

**Aufgabe 13.2 Income Statement and Statement of Changes in Equity**

(Gewinn- und Verlustrechnung und Eigenkapitalveränderungsrechnung)

BEVERGERN Ltd. is a production firm for ice skaters. The company is based on 50,000 shares 1.00 EUR each. At fiscal year ended at 31.12.20X6 earnings reserves amounted to 400,000.00 EUR, retained earnings were 50,000.00 EUR. The total of equity was 500,000.00 EUR.

During fiscal year 20X7 BEVERGERN Ltd. issued 20,000 fresh ordinary 1.00-EUR-shares. The share issue was at an issue price 8.90 EUR/share. Additionally, BEVERGERN Ltd. issued 25,000 preference shares on 30.06.20X7. The preference shares are 6% preference shares, non-redeemable and cumulative. Face value is 1.00 EUR/share and issue price is 5.60 EUR/share.

At the end of fiscal year BEVERGERN Ltd. revalued a machine. The carrying amount before revaluation was 85,000.00 EUR, the value after revaluation was 100,000.00 EUR. Use an income tax rate 30% for deferred tax recognition.

Profit before taxation of BEVERGERN Ltd. for 20X7 was 200,000.00 EUR. Directors of BEVERGERN Ltd. decided to declare a dividend on ordinary shares to be 40% of maximum of to ordinary shareholders distributable amount. No reserves are to be dissolved. The remaining amount of distributable amount should be carried forward to next accounting period.

**Required: Set up the equity section of BEVERGERN Ltd.'s statement of financial position and a statement of changes in equity along IAS 1. Comparative information required for financial statements. Ignore § 150 AktG.**

**Lösung (Solution):**

The equity section of the statement of financial position looks like below:

**Bevergern Ltd's  
STATEMENT of FINANCIAL POSITION  
as at 31.12.20X7**

	20X7	20X6
	[EUR]	[EUR]
[...]	[...]	[...]
<b>Capital</b>		
Issued capital	70.000,00	50.000,00
- 70,000 ordinary shares at 1.00 EUR each, at eoy 20X6 50,000 shares		
- 25,000 preference shares 6% at 1.00 EUR each, at eoy 20X6 NIL	25.000,00	
Other reserves		
- Capital reserves [W1]	273.000,00	
- Earnings reserves [W2]	400.000,00	400.000,00
- Revaluation reserves [W3]	10.500,00	
Retained earnings	113.550,00	50.000,00
<i>Total of shareholder's equity</i>	<u>892.050,00</u>	<u>500.000,00</u>
<b>Total equity and liabilities</b>	<u><u>892.050,00</u></u>	<u><u>500.000,00</u></u>

**Exhibit 1:** Equity section of SFP as at 31.12.20X7

The solution requires explanation for the workings. See below:

[W1]: capital reserves =  $20,000 \cdot (8.90 - 1) + 25,000 \cdot (5.60 - 1) = \mathbf{273,000.00 \text{ EUR}}$ .

[W2]: The earnings reserves require the appropriation of profit. For the statement of comprehensive income only the pretax profit is given. Main focus is here on the appropriation of profit which is to be displayed in the extended part of the statement of comprehensive income. There is the profit carried forward to be considered. Furthermore, the preference dividend is relevant. Because of the issue in the middle of the year the preference dividend is:  $25,000 \cdot 6\% \cdot 0.5 = \mathbf{750.00 \text{ EUR}}$ .

See statement of comprehensive income below:

**Bevergern Ltd's  
STATEMENT of COMPREHENSIVE INCOME  
for 20X7**

	20X7 [EUR]	20X6 [EUR]
Profit before taxation	200.000,00	
Income tax expenses	(60.000,00)	
Deferred tax income/expense		
<b>Profit for the period</b>	<b>140.000,00</b>	
add: Profit carried forward	50.000,00	
less: Preference dividend	(750,00)	
Distributable amount	189.250,00	
less: Dividend (40%)	(75.700,00)	
to R/E account	<u>113.550,00</u>	<u>50.000,00</u>

**Exhibit 2:** Statement of comprehensive income

[W3]: Revaluation is to be considered by the revaluation reserve. The revaluation is an increase from 85,000.00 to 100,000.00 EUR. With consideration of deferred taxes the revaluation reserve amounts to  $(1 - 30\%) \cdot (100,000 - 85,000) = 10,500.00$  EUR.

The statement of changes in equity looks like below:

**Bevergern Ltd's  
STATEMENT OF CHANGES IN EQUITY  
for 20X7**

	Issued Capital	Share Premium	Earnings Reserves	Revaluation Reserves	Retained Earnings	Total Shareholders' Equity
<b>Equity as at 31.12.20X6</b>	<b>50.000,00</b>		<b>400.000,00</b>		<b>50.000,00</b>	<b>500.000,00</b>
Ord. share issue, 20,000 shares	20.000,00	158.000,00				178.000,00
Pref share issue, 25,000 shares	25.000,00	115.000,00				140.000,00
Revaluation				10.500,00		10.500,00
Profit 20X7					140.000,00	140.000,00
Preference dividend					(750,00)	(750,00)
Appropriation of Profit					(75.700,00)	(75.700,00)
<b>Equity as at 31.12.20X7</b>	<b>95.000,00</b>	<b>273.000,00</b>	<b>400.000,00</b>	<b>10.500,00</b>	<b>113.550,00</b>	<b>892.050,00</b>

**Exhibit 3:** Statement of changes in equity