



# **SMARTHUB** LEGAL ACCOUNTANCY MANUAL

# **Vol 1**

## **FINANCIAL STATEMENTS**

- SOLE PROPRIETORSHIP
- PARTNERSHIP
- COMPANIES ACCOUNT

*With Solved Questions*

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**FINANCIAL STATEMENTS DRAFT**

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## FINANCIAL STATEMENTS DRAFT

**SOLE PROPRIETORSHIP****\*\*SMART HUB ENTERPRISE****PROFIT OR LOSS ACCOUNT FOR THE YEAR ENDING XX/XX/XX**

<b>PARTICULARS</b>	<b>GHC</b>	<b>GHC</b>	<b>GHC</b>
Sales		XX	
Less: Return Inwards		<u>(XX)</u>	
Net sales			<b>XXX</b>
<b><u>Less: Cost of Sales:</u></b>			
Opening Inventory		XX	
Purchases	XX		
Less: Return Outwards	<u>(XX)</u>		
Net Purchases		XX	
Carriage Inwards		<u>XX</u>	
Cost of Goods available for sale		XX	
Less: Closing Inventory		<u>(XX)</u>	<u><b>(XXX)</b></u>
<b>GROSS PROFIT</b>			<b>XXX</b>
<i>Add: other additional income (e.g., Discount Received, decrease in provision for doubtful debt)</i>			<u>XX</u>
			<b>XXX</b>
<b>TOTAL GROSS PROFIT</b>			
<b><u>Less: Operating Expenses:</u></b>			
Rent & Rate		XX	
Insurance		XX	
Lighting and Heating		XX	
Carriage Outwards		XX	
Bad Debt		XX	
Increase in provision for doubtful debt		XX	
Wages and Salaries		XX	
Distribution and advertisement		XX	
Communication		XX	
Discount Allowed		XX	
Depreciation of non-current Asset.		<u>XX</u>	<u><b>(XXX)</b></u>
<b>NET PROFIT</b>			<u><b>XXXX</b></u>

FINANCIAL STATEMENTS DRAFT

*\* In Accounting minus is represented by a bracket so everything in bracket is subtracting.*

**NOTES:**

1. No Assets whether non-current or current, capital and liabilities in the trial balance should be featured in the profit or loss account. They are used in the preparation of the statement of financial position.
2. The opening inventory/stock would always be seen in the trial balance while the closing inventory is always provided for outside the trial balance or added as a point in the further/additional information section.
3. Sales is the same as **Revenue or Turnover**.
4. Return inwards is the same as **Sales Return**.
5. Return Outwards is the same as **Purchases Return**.
6. On the trial balance if you see **Returns** and a figure is quoted on both the debit and credit side, the figure on the **debit side** is **Returns Inwards** and that on the **credit side** is **Return Outwards**.
7. On the trial balance if you see **Discount** and a figure is quoted on both the debit and credit side, the figure on the **debit side** is **Discount Allowed** and that on the **credit side** is **Discount Received**.
8. Although depreciation is calculated and added to expenses but never bring **Accumulated depreciation** near the profit or loss account if you see it in the trial balance not to talk about adding it. Accumulated depreciation may be featured to help you calculate for depreciation using the **reducing balance method**.

FINANCIAL STATEMENTS DRAFT

ADJUSTMENTS

9. Every item in the **additional information** has a **dual effect**. Thus, it has an effect on both **the profit or loss account** and **the statement of financial position**.
10. The draft on the statement of financial position would show the treatment of the Expenses prepaid and owing on same.
11. If you see in the further/additional information any **expenses prepaid or paid in advanced** or any language used that suggest that an expenditure has been paid in advance, **the amount paid in advance should be subtracted from the actual figure in the trial balance and enter the reminder in the profit of loss account**.
12. If you see in the further/additional information any **expenses in arrears or owing** or any language used that suggest that an expenditure is in arrears, **the amount owing should be added to the actual figure in the trial balance and enter the reminder in the profit of loss account**.
13. Provide for **provision for bad debt or doubtful debt** by apply the percentage on the **Receivables figure NOT the bad debt figure** sitting in the trial balance.
14. When calculating depreciation using reducing balance method, subtract the depreciation of the asset siting in the trial balance from the cost of the asset before applying the percentage as given in the question.

FINANCIAL STATEMENTS DRAFT

**\*\*SMART HUB ENTERPRISE**

**STATEMENT OF FINANCIAL POSITION AS AT XX/XX/XX**

<b>PARTICULARS</b>	<b>GHC</b>	<b>GHC</b>	<b>GHC</b>
<b><u>Non-Current Asset</u></b>	<b><u>Cost</u></b>	<b><u>Depreciation</u></b>	<b><u>Net Book</u></b>
Land and Building	XX	(XX)	XXX
Plant and Machinery	XX	(XX)	XXX
Furniture and Fixtures	XX	(XX)	XXX
Computer equipment	XX	(XX)	XXX
Vehicle or Motor Van	<u>XX</u>	<u>(XX)</u>	<u>XXX</u>
	<u>XX</u>	<u>(XX)</u>	<u>XXX</u>
<b><u>Current Asset</u></b>			
Closing Inventory		XX	
Receivables/Debtors	XX		
Less: provision for doubtful debt	<u>(XX)</u>		
Net Receivables		XX	
Expenses Prepaid		XX	
Income owing		XX	
Bank		XX	
Cash in hand		<u>XX</u>	<u>XXX</u>
<b>TOTAL ASSETS</b>			<u>XXX</u>
<b><u>Financed by:</u></b>			
Capital			XX
Add: Profit (subtract if Loss)			<u>XX</u>
			XX
Less: Drawings			<u>(XX)</u>
<b>NET WORTH</b>			<u>XXX</u>
<b><u>Current Liabilities</u></b>			
Payables/Creditors		XX	
Expenses in arrears		XX	
Income prepaid		XX	
Bank Overdraft		<u>XX</u>	<u>XXX</u>
<b>CAPITAL PLUS LIABILITIES</b>			<u>XXX</u>

\* The Accounting equation i.e.,  $ASSETS = CAPITAL + LIABILITIES$  must be fulfilled.

