**Question:**     Table 1 shows the trial balance for a limited company on 31st December 2022.

**Table 1: Trial balance on 31st December, 2022**

|  |  |  |
| --- | --- | --- |
| Sales |  | 1,100,000 |
| Purchases | 650,000 |  |
| Inventory on 1ST January 2022 | 100,000 |  |
| Payables |  | 80,000 |
| Receivables | 97,000 |  |
| Selling expenses | 50,000 |  |
| Rent, rates and insurance | 40,000 |  |
| Staff salaries | 100,000 |  |
| Distribution expenses | 20,000 |  |
| Utilities | 25,000 |  |
| Audit fee | 10,000 |  |
| Bad debt | 4,000 |  |
| Directors’ remuneration | 34,000 |  |
| Debenture interest | 10,000 |  |
| Interest on bank loan | 7,000 |  |
| Cash | 3,000 |  |
| Bank | 10,000 |  |
| Premises at cost | 630,000 |  |
| Equipment at cost | 130,000 |  |
| Equipment – accumulated depreciation |  | 30,000 |
| Fittings at cost | 100,000 |  |
| Fittings – accumulated depreciation |  | 60,000 |
| £1 Ordinary share capital |  | 350.000 |
| 7% Long term bank loan |  | 100,000 |
| 10% Debentures |  | 120,000 |
| Retained profits |  | 200,000 |
| Interim ordinary dividend | 20,000 |  |
| Totals | 2,040,000 | 2,040,000 |

           Notes:

* Inventory was valued at £120,000.
* Prepayments for: Insurance £5000; distribution expenses £6000.
* Accruals for: Utilities £2000; Audit fee £1000.
* The equipment to be depreciated by 20% on reducing balance
* The fittings to be depreciated by 20% on straight line.
* The directors wish to provide £25,000 for taxation.
* The directors propose a final ordinary dividend of 10p per share.

|  |  |
| --- | --- |
| (a) | Prepare an income statement for the year ended 31stDecember 2022.  [20 marks] |
| (b) | Prepare a statement of financial position as at  31st December 2023.           [20 marks] |

**Suggested solution**

**A Ltd**

**Income statement for the y/e 31/12/2022 [£000s]**

Sales 1100

Cost of sales

Opening inventory 100

Purchases 650

Closing inventory [120] [630]

GP 470

Expenses

Rent, rates & insurance [40 – 5] 35

Distribution expenses [20 – 6] 14

Utilities [ 25 + 2] 27

Audit fee [ 10 + 1] 11

Depreciation of equipment [130 – 30] x 0.2 20

Depreciation of fittings [100 x 0.2] 20

Selling expenses 50

Staff salaries 100

Bad debt 4

Directors’ remuneration 34

Debenture interest [10 + 2] 12

Interest on bank loan 7 [334]

PBT 136

CT [25]

PAT 111

Dividends – Interim. 20

-- Final [350 shares £0.1]. 35 [55]

Retained profit for the year 56

Retained profit b/f 200

Retained profit c/f 256

**A Ltd**

**SOFP as at 31/12/2022 {in £000s]**

Non-current assets Cost Accumulated

depreciation NBV

Premises 630 --------- 630

Equipment 130 30 + 20 = 50 80

Fittings 100 60 + 20 = 80 20

860. 130 730

Current assets

Inventory 120

Receivables 97

Prepayments [5 + 6] 11

Bank 10

Cash 3 241

**Total assets 971**

Share capital

£1 Ordinary shares 350

Reserves

Retained profit 256

Shareholders’ funds 606

Non-current liabilities

7% Long term bank loan 100

10% Debentures 120 220

Current liabilities

Accruals [2 + 1 + 2] 5

Payables 80

CT 25

Dividends payable 35 145

**Shareholders’ funds and liabilities 971**