

**Aufgabe QR-6.4: Set up Financial Statements along IAS 1**

(Erstellen eines Jahresabschlusses gemäß IAS 1)

You got hold of BELLVILLE Ltd's trial balance. BELLVILLE is a DVD rental shop and buys DVDs from a supplier (net purchase price 20.00 EUR/u) and rents them out on a daily basis (1.00 EUR/day · DVD, net of VAT). BELLVILLE normally has 800 DVDs on stock. It replaces 250 of them every year. Those were sold for 5.00 EUR/DVD net of VAT and replaced by new ones. Purchase and payment linked to disposal are on cash.

The share capital results from a share issue par value 8,000 shares at 5.00 EUR each in 20X2 (BELLVILLE was established in 20X2.). Interest bearing liabilities are 300,000.00 EUR, pay off as at 31.12.20X2 was 10,000.00 EUR. The rate of interest is 4.00 %. Interest is paid per bank transfer.

Labour amounted to 36,000.00 EUR, paid on cash in 20X2. The amount contains tax and social security pay.

See below the trial balance for further information as at 31.12.20X2.

<b>Bellville Ltd's TRIAL BALANCE as at 31.12.20X2</b>		
<b>Account</b>	<b>Total of DRs</b>	<b>Total of CRs</b>
P,P,E (shop)	200.000,00	
Acc. Depr. on PPE		20.000,00
Inventory (DVDs)	16.000,00	
Bank	206.250,00	
SCap		40.000,00
Interest bearing liabilities		290.000,00
Revenue		144.000,00
Labour	36.000,00	
Depreciation	20.000,00	
Loss on disposal	3.750,00	
Interest	12.000,00	
<i>Total</i>	<u><u>494.000,00</u></u>	<u><u>494.000,00</u></u>

**Exhibit 1:** Trial balance

**Required:** Set up a full set of financial statements along IAS 1. No comparative information required. Ignore VAT. Consider appropriation of profit to be at a ratio 20:80 as reserves : dividend.

**Solution (Lösung):**

For the statement of comprehensive income the P&L account is to be set up. See below:

D		PROFIT & LOSS ACC.		C	
20X2	[EUR]	20X2	[EUR]		
Depr.	20.000,00	Sales	144.000,00		
Labour	36.000,00				
Loss on d	3.750,00				
Interest	12.000,00				
NP	72.250,00				
	<u>144.000,00</u>				<u>144.000,00</u>
R/E	50.575,00	NP	72.250,00		
Taxation	21.675,00				
	<u>72.250,00</u>				<u>72.250,00</u>

**Exhibit 2:** P&L account

D		Retained Earnings		C	
20X2	[EUR]	20X2	[EUR]		
Res.	10.115,00	P&L	50.575,00		
SH4D	40.460,00				
	<u>50.575,00</u>				<u>50.575,00</u>

**Exhibit 3:** Retained earnings account

Once the P&L account and the appropriation of profit have been posted the trial balance is to be adjusted. See below:

**Bellville Ltd's  
ADJ. TRIAL BALANCE  
as at 31.12.20X2**

<b>Account</b>	<b>Total of DRs</b>	<b>Total of CRs</b>
P,P,E (shop)	200.000,00	
Acc. Depr. on PPE		20.000,00
Inventory (DVDs)	16.000,00	
Bank	206.250,00	
SCap		40.000,00
Interest bearing liabilities		290.000,00
<del>Revenue</del>		
<del>Labour</del>		
<del>Depreciation</del>		
<del>Loss on disposal</del>		
<del>Interest</del>		
Res		10.115,00
SH4D		40.460,00
Tax liabilities		21.675,00
<b>Total</b>	<b><u>422.250,00</u></b>	<b><u>422.250,00</u></b>

**Exhibit 4:** Adjusted trial balance

**Bellville Ltd's**  
**STATEMENT of FINANCIAL POSITION**  
**as at 31.12.20X2**

		20X2	20X1
		[EUR]	[EUR]
<b>Non-current assets</b>			
Property, plant and equipment	4	180.000,00	
Investment property			
Intangible assets			
Financial assets			
Investment accounted [...]			
<i>Total of non-current assets</i>		<u>180.000,00</u>	
<b>Current assets</b>			
Inventories	5	16.000,00	
Trade and other receivables			
Cash and cash equivalents		206.250,00	
Prepaid expenses			
<i>Total of current assets</i>		<u>222.250,00</u>	
<b>Total assets</b>		<u><b>402.250,00</b></u>	
<b>Liabilities</b>			
[...] Interest bearing liabilities	3	280.000,00	
Trade and other payables	7	50.460,00	
Provisions			
Liabilities and assets [...] IAS 12	6	21.675,00	
Deferred tax liabilities [...] IAS 12			
Deferred income			
<i>Total of liabilities</i>		<u>352.135,00</u>	
<b>Capital</b>			
Issued capital	2	40.000,00	
Other reserves	2	10.115,00	
Retained earnings		0,00	
<i>Total of shareholder's equity</i>		<u>50.115,00</u>	
<b>Total equity and liabilities</b>		<u><b>402.250,00</b></u>	<u><b>0,00</b></u>