\* In Accounting minus is represented by a bracket so everything in bracket is subtracting.

FINANCIAL STATEMENTS DRAFT

**NOTES:**

1. Assets, Capital and liabilities should be featured in the statement of financial position.
2. Where there is an accumulated depreciation in the trial balance it should be added to the depreciation calculated for and subtract it from the cost of the asset to ascertain the Net Book Value.
3. When you see Goodwill, add it to the non-current assets.
4. Expense prepaid or owing and income prepaid or owing if any would always be provided for in the further or additional information.
5. If you see creditors and debtors, put together on the trial balance and a figure on the debit side and a figure also on the credit side, you have to know which one is this and that. The terminologies speak for themselves.
6. Provision for doubtful debt is always charged against the debtors/receivables figure.

## FINANCIAL STATEMENTS DRAFT

**PRACTICE QUESTIONS**

1. The following trial balance has been extracted from the ledgers of SIKA MPE DEDE Enterprise as at 31 March, 2011.

	<b>Debit</b>	<b>Credit</b>
	GH¢	GH¢
Salaries	10,500	
Drawings	3,000	
Lighting and Heating	500	
Sales		30,000
Trade Receivables and payables	10,000	4,000
Rent	2,000	
Office Expenses	1,000	
Capital at 1 April 2010		27,500
Purchases	14,000	
Inventory at 1 April 2010	2,000	
Property, Plant and Machinery	17,500	
Cash	1,000	
	61,500	61,500

Closing inventory at 31 March, 2011 has been valued at GH¢ 1,500

***Required;***

Prepare the statement of profit or loss for the year to 31 March, 2011 and the statement of financial position as at that date.



## FINANCIAL STATEMENTS DRAFT

2. The following trial balance has been extracted from the ledgers of SIKA KAKRA ODO KAKRA Enterprise as at 28 February, 2015.

	<b>Debit</b>	<b>Credit</b>
	GH¢	GH¢
Land	251,200	
Equipment	202,220	
Inventory	49,620	
Receivables and Payables	124,200	204,350
Cash and Bank balances	15,640	4,000
Business Rent	30,000	
Sales		804,500
Purchases	390,200	
Returns	8,300	7,500
Discount	4,300	6,240
Distribution and Advertising	8,900	
Power	4,200	
Communication	1,540	
Insurance	22,500	
Wages and Salaries	164,380	
Bad debt	2,240	
Drawings	10,580	
Capital		263,430
	1,290,020	1,290,020

The inventory count as at 28 February, 2015 showed closing inventory value at GH¢ 10,520

***Required;***

Prepare the statement of profit or loss for the year to 28 February, 2015 and the statement of financial position as at that date.

## FINANCIAL STATEMENTS DRAFT

3. The following trial balance has been extracted from the ledgers of MASTER RED Enterprise as at 31 December, 2020.

	<b>Debit</b>	<b>Credit</b>
	GHC	GHC
Turnover		377,615
Purchase	130,006	
Inventory as at 1 January 2020	60,890	
Insurance	5,678	
Salaries	61,600	
Electricity	4,250	
Carriage inwards	800	
General expenses	8,663	
Land & Building	80,000	
Machinery	65,000	
Fixtures & Fitting	24,000	
Trade Receivable	64,500	
Trade Payables		24,062
Bank		25,450
Capital		50,000
Carriage outwards	2,240	
Bad debt	1,500	
Loan		30,000
Purchase Return		2,000
	509,127	509,127

***Additional information;***

1. Inventory at 31 December, 2020 was valued at GHC 50,000.
2. Goods worth GHC 5,000 was taken for the proprietor's private use.

***Required;***

Prepare the statement of profit or loss for the year to 31 December 2020 and the statement of financial position as at that date.

## FINANCIAL STATEMENTS DRAFT

4. The following trial balance has been extracted from the ledgers of KILLER BOOBO Enterprise as at 31 December, 2020.

	<b>Debit</b>	<b>Credit</b>
	GH¢	GH¢
Turnover		379,015
Purchases	115,006	
Inventory as at 1 January 2020	50,090	
Insurance	5,678	
Salaries	61,600	
Electricity	4,250	
Carriage Inwards	800	
Drawings	5,200	
General expenses	4,666	
Land and Building	80,000	
Machinery	65,000	
Fixtures and Fittings	24,000	
Provision for depreciation;		
Land and Building		10,800
Machinery		15,000
Fixtures and Fittings		4,000
Cash	59,600	
Trade receivables	64,500	
Trade payables		24,065
Bank		25,450
Capital		55,000
Carriage outwards	2,240	
Doubtful debt	1,500	
Loan		30,000
Returns	1,400	2,200
	545,530	545,530

FINANCIAL STATEMENTS DRAFT

***Additional information;***

3. Inventory at 31 December, 2020 was valued at GH¢ 50,000.
4. Goods worth GH¢ 3,000 was taken for KILLER BOOBO's last born as provisions for school.
5. Salaries accrued GH¢ 3,400.
6. Electricity paid in advance GH¢ 850
7. Insurance in arrears GH¢ 1,222
8. General expenses owing GH¢ 450
9. Provide for doubtful debt 5% on receivables.
10. Provide for depreciation;
  - i. 10% on Land and Buildings using the straight-line method.
  - ii. 5% on the cost of Fixtures and fittings
  - iii. 8% on Machinery using the reducing balance method.

