changes in Equity)

(This task uses the solution of internet task 11.1.)

HOEGI Ltd. is a production firm for instant coffee. Its starts its fiscal year 20X6 as disclosed by the balance sheet below:

HOEGI Ltd's			
A	B/S as at 1.01.20X6		C,L
Non-current Asset:	[EUR]	SH's capital	[EUR]
P,P,E	150.000	Issued capital	25.000
Int. assets	20.000	Other reserves	57.000
Financial assets		R/E	43.000
Current Assets		Liabilities	
Inventory	40.000	Int. bear. liab.	90.000
A/R		A/P	40.000
Prepaid exp.	1.000	Provisions	
Cash	50.000	Def. income	
		Tax liabilities	6.000
	<u>261.000</u>		<u>261.000</u>

Exhibit 1: Opening balance sheet

Assume HOEGI Ltd. made a pretax profit in 20X5 20,000.00 EUR. There was no appropriation of profit at year end 20X5.

In 20X6 HOEGI made a profit before taxation 60,000.00 EUR. Consider income tax rate to be 30%. As fully appropriation of profit is intended to split profit after taxes available to shareholders plus complete accumulated profit (see R/E account) in a ratio 40 : 60 - like dividend : earnings reserves. (Ignore §§ 58, 150 German AktG.)

HOEGI Ltd. is based on shares. At time of establishment of the business HOEGI Ltd. issued 5,000 shares 5.00 EUR each as par value issue. On 1.04.20X6 HOEGI Ltd. made an increase in issued capital 10,000.00 EUR by an ordinary share issue of 2,000 further ordinary shares. Issue price was 8.00 EUR/p. This results in an increase of the capital reserves 6,000.00 EUR. Additionally HOEGI increased issued capital the same day 35,000.00 EUR plus 7,000.00 EUR capital reserves by an issue of 35,000 5%-preference shares 1.00 EUR each. Issue price was 1.20 EUR/p and preference shares are non-redeemable shares. The preference dividend is to be paid in respect of time shares were outstanding, here from 1.04.20X6 on. The preference dividend is 1,312.50 EUR. On 1.10.20X6 HOEGI made a bonus issue. All ordinary shareholders got an extra share (ordinary share) for 5 shares hold. For that reason HOEGI Ltd. reduced earnings reserves accordingly. This means an increase in share capital 7,000.00 EUR and a reduction of earnings reserves by the same amount.

Consider additionally that HOEGI Ltd. made bookkeeping entries for their non-current assets as a revaluation of P, P, E by 10,000.00 EUR. Depreciation for the accounting period is 18,000.00 EUR and has

been considered already for computation of profit before taxes. You have to recognize a provision for deferred taxation resulting from revaluation. The revaluation took place on 31.12.20X6.

Consequently HOEGI Ltd. recognized in the equity section the amounts below:

(a) Share capital = 35,000 + 25,000 + 10,000 + 7,000 = **77,000.00 EUR**

(b) Reserves = 6,000 + 7,000 + 100,055 + 7,000 = **120,055.00 EUR**

(c) R/E = **0.00 EUR**

Required: Prepare statement of changes in equity. Comparable data for 20X5 are required too.

Lösung (Solution)

Retained earnings_{20X4} = 43,000 – 20,000 · (1 – 30%) = **29,000.00 EUR**

All the other figures can be seen in exhibit 2:

Hoegi Ltd's STATEMENT OF CHANGES IN EQUITY for 20X6

	Issued Capital	Share Premium	Earnings Reserves	Revaluation Reserves	Retained Earnings	Total Shareholders' Equity
Equity as at 1.01.20X5	25,000.00	0.00	57,000.00	0.00	29,000.00	111,000.00
Profit 20X5					14,000.00	14,000.00
Appropriation of Profit						
Equity as at 31.12.20X5	25,000.00	0.00	57,000.00	0.00	43,000.00	125,000.00
Ord. share issue, 2,000 shares	10,000.00	6,000.00				16,000.00
Pref share issue, 35,000 shares	35,000.00	7,000.00				42,000.00
Bonus issue, 1400 shares	7,000.00		(7,000.00)			0.00
Revaluation				7,000.00		7,000.00
Profit 20X6					42,000.00	42,000.00
Preference dividend					(1,312.50)	(1,312.50)
Appropriation of Profit			50,055.00		(83,687.50)	(33,632.50)
Equity as at 31.12.20X6	77,000.00	13,000.00	100,055.00	7,000.00	0.00	197,055.00

Exhibit 2: Statement of changes in equity