

**Aufgabe QR-4.14: Jahresabschlussarbeiten (Adjustments)**

WERSEN (Pty) Ltd is a car rental service company. The proprietors put in 50,000.00 EUR into the bank account. For financing the business WERSEN took a bank loan on 1.01.20X4 which is an annuity. The amount is 350,000.00 EUR and the annuity is 30,000.00 EUR/y. The interest rate is 4 %. Assume the payment for interest and pay-off is at the end of the fiscal year. WERSEN bought 5 cars 40,000.00 EUR each. The amount doesn't include VAT, but you have to consider. VAT rate is 20 %. The amount is transferred by bank. Use straight line method for depreciation. The useful life for a car is 4 years. In order to run the rental shop WERSEN opened an office on 1.01.20X4 and paid 12,000 EUR rent per annum. The rent is due on the 25<sup>th</sup> of the previous month. Office building rent is free of VAT. The sales person gets 2,500.00 EUR/month. The pay day is 28<sup>th</sup> of the month when the employee works. During 20X4 the 28<sup>th</sup> December is a Friday. One of the customers rents a car from November 20X4 until end of February 20X5 (28 days to be considered in February). The payment is agreed to take place once he returned the car in February. Another customer rents a car on 25<sup>th</sup> of December and wants to return it on 5<sup>th</sup> of January. He paid the rent in advance.

During fiscal years 20X4 WERSEN rented out cars for 1,000 days, daily rent amounts to 150.00 EUR/day. Add VAT to that amount.

**Required: Set up a trial balance and a work sheet for fiscal years 20X4. Set up a statement of comprehensive income and a statement of financial position.**

**Lösung (Solution)**

Posting the bookkeeping entries below:

- (1) Paid contribution
- (2) Bank loan payment
- (3) Payment for interest
- (4) Payment of pay-off
- (5) Acquisition of the cars
- (6) ... (18) 13 payments for rent
- (19) ... (30) payments for labour
- (31) Payment for revenue  $(1,000 - 31 - 30 + 5) \cdot 180 = \mathbf{169,920.00 \text{ EUR}}$

(A) Depreciation

(B) Rent payment in advance requires a prepaid expense account

(C) Adjustment for labour because the sales person works on 31.12.20X4 which is an expense – not yet paid.  $2,500/21.5 = \mathbf{116.28 \text{ EUR}}$ . The amount is charged to the salary/payable account.

(D) Adjustment for the unpaid rent for November/December period.  $61 \cdot 180 = \mathbf{10,980.00 \text{ EUR}}$ .

(E) Adjustment for the payment in advance which is an unearned revenue.  $5 \cdot 150 = \mathbf{750.00 \text{ EUR}}$ .



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Exhibit 2: Accounts

Accounts	Trial Balance		Adjustments		Adj T/B	
	DR	CR	DR	CR	DR	CR
Bank	256.920,00				256.920,00	
Scap		50.000,00				50.000,00
PPE	200.000,00				200.000,00	
Acc. Depreciation on PPE				50.000,00		50.000,00
VAT	11.680,00			1.830,00	9.850,00	
Bank loan		334.000,00				334.000,00
Interest	14.000,00				14.000,00	
Labour	30.000,00		116,28		30.116,28	
Rent	13.000,00			1.000,00	12.000,00	
Sales revenue		141.600,00	750,00	9.150,00		150.000,00
Depreciation			50.000,00		50.000,00	
Labour/p				116,28		116,28
Prepaid expenses			1.000,00		1.000,00	
A/R			10.980,00		10.980,00	
Unearned revenue				750,00		750,00
	525.600,00	525.600,00	62.846,28	62.846,28	584.866,28	584.866,28
Net income						

Exhibit 3: Work Sheet

Accounts	I/S		B/S	
	DR	CR	DR	CR
Bank			256.920,00	
Scap				50.000,00
PPE			200.000,00	
Acc. Depreciation on PPE				50.000,00
VAT			9.850,00	
Bank loan				334.000,00
Interest	14.000,00			
Labour	30.116,28			
Rent	12.000,00			
Sales revenue		150.000,00		
Depreciation	50.000,00			
Labour/p				116,28
Prepaid expenses			1.000,00	
A/R			10.980,00	
Unearned revenue				750,00
	106.116,28	150.000,00	478.750,00	434.866,28
Net income	43.883,72			43.883,72
	150.000,00	150.000,00	478.750,00	478.750,00

Exhibit 4: Work Sheet

**Wersen's  
STATEMENT of FINANCIAL POSITION  
as at eoy 20X4**

A		C,L	
<i>Non-c. assets</i>	20X4	<i>SHs' capital</i>	20X4
P,P,E	150.000	Issued capital	50.000
Int. assets		Other reserves	
Financial assets		Retained ear.	30.719
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Int. bear. liab.	334.000
A/R	20.830	A/P	116
Perpaid exp.	1.000	Provisions	
Cash	256.920	Def. income	750
		Tax liabilities	13.165
	<u>428.750</u>		<u>428.750</u>

Exhibit 5: Statement of Financial Position

**Wersen's  
STATEMENT of COMPREHENSIVE  
INCOME  
for 20X4**

	<u>20X4</u>
Revenue	150.000,00
Changes FG-inv	0,00
less Depreciation	(50.000,00)
less Labour	(30.116,28)
less Materials	0,00
less Interest	(14.000,00)
less Other expenses	<u>(12.000,00)</u>
EBT	43.883,72
less Income tax	<u>(13.165,12)</u>
R/E	<u><u>30.718,60</u></u>

**Exhibit 6:** Statement of Comprehensive Income