***Required;***

Prepare the statement of profit or loss for the year to 31 December 2020 and the statement of financial position as at that date.

FINANCIAL STATEMENTS DRAFT

5. The following trial balance has been extracted from the ledgers of Herbert Enterprise as at 31 May, 2009.

	<b>Debit</b>	<b>Credit</b>
	GHC	GHC
Land and Building	90,000	
Equipment	57,500	
Accumulated Depreciation:		
Land and Building		12,500
Equipment		32,500
Inventory	27,400	
Sales		405,000
Purchases	259,600	
Discount received		4,420
Wages & Salaries	52,360	
Bad debts	1,720	
Loan Interest	1,560	
Other operating expenses	38,800	
Trade Receivables & payables	46,200	33,600
Allowance for doubtful debts		280
Cash in Hand	151	
Bank Overdraft		14,500
Carriage outwards	8,680	
Drawings	28,930	
10% Loan		15,600
Capital		94,501
	612,901	612,901

FINANCIAL STATEMENTS DRAFT

*Additional information;*

1. Inventory at 31 May, 2009 was valued at GHC 25,900.
2. Depreciation for the year ended 31 May 2009 has yet to be provided as follows
  - Land and Building – 1% using the straight-line method;
  - Equipment – 15% using the straight-line method
3. There are accrued wages and salaries of GHC 140.
4. Other operating expenses include some prepaid expenses of GHC 500 and some accrued expenses of GHC 200
5. The allowance for doubtful debt should be adjusted to 5% of trade receivables as at 31 May 2009.
6. The amount for purchases includes goods valued at GHC 1,040 which were withdrawn by Herbert for his own personal use.

*Required;*

Prepare the statement of profit or loss for the year to 31 May 2009 and the statement of financial position as at that date.

### Question 6

The following is the trial balance of Asoma Ventures for the year ended 31<sup>st</sup> December, 2015. All amounts are in Ghana Cedis (GH¢).

	DR	CR
Bank balance	95,000	
Cash at hand	15,000	
Trade receivables	110,000	
Trade payables		300,000
Opening inventory	360,000	
Purchases	1,335,000	
Revenue		2,155,000
Capital		1,070,000
Carriage inwards	18,000	
Carriage outwards	15,000	
Drawings	50,000	
Furniture	1,200,000	
Returns inwards	25,000	
Returns outwards		30,000
Administrative expenses	65,000	
Electricity & Water	18,000	
Travelling and transport	32,000	

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Postage & stationery	7,000	
Rent	60,000	
Salaries & wages	150,000	
	<u>3,555,000</u>	<u>3,555,000</u>

Note: The following information is also relevant:

1. Inventory as at 31/12/2015 was valued at GH¢340,000.
2. At 31/12/2015 wages and salaries accrued was GH¢18,000
3. Furniture is to be depreciated at a rate of 10% per annum.
4. The proprietor took goods worth GH¢35,000 for personal use.

You are required to prepare Income Statement for the year ended 31<sup>st</sup> December, 2015 and the Statement of Financial Position as at that date for Asoma Ventures.

**25 marks**

## FINANCIAL STATEMENTS DRAFT

**SOLUTIONS**1. **SIKA MPE DEDE ENTERPRISE.****INCOME STATEMENT FOR THE YEAR ENDING 31 MARCH, 2011**

<b><u>Particulars</u></b>	<b><u>GHC</u></b>	<b><u>GHC</u></b>	<b><u>GHC</u></b>
Sales			30,000
<b><u>Cost of Sales</u></b>			
Opening Inventory		2,000	
Purchases		<u>14,000</u>	
Cost of goods available for sale		16,000	
		<u>(1,500)</u>	
Closing Inventory			<u>(14,500)</u>
<b>Cost of sales</b>			15,500
Gross profit			
<b><u>Operating expenses</u></b>		10,500	
Salaries		500	
Lighting & Heating		2,000	
Rent		<u>1,000</u>	
Office Expenses			<u>(14,000)</u>
<b>Operating expenses</b>			<u>1,500</u>
<b>NET PROFIT</b>			



## FINANCIAL STATEMENTS DRAFT

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
<u>Non-Current Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
Property, Plant & Machinery	17,500	-	17,500
<b><u>Current Assets</u></b>			
Closing Inventory		1,500	
Receivables		10,000	
Cash		<u>1,000</u>	
<b>Current Assets</b>			<u>12,500</u>
<b>Total Assets</b>			<b><u>30,000</u></b>
<b><u>Financed by:</u></b>			
Capital		27,500	
Net profit		<u>1,500</u>	
		29,000	
Drawings (Goods)		<u>(3,000)</u>	
<b>Net Worth</b>			<b>26,000</b>
<b><u>Current Liabilities</u></b>			
Payables			<u>4,000</u>
<b>CAPITAL + LIABILITIES</b>			<b><u>30,000</u></b>

