**Lecture 5 notes**

* Please revise ST plc (Question and Answer is in these notes).

In addition, please attempt RT Ltd within this note from a recent AFB exam.

* New topic – Investment decisions/appraisal. This is included as a separate power point presentation. Please read/revise this as soon as possible.
* **ST plc**

**Question 1**: You are provided the following trial balance as at 31/12/2021 for ST plc.

|  |  |  |
| --- | --- | --- |
|  | £000 | £000 |
| Sales |  | 25000 |
| Purchases | 19000 |  |
| Opening inventory | 4000 |  |
| £1 Ordinary share capital |  | 11000 |
| 10% Debentures |  | 2600 |
| Interim ordinary dividend paid | 990 |  |
| Retained profits |  | 2360 |
| Receivables | 1210 |  |
| Payables |  | 720 |
| Bank | 30 |  |
| Cash | 10 |  |
| Administration expenses | 1000 |  |
| Selling and distribution expenses | 980 |  |
| Advertising | 500 |  |
| Audit fee | 100 |  |
| Bad debt | 40 |  |
| Directors’ remuneration | 200 |  |
| Salaries & wages | 480 |  |
| Miscellaneous expenses | 20 |  |
| Debenture interest paid | 120 |  |
| Land and buildings at cost | 8000 |  |
| Fittings at cost | 2000 |  |
| Fittings – accumulated depreciation |  | 400 |
| Machinery at cost | 4000 |  |
| Machinery – accumulated depreciation |  | 600 |
| Totals | 42680 | 42680 |

**Additional information as at 31/12/2021**:

* Inventory was valued at £6,000,000.
* Selling expenses owed £20,000
* Salaries accrued £70,000.
* Advertising prepaid £200,000
* Fittings to be depreciated by 10% on straight line
* Machinery to be depreciated by 20% on reducing balance basis.
* The directors wish to provide £650,000 for taxation.
* The directors propose a final ordinary dividend of 10p per share.

**Required:**

**(a) Income Statement for the year ended 31/12/2021. [20 marks]**

**(b) Statement of Financial Position as at 31/03/2021. [20 marks]**

**ST plc**

**Income Statement for the y/e 31/12/2021 [in £000s].**

|  |  |  |
| --- | --- | --- |
| Sales |  | 25000 |
| Cost of sales |  |  |
| Opening inventory | 4000 |  |
| Purchases | 19000 |  |
| Closing inventory | [6000] | [17,000] |
| GP |  | 8000 |
| Expenses |  |  |
| Selling and distribution expenses [980 + 20] | 1000 |  |
| Salaries & wages [480 + 70] | 550 |  |
| Advertising [500 – 200] | 300 |  |
| Depreciation of fittings [2000 x 0.1] | 200 |  |
| Depreciation of machinery [4000 – 600] x 0.2 | 680 |  |
| Administration expenses | 1000 |  |
| Audit fee | 100 |  |
| Bad debt | 40 |  |
| Directors’ remuneration | 200 |  |
| Miscellaneous expenses | 20 |  |
| Debenture interest [120 + 140] | 260 | [4350] |
| PBT |  | 3650 |
| CT |  | [650] |
| PAT |  | 3000 |
| Dividends – interim dividends paid  -- final dividends proposed [11000 x £0.1] | 990  1100 | [2090] |
| Retained profit for the year |  | 910 |
| Retained profit b/f |  | 2360 |
| Retained profit c/f |  | 3270 |

**ST plc**

**SOFP as at 31/03/2021 [in £000s]**

|  |  |  |  |
| --- | --- | --- | --- |
| Non-current assets | Cost | Provision for Depreciation | NBV |
| Land and buildings | 8000 | --- | 8000 |
| Fittings | 2000 | 400 +200 = 600 | 1400 |
| Machinery | 4000 | 600 + 680 = 1280 | 2720 |
|  |  |  | 12120 |
| Current assets |  |  |  |
| Inventory | 6000 |  |  |
| Receivables | 1210 |  |  |
| Prepayment | 200 |  |  |
| Bank | 30 |  |  |
| Cash | 10 |  | 7450 |
| Total assets |  |  | 19570 |
|  |  |  |  |
| Share capital |  |  |  |
| £1 Ordinary share capital |  |  | 11000 |
| Reserves |  |  |  |
| Retained profit |  |  | 3270 |
| Shareholders’ funds |  |  | 14270 |
| Non-current liabilities |  |  |  |
| 10% Debentures |  |  | 2600 |
| Current liabilities |  |  |  |
| Accruals [70 + 20 + 140] | 230 |  |  |
| CT | 650 |  |  |
| Proposed dividends | 1100 |  |  |
| Payables | 720 |  | 2700 |
| Shareholders’ funds & liabilities |  |  | 19570 |

* RT Ltd – Please attempt
* You are provided the following trial balance as at 31/12/2020 for RT Ltd.

|  |  |  |
| --- | --- | --- |
|  | £000 | £000 |
| £1 Ordinary share capital |  | 8000 |
| Interim ordinary dividend paid | 50 |  |
| Retained profits |  | 1610 |
| Share premium |  | 300 |
| Receivables | 1200 |  |
| Payables |  | 700 |
| Sales |  | 20000 |
| Purchases | 16000 |  |
| Opening inventory | 2000 |  |
| Administration expenses | 900 |  |
| Selling and distribution expenses | 1000 |  |
| Audit fee | 100 |  |
| Bad debt | 20 |  |
| Directors’ remuneration | 200 |  |
| Salaries and wages | 600 |  |
| 5% Debentures |  | 600 |
| Debenture interest paid | 20 |  |
| Freehold land at cost | 5000 |  |
| Buildings at cost | 2000 |  |
| Buildings – accumulated depreciation |  | 400 |
| Machinery at cost | 3000 |  |
| Machinery – accumulated depreciation |  | 500 |
| Cash | 50 |  |
| Bank overdraft |  | 30 |
|  | 32140 | 32140 |

**Additional information as at 31/12/2020**:

* Inventory was valued at £3,000,000.
* Selling expenses prepaid £100,000.
* Salaries accrued £10,000 and audit fee owed £40,000.
* Machinery to be depreciated by 25% on reducing balance basis.
* Buildings to be depreciated by 5% on straight line
* The directors wish to provide £200,000 for taxation.
* The directors propose a final ordinary dividend of 2p per share.

**Required:**

**(a) Income Statement for the year ended 31/03/2020. [20 marks]**

**(b) Statement of Financial Position as at 31/03/2020. [20 marks]**

**End of lecture 5 notes**