Lecture 1 Questions

1. (a) Define an asset

The resources that are controlled by an entity that are expected to bring economic benefits, (generate profits).

Non-current assets – are to be owned for longer than 12 months (or the operating cycle\*, whichever is longer).

Current assets – owned at the reporting date but are to be used by the business to make profits in the next 12 months (or the operating cycle\*, whichever is longer).



(b) Define an expense

Selling Expense:

Administration Expense:

1. The company you work for is knowledge based and in order to recruit a highly sought after computer engineer you will have pay her an upfront sum of £500,000 with a 10% fee to a recruitment agency.



Should the golden handshake and agency fee be regarded as an asset or an expense?

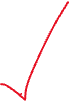
No, still doesn’t happen

1. Loo owns a wholesale flower business from a warehouse which is owned by the business. The following are descriptions of some of the items in the business statement of financial position.

For each item fill indicate if it is: non-current asset, current asset, non-current liability or current liability.

Warehouse premises …………………… non-current asset ……………………

Office desks and chairs ……………… non-current asset …………………………



Inventory of cardboard boxes used to send flowers to florists’ shops…………… current asset ………………………



Loan from bank repayable in 2 years’ time …………… non-current liability ………………………

Bank overdraft …………… current liability ………………………

Amount owed by tenant who occupies two rooms in the warehouse………………… non-current liability ………………… Amount owed to HMRC in respect of taxes on employees’ wages …………… current liability ………………………



1. Pigna’s statement of financial position at 31 August shows the following balances (£):

Non-current assets 113,046

Inventory 58,370

Trade receivables 42,266

Cash 8,299

Due to staff for expenses claims 812

Due to HMRC 1,277

Trade payables 48,443

1. What is the total of assets in the business?

221,981

1. What is the total of current assets?

108,935

1. What is the total for liabilities?



50,532

1. What is Pigna’s capital?

171,449