## FINANCIAL STATEMENTS DRAFT

2. SIKA KAKRA ODO KAKRA ENTERPRISE.INCOME STATEMENT FOR THE YEAR ENDING 28 FEBRUARY, 2015

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
Sales			804,500
Return Inwards			<u>(8,300)</u>
Net Sales			796,200
<b><u>Cost of Sales</u></b>			
Opening Inventory		49,620	
Purchases	390,200		
Return Outwards	<u>(7,500)</u>		
Net Purchases		<u>382,700</u>	
Cost of goods available for sale		432,320	
Closing Inventory		<u>(10,520)</u>	
<b>Cost of sales</b>			<u>(421,800)</u>
Gross profit			374,400
Discount Received			<u>6,240</u>
<b>Total Gross Profit</b>			380,640
<b><u>Operating expenses</u></b>			
Business Rent		30,000	
Discount Allowed		4,300	
Distribution and Advertising		8,900	
Power		4,200	
Communication		1,540	
Insurance		22,500	
Wages and Salaries		164,380	
Bad Debt		<u>2,240</u>	
<b>Operating expenses</b>			<u>(238,060)</u>
<b>NET PROFIT</b>			<u><b>142,580</b></u>

## FINANCIAL STATEMENTS DRAFT

## STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2015

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
<u>Non-Current Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
Land	251,200	-	251,200
Equipment	<u>202,220</u>	=	<u>202,220</u>
	<u>453,420</u>	=	453,420
<b><u>Current Assets</u></b>			
Closing Inventory		10,520	
Receivables		124,200	
Cash		<u>15,640</u>	
<b>Current Assets</b>			<u>150,360</u>
<b>Total Assets</b>			<b><u>603,780</u></b>
<b><u>Financed by:</u></b>			
Capital		263,430	
Net profit		<u>142,580</u>	
		406,010	
Drawings		<u>(10,580)</u>	
Net Worth			395,430
<b><u>Current Liabilities</u></b>			
Payables		204,350	
Bank overdraft		<u>4,000</u>	
<b>CAPITAL + LIABILITIES</b>			<b><u>603,780</u></b>

## FINANCIAL STATEMENTS DRAFT

3. MASTER RED ENTERPRISE.**INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER, 2020**

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
Turnover			377,615
<b><u>Cost of Sales</u></b>			
Opening Inventory		60,890	
Purchases	130,006		
Purchase Return	(2,000)		
Carriage Inwards	800		
Drawings (Goods)	<u>(5,000)</u>		
Net Purchases		<u>123,806</u>	
Cost of goods available for sale		184,696	
Closing Inventory		<u>(50,000)</u>	
<b>Cost of sales</b>			<u>(134,696)</u>
Gross profit			242,919
<b><u>Operating expenses</u></b>			
Insurance		5,678	
Salaries		61,600	
Electricity		4,250	
General Expenses		8,663	
Carriage Outwards		2,240	
Bad Debt		<u>1,500</u>	
<b>Operating expenses</b>			<u>(83,931)</u>
<b>NET PROFIT</b>			<b><u>158,988</u></b>

## FINANCIAL STATEMENTS DRAFT

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

<b><u>Particulars</u></b>	<b><u>GHC</u></b>	<b><u>GHC</u></b>	<b><u>GHC</u></b>
<b><u>Non-Current Assets</u></b>	<b><u>Cost</u></b>	<b><u>Depreciation</u></b>	<b><u>Net Book Value</u></b>
Land & Buildings	80,000	-	80,000
Machinery	65,000	-	65,000
Fixtures & Fittings	<u>24,000</u>	=	<u>24,000</u>
	<u>169,000</u>	=	169,000
<b><u>Current Assets</u></b>			
Closing Inventory		50,000	
Receivables		<u>64,500</u>	
<b>Current Assets</b>			<u>114,500</u>
<b>Total Assets</b>			<b><u>283,500</u></b>
<b><u>Financed by:</u></b>			
Capital		50,000	
Net profit		<u>158,988</u>	
		208,988	
Drawings (Goods)		<u>(5,000)</u>	
Net Worth			203,988
<b><u>Current Liabilities</u></b>			
Payables		24,062	
Bank overdraft		25,450	
Loan		<u>30,000</u>	<u>79,512</u>
<b>CAPITAL + LIABILITIES</b>			<b><u>283,500</u></b>

## FINANCIAL STATEMENTS DRAFT

4. KILLER BOOBO ENTERPRISE.**INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2020**

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
Turnover			379,015
Return Inwards			<u>(1400)</u>
Net Turnover			377,615
<b><u>Cost of Sales</u></b>			
Opening Inventory		50,090	
Purchases	115,006		
Return Outwards	(2,200)		
Carriage Inwards	800		
Drawings (Goods)	<u>(3,000)</u>		
Net Purchases		<u>110,606</u>	
Cost of goods available for sale		160,696	
Closing Inventory		<u>(50,000)</u>	
<b>Cost of sales</b>			<u>(110,696)</u>
Gross profit			266,919
<b><u>Operating expenses</u></b>			
Insurance (5,678 + 1,222)		6,900	
Salaries (61,600 + 3,400)		65,000	
Electricity (4,250 – 850)		3,400	
General Expense (4,666 + 450)		5,116	
Carriage Outwards		2,240	
Doubtful debt		1,500	
Provision for doubtful debt		3,225	
Provision for depreciation:			
Land & Building		8,000	
Fixtures & Fitting		1,200	
Machinery		<u>4,000</u>	
<b>Operating expenses</b>			<u>(100,581)</u>
<b>NET PROFIT</b>			<u><b>166,338</b></u>

