TV

[Company name]  [Company address]

Accounting Sample 2

# Answer 1

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Worksheet Entries** |  |  |
| 1 | Particulars | Dr | Cr |
|  | Share Capital | $75,000 |  |
|  | General Reserve | $15,000 |  |
|  | Retained Earnings | $12,000 |  |
|  | BCVR | $14,000 |  |
|  | Goodwill | $31,250 |  |
|  | Shares in Maria Ltd |  | $147,250 |
|  | *Pre-acquisition entry* |  |  |
|  |  |  |  |
| 2a | Profit before Tax | $1,050 |  |
|  | Accumulated Depreciation |  | $1,050 |
|  | *Plant depreciation for half year* | | |
|  | [$10,500/5 X 6/12] |  |  |
|  |  |  |  |
| 2b | Deferred Tax Liability | $315 |  |
|  | Income Tax |  | $315 |
|  |  |  |  |
|  |  |  |  |
| 2c | Accumulated Depreciation | $1,050 |  |
|  | Plant |  | $1,050 |
|  |  |  |  |
|  |  |  |  |
| 3 | Retained Earnings | $3,150 |  |
|  | BCVR |  | $3,150 |
|  | *Inventory sold (fair value increase $ 3500 X 90%)* | |  |
|  |  |  |  |
|  |  |  |  |
| 4 | BCVR | $700 |  |
|  | Deferred Tax Assets | $300 |  |
|  | Liability for damages |  | $1,000 |
|  | *Land sold* |  |  |
|  |  |  |  |
|  |  |  |  |
| 5 | Transfer from General Reserve (Retained Earnings) | $6,500 |  |
|  | General Reserve |  | $6,500 |
|  |  |  |  |

## Workings

|  |  |  |
| --- | --- | --- |
| Cost of acquisition |  | $147,250 |
| Book value of net assets |  |  |
| Share Capital | $75,000 |  |
| General Reserve | $15,000 |  |
| Retained Earnings | $12,000 |  |
| Total book value of net assets |  |  |
| Fair value adjustments |  |  |
| After tax increase in inventory (25,000-20,000)X1-30% | $3,500 |  |
| After tax increase in machinery (95,000-80,000)X1-30% | $10,500 |  |
|  |  |  |
|  |  |  |
| FVINA | $116,000 |  |
| % Acquired | 100% | $116,000 |
| Goodwill |  | $31,250 |

# Answer 2A

|  |  |  |
| --- | --- | --- |
| **Black Hole Ltd.** |  |  |
| **Statement of Comprehensive Income** | | |
| **For the year ended 30th June 2018** | | |
| Revenue |  | $825,000 |
| Cost of sales |  | $450,000 |
| Gross Profit |  | $375,000 |
|  |  |  |
| Other Income |  | $6,000 |
| Administrative & Selling expense |  | $236,300 |
|  |  |  |
| Other expense |  | $10,000 |
| Financial cost |  | $28,700 |
| **Profit before income tax** |  | $106,000 |
| Income tax expense |  | $50,400 |
| **Profit for the year** |  | $55,600 |
| **Other comprehensive income** |  |  |
| Revaluation OCI |  | $0 |
| **Total comprehensive income for the year** |  | $55,600 |
| Dividend paid & declared |  | $30,000 |
| To Retained Earnings |  | $25,600 |

# Answer 2B

|  |  |  |
| --- | --- | --- |
| **Statement of Financial Position** | | |
| **For the year ended 30th June 2018** | | |
| **ASSETS** |  |  |
| **Current Assets** |  |  |
| Cash |  | $500 |
| Accounts receivable |  | $45,200 |
| Inventory |  | $87,700 |
| Prepaid insurance |  | $7,000 |
| **Total Current Assets** |  | $140,400 |
| **Non-Current Assets** |  |  |
| Plant & equipment |  | $180,000 |
| Land |  | $220,000 |
| Buildings |  | $380,000 |
| Goodwill |  | $95,000 |
| Deferred tax assets |  | $9,800 |
| Goodwill |  |  |
| **Total Non-Current Assets** |  | $884,800 |
| **Total Assets** |  | $1,025,200 |
|  |  |  |
| **Current Liabilities** |  |  |
| Trade & other payable |  | $134,400 |
| Bank overdraft |  | $69,200 |
| Provision for employee benefits |  | $18,000 |
| **Total Current Liabilities** |  | $221,600 |
| **Long Term Liabilities** |  |  |
| Mortgage Loan |  | $250,000 |
| 7% Debenture |  | $80,000 |
| Deferred tax liabilities |  | $18,400 |
| Provision for employee benefits |  | $16,200 |
| **Total long term liabilities** |  | $364,600 |
| **Total Liabilities** |  | $586,200 |
| **Net Assets** |  | $439,000 |
|  |  |  |
| **Equity** |  |  |
| Share Capital |  | $200,000 |
| Retained Earnings |  | $154,000 |
| Revaluation surplus |  | $85,000 |
| **Total equity** |  | $439,000 |

# Answer 2C



Notes:

|  |  |
| --- | --- |
| **Other Income** |  |
| Interest revenue | $2,500 |
| Dividends revenue | $3,500 |
|  |  |
| Total | $6,000 |

|  |  |
| --- | --- |
| **Finance Cost** |  |
| Interest Expense | $28,700 |
|  |  |
| **Goodwill** |  |
| Gross value | $105,000 |
| Less: Impairment | $10,000 |
| Net value | $95,000 |
|  |  |
| **Plant & Equipment** |  |
| Gross value P & E | $222,500 |
| Less: Accu. Dep on P & E | $42,500 |
| Net value | $180,000 |
|  |  |
|  |  |
| **Trade & other payable** |  |
| Interest payable | $2,800 |
| Accounts payable | $69,500 |
| Dividend payable | $10,000 |
| Current tax liability | $52,100 |
| Total | $134,400 |
|  |  |
| **Accounts receivable** |  |
| Gross value | $58,000 |
| Less: Allowance for doubtful debts | $12,800 |
| Net value | $45,200 |