**Exhibit 5:** Statement of financial position

**Bellville Ltd's  
STATEMENT of COMPREHENSIVE INCOME  
for 20X2**

		20X2	20X1
		[EUR]	[EUR]
Revenue	8	144.000,00	
Other income			
Changes in inventory of finished goods and work in progress			
Work performed by the entity and capitalized			
<i>Total</i>		144.000,00	
Raw material and consumables used			
Employee benefits expense	9	(36.000,00)	
Depreciation and amortisation expense	9	(20.000,00)	
Impairment of property, plant and equipment			
Other expenses	9	(3.750,00)	
Finance costs	9	(12.000,00)	
Share of profit of associates			
Profit before taxation		72.250,00	
Income tax expenses	9	(21.675,00)	
Deferred tax income/expense			
<b><i>Profit for the period</i></b>		<b><i>50.575,00</i></b>	

**Exhibit 6:** Statement of comprehensive income

**Bellville Ltd's  
STATEMENT of CASH FLOWS  
for 20X2**

	20X2	20X1
	[EUR]	[EUR]
<b>CF from operating activities</b>		
Purchase	(21.000,00)	
Wages	(36.000,00)	
Disposal of DVDs	1.250,00	
Revenue	144.000,00	
	88.250,00	
<b>CF from investing activities</b>		
Investment	(200.000,00)	
	(200.000,00)	
<b>CF from financing activities</b>		
Bank loan	300.000,00	
Pay off	(10.000,00)	
Bank rate (interest)	(12.000,00)	
Share issue	40.000,00	
Dividend to SHs	0,00	
	318.000,00	
<b><i>Total cash flow:</i></b>	<b><i>206.250,00</i></b>	

**Exhibit 7:** Statement of cash flows

**Bellville Ltd's  
STATEMENT of CHANGES in EQUITY  
for 20X2**

	<b>Issued Capital</b>	<b>Earnings Reserves</b>	<b>Retained Earnings</b>	<b>Total Shareholders' Equity</b>
Equity as at 1.01.20X2	0,00	0,00	0,00	0,00
Share issue, ord. shares	40.000,00			40.000,00
Profit 20X2			50.575,00	50.575,00
Appropriation of Profit		10.115,00	(50.575,00)	(40.460,00)
<i>Equity as at 31.12.20X2</i>	<i>40.000,00</i>	<i>10.115,00</i>	<i>0,00</i>	<i>50.115,00</i>

**Exhibit 8:** Statement of changes in equity

**NOTES**

**(1) Accounting policies:**

These financial statements are prepared on the historical cost basis. The business was established in 20X2. There is no comparative data available.

In particular:

- Tangible assets: Land and buildings are shown at cost. Land is not depreciated. Buildings are depreciated along straight line method. The useful life of the shop is 10 years. Inventories:
- Inventory: Inventory is valued at the lower of cost and net realizable value.
- Revenue represents rent to customers net of value added tax.

**(2) Equity:**

- Share capital:

Authorized: 8,000 ordinary shares of 5.00 EUR each

Issued: 8,000 ordinary shares of 5.00 EUR each

- Reserves:

Reserves contain earnings reserves, capital reserves, revaluation reserves

Earnings reserves 10,115.00 EUR

Capital reserves 0.00 EUR

Revaluation reserves 0.00 EUR

**(3) Non-current interest bearing liabilities:**

The interest bearing liabilities are a bank loan with COMMERZBANK AG. The loan is secured by a mortgage on land and building. The issued amount is 300,000.00 EUR, rate of interest is 4%. Every year the pay off amount is

10,000.00 EUR to be paid at the end of the Accounting period. There is a distinction between current and non-current liabilities along IAS 1. For that reason the pay off amount for 20X3 got transferred to the A/P item.

**(4) Tangible assets (P, P, E):**

The shop is a flat an office building at Durban Rd 315. The valuation is at cost. The price paid for the shop is 200,000.00 EUR net of VAT.

**REGISTER of NON-CURRENT ASSETS**

	<b>Cost/Valuation</b>	<b>Acc. Depr.</b>	<b>Carrying Value</b>
Land and building			
- shop Durban Rd. 315	200.000,00	(20.000,00)	180.000,00

**(5) Inventory:**

Inventory comprises:

800 DVDs · 20.00 EUR = 16,000.00 EUR. Inventory is not depreciated.

During 20X2 250 DVDs were replaced by new DVDs. The old DVDs were sold at 5.00 EUR net of VAT each. The loss on disposal is **3,750.00 EUR** (= 15 · 250) in 20X2.

**(6) Tax liabilities**

The tax liabilities are income tax liabilities resulting from 20X2.

**(7) Dividend:**

For ordinary shareholders:

paid: 0.00 EUR,  
recommended: 40,460.00 EUR

**(8) Revenue**

Revenue results from renting out DVDs. The amount of DVDs rented out is 144,000 DVDs · day. The revenue is the net amount: 144,000 · 1 = **144,000.00 EUR**.

**(9) Expenses**

Expenses are directly linked to the operating activities:

Employee benefits for the shop manager	36,000.00 EUR
Depreciation on the shop	20,000.00 EUR
Loss on disposal of DVDs	3,750.00 EUR
Finance cost (interest for bank loan)	12,000.00 EUR
Income tax expenses	21,675.00 EUR