## FINANCIAL STATEMENTS DRAFT

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
<u>Non-Current Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
Land & Buildings	80,000	18,800	61,200
Fixture & Fittings	24,000	5,200	18,800
Machinery	<u>65,000</u>	<u>19,000</u>	<u>46,000</u>
	<u>169,000</u>	<u>43,000</u>	126,000
<b><u>Current Assets</u></b>			
Closing Inventory		50,000	
Receivables	64,500		
Provision for doubtful debt	<u>(3,225)</u>		
Net Receivables		61,275	
Cash		59,600	
Electricity prepaid		<u>.....850</u>	
<b>Current Assets</b>			<u>171,725</u>
<b>Total Assets</b>			<u><b>297,725</b></u>
<b><u>Financed by:</u></b>			
Capital		55,000	
Net profit		<u>166,338</u>	
		221,338	
Drawings (5,200 + 3,000)		<u>(8,200)</u>	
Net Worth			213,138
<b><u>Current Liabilities</u></b>			
Payables		24,065	
Bank overdraft		25,450	
Loan		30,000	
<u>Accruals</u>			
Salaries	3,400		
Insurance	1,222		
General Expenses	<u>450</u>	<u>5,072</u>	<u>84,587</u>
<b>CAPITAL + LIABILITIES</b>			<u><b>297,725</b></u>

## FINANCIAL STATEMENTS DRAFT

5. HERBERT ENTERPRISE.**INCOME STATEMENT FOR THE YEAR ENDING 31 MAY, 2009**

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
Sales			405,000
<b><u>Cost of Sales</u></b>			
Opening Inventory		27,400	
Purchases	259,600		
Drawings (Goods)	<u>(1,040)</u>		
Net Purchases		<u>258,560</u>	
Cost of goods available for sale		285,960	
Closing Inventory		<u>(25,900)</u>	
<b>Cost of sales</b>			<u>(260,060)</u>
Gross profit			144,940
Discount Received			<u>4,420</u>
Total Gross Profit			149,360
<b><u>Operating expenses</u></b>			
Wages & Salaries (52,360+140)		52,500	
Bad debts		1,720	
Loan interest		1,560	
Others expenses (38,800+200-500)		38,500	
Increase in provision for doubtful debt		2,030	
Carriage outwards		8,680	
Depreciation;			
Land & Building (1% of 90,000)		900	
Equipment (15% of 57,500)		<u>8,625</u>	
<b>Operating expenses</b>			<u>(114,515)</u>
<b>NET PROFIT</b>			<u><b>34,845</b></u>



## FINANCIAL STATEMENTS DRAFT

## STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2009

<u>Particulars</u>	<u>GHC</u>	<u>GHC</u>	<u>GHC</u>
<u>Non-Current Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
Land & Buildings	90,000	13,400	76,600
Equipment	<u>57,500</u>	<u>41,125</u>	<u>16,375</u>
	<u>147,500</u>	<u>54,525</u>	92,975
<b><u>Current Assets</u></b>			
Closing Inventory		25,900	
Receivables	46,200		
Provision for doubtful debt	<u>(2,310)</u>		
Net receivables		43,890	
Cash		151	
Prepayment		<u>500</u>	
<b>Current Assets</b>			<u>70,441</u>
<b>Total Assets</b>			<b><u>163,416</u></b>
<b><u>Financed by:</u></b>			
Capital		94,501	
Net profit		<u>34,845</u>	
		129,346	
Drawings (28,930 + 1,040)		<u>(29,970)</u>	
Net Worth			99,376
10% Loan			15,600
<b><u>Current Liabilities</u></b>			
Payables		33,600	
Bank overdraft		14,500	
Accruals;			
Wages & Salaries		140	
Operating expenses		<u>200</u>	
<b>CAPITAL + LIABILITIES</b>			<b><u>163,416</u></b>

FINANCIAL STATEMENTS DRAFT

2021 PAST QUESTION (Q6)

ASOMA VENTURES

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Particulars	GHC 000	GHC 000	GHC 000
Revenue			2,155.00
Returns Inwards			<u>(25.00)</u>
Net sales			2,130.00
<u>Cost Of Sales</u>			
Opening Inventory		360.00	
Purchases	1,335.00		
Returns Outwards	(30.00)		
Carriage Inwards	18.00		
Drawings of Goods	<u>(35.00)</u>		
Net Purchases		<u>1,288.00</u>	
Cost of Goods available for sale		1,648.00	
Closing Inventory		<u>(340.00)</u>	<u>(1,308.00)</u>
Gross Profit			822.00
<u>Operating Expenses</u>			
Carriage Outwards		15.00	
Administrative Expenses		65.00	
Electricity & Water		18.00	
Travelling & Transport		32.00	
Postage & Stationery		7.00	
Rent		60.00	
Salaries & wages	150.00		
Salaries & wages accrued	<u>18.00</u>	168.00	

FINANCIAL STATEMENTS DRAFT

Provision for depreciation:

Furniture (10%*1,200)	120.00	(485.00)
		<u>337.00</u>

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

Particulars	GH¢ 000	GH¢ 000	GH¢ 000
	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
<u>Non-Current Assets</u>			
Furniture	<u>1,200.00</u>	<u>120.00</u>	1,080.00
<u>Current Assets</u>			
Closing Inventory		340.00	
Receivables		110.00	
Bank balance		95.00	
Cash at Hand		<u>15.00</u>	<u>560.00</u>
Total Assets			<u>1,640.00</u>
<u>Financed by:</u>			
Capital		1,070.00	
Net Profit		<u>337.00</u>	
		1,407.00	
Drawings (35+50)		<u>(85.00)</u>	
Net Worth			1,322.00
<u>Current Liabilities</u>			
Payables		300.00	
Salaries & Wages accrued		<u>18.00</u>	<u>318.00</u>
Capital Plus Liabilities			<u>1,640.00</u>

