

Aufgabe QR-2.2: Set up Commercial Financial Statements

(Erstellen eines handelsrechtlichen Jahresabschlusses)

WELLINGTON Ltd. is in the transport business. It has 10 motor vehicles in use which have been bought on 2.01.20X1 for 40,000.00 EUR each. Use straight line depreciation over a useful life 5 years. The residual value is 10,000.00 EUR/motor vehicle.

Transportation for all motor vehicle together is 100,000 deliveries (boxes) per year. Net selling price for one delivery (box) is 20.00 EUR/box. WELLINGTON was established at the beginning of 20X1 based on a share issue 100,000.00 EUR. The opening balance sheet only contains a debit entry for cash and a credit entry for share capital 100,000.00 EUR each. For financing WELLINGTON takes a bank loan 100,000.00 EUR at the beginning of fiscal year 20X1. Rate of interest is 8%/a and is to be paid at the end of each fiscal year. First payment is in 20X1 already. There is no pay off payment during the period to be considered. Labour is 480,000.00 EUR/a. Expenses for admin is 800,000.00 EUR/a and cost for fuel is 430,000.00 EUR/a. All expenses are paid in the same period as they occur.

WELLINGTON pays income tax and dividend declared in the following year. Total income tax rate is 30%. Appropriation of profit is at a ratio 50:50 which means half of the distributable amount is to be paid to the investors (same as proprietors / shareholders). Put the other half to reserves account.

Required: Set up a full set of financial statements for the first fiscal year 20X1 which contains a statement of financial position, statement of comprehensive income, and a statement of cash flows. Ignore VAT. Para 150 of German companies act does not apply.

Lösung (Solution):

Workings:

(a) Depreciation is: $10 \cdot (40,000 - 10,000) / 5 = \mathbf{60,000.00 \text{ EUR}}$.

(b) Revenue per annum = $20 \cdot 100,000 = \mathbf{2,000,000.00 \text{ EUR}}$.

(c) Cost of bank loan amounts to $8\% \cdot 100,000 = \mathbf{8,000.00 \text{ EUR}}$.

The amount for the deposit 100,000.00 EUR was paid in by incorporation. This payment took place before 20X1, for that reason it is to be displayed as an opening value in the bank account and is not part of the statement of cash flows.

See relevant accounts below:

D		Cash/Bank	C	
OV	100.000,00	(1)	400.000,00	
(3)	2.000.000,00	(5)	8.000,00	
(4)	100.000,00	(6)	480.000,00	
		(7)	800.000,00	
		(8)	430.000,00	
		c/d	82.000,00	
	<u>2.200.000,00</u>		<u>2.200.000,00</u>	
b/d	82.000,00			

D		SCap	C	
c/d	100.000,00	OV	100.000,00	
		b/d	100.000,00	

D		PPE	C	
(1)	400.000,00	c/d	400.000,00	
b/d	400.000,00			

D		Depr	C	
(2)	60.000,00	c/d	60.000,00	
b/d	60.000,00	P&L	60.000,00	

D		AccDepr	C	
c/d	60.000,00	(2)	60.000,00	
		b/d	60.000,00	

D		Sales	C	
c/d	2.000.000,00	(3)	2.000.000,00	
T/A	2.000.000,00	b/d	2.000.000,00	

D		lBL	C	
c/d	100.000,00	(4)	100.000,00	
		b/d	100.000,00	

D		Int	C	
(5)	8.000,00	c/d	8.000,00	
b/d	8.000,00	P&L	8.000,00	

D		Labour	C	
(6)	480.000,00	c/d	480.000,00	
b/d	480.000,00	P&L	480.000,00	

D		Admin	C	
(7)	800.000,00	c/d	800.000,00	
b/d	800.000,00	P&L	800.000,00	

D		Fuel	C	
(8)	430.000,00	c/d	430.000,00	
b/d	430.000,00	P&L	430.000,00	

D		P&L	C	
Depr	60.000,00	Sales	2.000.000,00	
Int	8.000,00			
Labour	480.000,00			
Admin	800.000,00			
Fuel	430.000,00			
c/d	222.000,00			
	<u>2.000.000,00</u>		<u>2.000.000,00</u>	
TaxL	66.600,00	b/d	222.000,00	
R/E	155.400,00			
	<u>222.000,00</u>		<u>222.000,00</u>	

D		TaxL	C	
c/d	66.600,00	P&L	66.600,00	
		b/d	66.600,00	

D		R/E	C	
Res	77.700,00	P&L	155.400,00	
SH4D	77.700,00			
	<u>155.400,00</u>		<u>155.400,00</u>	

D		Res	C	
c/d	77.700,00	R/E	77.700,00	
		b/d	77.700,00	

D		SH4D	C	
c/d	77.700,00	R/E	77.700,00	
		b/d	77.700,00	

Exhibit 1: Accounts

**Wellington Ltd's
STATEMENT of CASH FLOWS
for 20X1**

add	Bank loan	100.000,00
add	Revenue	<u>2.000.000,00</u>
		2.100.000,00
less	Acquisition	(400.000,00)
less	Fuel	(430.000,00)
less	Labour	(480.000,00)
less	Administration	(800.000,00)
less	Interest	<u>(8.000,00)</u>
	<i>Cash flow</i>	<i>(18.000,00)</i>

Exhibit 2: Informal cash flow statement

**Wellington Ltd's
STATEMENT of COMPREHENSIVE
INCOME
for 20X1**

	Revenue	2.000.000,00
less	Depreciation	(60.000,00)
less	Labour	(480.000,00)
less	Other expenses	(1.230.000,00)
less	Interest	<u>(8.000,00)</u>
	EBT	222.000,00
less	Taxes	<u>(66.600,00)</u>
	EAT	155.400,00
less	Dividend	(77.700,00)
less	Reserves	<u>(77.700,00)</u>
to	R/E	<u><u>0,00</u></u>

Exhibit 3: Informal income statement

**Wellington Ltd's
STATEMENT of FINANCIAL POSITION
as at eoy 20X1**

A		C,L	
<i>Non-current Assets</i> [EUR]		<i>SH's capital</i> [EUR]	
P,P,E	340.000	Issued capital	100.000
Int. assets		Other reserves	77.700
Financial assets		Retained ear.	
<i>Current Assets</i>		<i>Liabilities</i>	
Inventory		Int. bear. liab.	100.000
A/R		A/P	77.700
Perpaid exp.		Provisions	
Cash	82.000	Def. income	
		Tax liabilities	66.600
	<u>422.000</u>		<u>422.000</u>

Exhibit 4: Informal balance sheet

**Wellington Ltd's
STATEMENT OF CHANGES IN EQUITY
for 20X1**

	Issued Capital	Retained Earnings	Reserves	Total
as at 1.01.20X1	100.000	0	0	100.000
Profit for 20X1		155.400		155.400
Appropriation		(155.400)	77.700	(77.700)
as at 31.12.20X1	<u>100.000</u>	<u>0</u>	<u>77.700</u>	<u>177.700</u>

Exhibit 5: Informal statement of changes in equity