FINANCIAL STATEMENTS DRAFT

**PARTNERSHIP**

**\*\*SMART HUB & PARTNERS\*\***

**APPROPRIATION ACCOUNT.**

Particulars	GHC	GHC	Particulars	GHC	GHC
Net Loss b/d		XXX	Net Profit b/d		XXX
Salaries:			Interest on Drawings:		
A	XXX		A	XXX	
B	XXX	XXX	B	XXX	XXX
Interest on Capital:					
A	XXX				
B	XXX	XXX			
Interest on Current:					
A	XXX				
B	XXX	XXX			
Share of Profit:			Share of Loss:		
A	XXX		A	XXX	
B	XXX	XXX	B	XXX	XXX
		<b>XXX</b>			<b>XXX</b>

**CURRENT ACCOUNT.**

Particulars	GHC	GHC	Particulars	GHC	GHC
	A	B		A	B
Balance b/d	XXX	XXX	Balance b/d	XXX	XXX
Drawings	XXX	XXX	Salaries	XXX	XXX
Interest on Drawings	XXX	XXX	Interest on Capital	XXX	XXX
Share of Loss	XXX	XXX	Interest on Current	XXX	XXX
Balance c/d	XXX	XXX	Share of profit	XXX	XXX
	<b>XXX</b>	<b>XXX</b>	Balance c/d	XXX	XXX
Balance b/d	XXX	XXX	Balance b/d	XXX	XXX

FINANCIAL STATEMENTS DRAFT

**CAPITAL ACCOUNT.**

Particulars	GHC	GHC	Particulars	GHC	GHC
	A	B		A	B
Balance c/d	XXX	XXX	Balance b/d	XXX	XXX
			Balance b/d	XXX	XXX

**NOTES:**

1. The financial statements of partnerships are the same as those of a sole proprietor with the exception of capital. Partnership recognizes several joint owners (Partners) and the capital of each partner is usually contained in two accounts.
  - i. Capital Account
  - ii. Current Account
2. **Salaries paid to partners** are not business expenses and are not added to operating expenses.
3. **Net Profit or Net Loss b/d as seen in the Appropriation Account** is what you ascertain using the profit or loss account (income statement).
4. Appropriation Account is used to share the **Residual profit or loss** among the partners. **Residual profit or loss** is the profit or loss after taking into consideration interest on drawing, interest on capital or current account and salaries of partners.
5. It is deserving to notice that, it is not the actual profit that is shared among the partners but the difference between the debit and credit sides of the appropriation account that is shared among the partners.
6. A Current Account is used to record the accumulated profits of the partner and the partner's drawings. **Everything on the debit side of the appropriation account except the net loss goes to the credit side of the current account.** And **everything on the credit side of the appropriation account except net profit goes to the debit side of the current account plus drawings.**
7. **Making reference from note 1** below is how the CAPITAL aspect would appear in the STATEMENT OF FINANCIAL POSITION of a partnership.

FINANCIAL STATEMENTS DRAFT

<b>FINANCED BY:</b>		GHC	GHC
Capital Account:			
A		XXX	
B		<u>XXX</u>	XXX
Current Account:			
A		XXX	
B		<u>XXX</u>	<u>XXX</u>
			<u>XXX</u>

- The balances of the capital and the current account are what we used to prepare the Capital aspect of the Statement of Financial Position.
- Fluctuating Capital Account is a fusion of capital account and current Account.

**FLUCTUATING CAPITAL ACCOUNT.**

Particulars	GHC		Particulars	GHC	
	A	B		A	B
Balance b/d	XXX	XXX	Balance b/d	XXX	XXX
Balance b/d	XXX	XXX	Balance b/d	XXX	XXX
Drawings	XXX	XXX	Salaries	XXX	XXX
Interest on Drawings	XXX	XXX	Interest on Capital	XXX	XXX
Share of Loss	XXX	XXX	Interest on Current	XXX	XXX
Balance c/d	XXX	XXX	Share of profit	XXX	XXX
	<u>XXX</u>	<u>XXX</u>	Balance c/d	XXX	XXX
Balance b/d	XXX	XXX	Balance b/d	XXX	XXX

- In the fluctuating Capital account, the balance b/d are two (2), one (1) relates to capital account balance and one (1) relates to the current account balance.
- Using fluctuating capital only the balances from the account are used in capital aspect of the statement of financial position.

FINANCIAL STATEMENTS DRAFT

**GOODWILL**

**GOODWILL TO BE MAINTAINED IN ACCOUNT**

**GOODWILL ACCOUNT.**

Particulars	GHC	GHC	Particulars	GHC	GHC
Capital:					
A		XXX			
B		XXX	Balance c/d		XXX
		<u>XXX</u>			<u>XXX</u>
Balance b/d		XXX			

**CAPITAL ACCOUNT.**

Particulars	GHC	GHC	GHC	Particulars	GHC	GHC	GHC
	A	B	C		A	B	C
				Balance b/d	XXX	XXX	-
				Bank/Cash			XXX
Balance c/d	XXX	XXX	XXX	Goodwill	XXX	XXX	-
	XXX	XXX	XXX		XXX	XXX	XXX
				Balance b/d	XXX	XXX	XXX

**NOTES:**

1. The above is a scenario for the admission of a new partner.
2. **Recognize goodwill** by debiting the Goodwill account using the old profit or loss sharing ratio. i.e. you apply the ratio on **the total value for Goodwill**. And crediting the Capital account using the old profit or loss sharing ratio.
3. Bank/Cash is the amount of money the new partner introduces into the partnership. And his share of Goodwill is paid from that amount.
4. The first balance b/d on the credit side of the capital account is the capital balance as provided for in a question.
5. Then balance off the accounts to ascertain your closing balances (balance c/d) which would begin the next period (balance b/d).
6. The balances of the two accounts go the statement of financial position.

FINANCIAL STATEMENTS DRAFT

**GOODWILL NOT TO BE MAINTAINED IN ACCOUNT**  
**(WRITTEN OFF)**

**GOODWILL ACCOUNT.**

Particulars	GHC	GHC	Particulars	GHC	GHC
Capital:			Capital:		
A		XXX	A		XXX
B		XXX	B		XXX
			C		XXX
		<u>XXX</u>			<u>XXX</u>
		<u>XXX</u>			<u>XXX</u>

**CAPITAL ACCOUNT.**

Particulars	GHC	GHC	GHC	Particulars	GHC	GHC	GHC
	A	B	C		A	B	C
Goodwill	XXX	XXX	XXX	Balance b/d	XXX	XXX	-
Balance c/d	XXX	XXX	XXX	Bank/Cash			XXX
	XXX	XXX	XXX	Goodwill	XXX	XXX	-
					XXX	XXX	XXX
				Balance b/d	XXX	XXX	XXX

**NOTES:**

1. **After recognizing goodwill**, you written it off by crediting the goodwill account using the new profit or loss sharing ratio.
2. After you have credited, you would realize that the total for the debit side would be the same as that of the credit side so the goodwill account would be self-balanced and there would be no balance to be carried forward to begin the next period. Thus, goodwill would not be featured in the statement of financial position.
3. The only difference you would realize from maintaining goodwill and writing off goodwill is that in writing off we credit the goodwill account using the new profit or loss sharing ratio of the partnership and debit capital account with the same ratio.



FINANCIAL STATEMENTS DRAFT

**RETIREMENT, RESIGNATION OR DEATH OF A PARTNER**

**CAPITAL ACCOUNT.**

Particulars	GHC	GHC	GHC	Particulars	GHC	GHC	GHC
	A	B	C		A	B	C
Goodwill	XXX	XXX	-	Balance b/d	XXX	XXX	XXX
Bank/Cash			XXX				
Balance c/d	XXX	XXX	-	Goodwill	XXX	XXX	XXX
	XXX	XXX	XXX		XXX	XXX	XXX
				Balance b/d	XXX	XXX	-

**NOTES:**

1. In the event of exclusion of a partner by reason of retirement, resignation or death, the same principles apply when dealing with the goodwill account.
2. However, in the capital account since the partner is leaving, he has to be paid his capital plus his share of goodwill.
3. The bank/cash on the debit side is the amount to be paid to the partner who is leaving. It is not labeled balance c/d because he is leaving so he would be paid that amount so that he would not have any balance left to begin the next period.
4. This is a situation where goodwill is to be written off.

FINANCIAL STATEMENTS DRAFT

**REVALUATION OF ASSETS AND LIABILITIES**

**REVALUATION ACCOUNT.**

Particulars	GHC		Particulars	GHC	
Decrease in Assets	XXX		Increase in Assets	XXX	
Increase in Liabilities	XXX		Decrease in Liabilities	XXX	
Increase in Provisions	XXX		Decrease in Provisions	XXX	
Share of profit:			Share of Loss:		
A	XXX		A	XXX	
B	XXX	XXX	B	XXX	XXX
		<u>XXX</u>			<u>XXX</u>
		<u>XXX</u>			<u>XXX</u>

**CAPITAL ACCOUNT.**

Particulars	GHC	GHC	GHC	Particulars	GHC	GHC	GHC
	A	B	C		A	B	C
Share of loss	XXX	XXX	-	Balance b/d	XXX	XXX	-
Balance c/d	XXX	XXX	XXX	Bank/Cash			XXX
	XXX	XXX	XXX	Share of profit	XXX	XXX	-
					XXX	XXX	XXX
				Balance b/d	XXX	XXX	XXX

**NOTES:**

1. The increase and decrease as can be seen in the revaluation account should be the difference between the figures in the statement of financial position as provided for in the question and the revalued figure also provided for in the question.
2. The treatment of the difference between the credit and debit side of the appropriation account whichever side of the account it is, is shared among the partners in accordance with the old profit or loss sharing ratio.
3. The Bank/Cash is the capital introduced by the new partner. And sometimes, in a revaluation question the capital might be paid in kind e.g., the partner bringing an asset. In such an instance, you still credit capital account with the value of the asset but remember to add it to the assets when preparing the statement of financial position.

### Question 5

- a) Anor, Baidoo and Karley are in partnership of ABC Firm, sharing profits and losses in the ratio of 2:2:1 respectively; interest on capital is at a rate of 5% and interest on drawings is at a rate of 5% per annum. Each partner is entitled to annual salaries as follows: Anor ₦80,750, Baidoo ₦120,000, Karley ₦150,000.

Their capital and current account balances are shown as follows:

Capital:	Anor	-	₦520,000
	Baidoo	-	₦450,000
	Karley	-	₦650,000
Current:	Anor	-	₦35,000
	Baidoo	-	₦40,000
	Karley	-	₦50,000

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During the year, the partners made the following drawings:

Anor	-	1/1/96	-	₦20,000
Baidoo	-	1/7/96	-	₦40,000
Karley	-	1/10/96	-	₦60,000

The net profit for the year before appropriation was ₦1,200,000

Required: Prepare the Profit and loss Appropriation, Capital and Current Accounts of the partners for the year ended 31December, 2016.

**25 Marks**

- c) AA, AB and AC are three attorneys sharing profits in the ratio of 5:3:2 respectively. AA who started the firm is getting old and wishes to retire. The balance sheet of the partnership prior to AA's retirement is given as follows:

**PARTNERS BALANCE SHEET AS AT 31 MARCH 2022:**

	GH¢
Non- Current Assets	200,000
Current Assets	<u>80,000</u>
Total Assets	<u>280,000</u>

FINANCED BY:

Capital:

AA	110,000
AB	60,000
AC	80,000

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Current Account:

AA	6,000
AB	10,000
AC	8,000
Current Liabilities	6,000
	<b>280,000</b>

For the purpose of the retirement, the following terms were agreed:

- i) Goodwill of **GH¢50,000** is to be raised for the purpose of the retirement, but should not be maintained in the books.
- ii) Increase non-current assets by **GH¢100,000** due to revaluation of the office premises.
- iii) Current assets should be reduced to **GH¢60,000** due to the death of a major client who owes the firm **GH¢20,000**.
- iv) Increase current liabilities by **GH¢10,000**.
- v) **AB and AC**, who will continue the firm, have decided to share profits equally.

**Required:**

- a) Prepare a Goodwill Account. 5 marks
- b) Prepare a Revaluation Account 6 marks
- c) Determine how much the partnership owes AA at his retirement date taking account of the above. 4 marks

Question 5

Afiba and Kesewa are in partnership sharing profits equally. Their balance sheet at 31<sup>st</sup> December 2007 is:

	GH¢		GH¢
Capitals Afiba	35,000	Net Assets	58,920
Kesewa	20,000		
Current Accounts			
Afiba	3,100		
Kesewa	<u>820</u>		
	<u>58,920</u>		<u>58,920</u>

- From 1<sup>st</sup> January, 2008, profit sharing changed to Afiba 3/5 Kesewa 2/5 and salary Afiba - GH¢6,000.
- Profit in the year ending 31<sup>st</sup> December, 2008 was GH¢24,000. *Net profit*
- Goodwill was valued at GH¢20,000 and no account was maintained for goodwill in the books.
- Drawing in the year to 31<sup>st</sup> December, 2008 were Afiba GH¢10,000 Kesewa *Draw* GH¢8000.
- The partners' capital balances at the beginning of the year attract interest of 5% and they are charged 10% on their drawings.

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*Required:*

- Prepare the appropriation account for the year ending 31<sup>st</sup> December, 2008 (10 marks)
- Show capital and current accounts for the year 2008. (10 marks)
- What is Goodwill? (5 marks)

FINANCIAL STATEMENTS DRAFT

**SOLUTIONS**

**2021 PAST QUESTION (Q5)**

**ABC FIRM**

APPROPRIATION ACCOUNT

Particulars	GHC 000	GHC 000	Particulars	GHC 000	GHC 000
Salaries			Net Profit b/d		1,200.00
Anor	80.75		Interest on Drawings		
Baidoo	120.00		Anor (5%*20)	1.00	
Karley	<u>150.00</u>	350.75	Baidoo (5%*40*1/2)	1.00	
Interest on capital			Karley (5%*60*1/4)	<u>0.75</u>	<u>2.75</u>
Anor (5%*520)	26.00				
Baidoo (5%*450)	22.50				
Karley (5%*650)	<u>32.50</u>	<u>81.00</u>			
		431.75			1,202.75
Share of profit					
Anor (2/5*771)	308.40				
Baidoo(2/5*771)	308.40				
Karley(1/5*771)	<u>154.20</u>	<u>771.00</u>			
		<u>1,202.75</u>			<u>1,202.75</u>

FINANCIAL STATEMENTS DRAFT

CURRENT ACCOUNT

Particulars	Anor	Baidoo	Karley	Particulars	Anor	Baidoo	Karley
	GHC 000	GHC 000	GHC 000		GHC 000	GHC 000	GHC 000
Drawings	20.00	40.00	60.00	Bal b/d	35.00	40.00	50.00
Interest on Dra	1.00	1.00	0.75	Salaries	80.75	120.00	150.00
Bal c/d	429.15	449.90	325.95	Interest on Cap	26.00	22.50	32.50
				Share of profit	308.40	308.40	154.20
	<u>450.15</u>	<u>490.90</u>	<u>386.70</u>		<u>450.15</u>	<u>490.90</u>	<u>386.70</u>
				Bal b/d	429.15	449.90	325.95

CAPITAL ACCOUNT

Particulars	Anor	Baidoo	Karley	Particulars	Anor	Baidoo	Karley
	GHC 000	GHC 000	GHC 000		GHC 000	GHC 000	GHC 000
Bal c/d	<u>520.00</u>	<u>450.00</u>	<u>650.00</u>	Bal b/d	<u>520.00</u>	<u>450.00</u>	<u>650.00</u>
				Bal b/d	520.00	450.00	650.00

FINANCIAL STATEMENTS DRAFT

**2023 PAST QUESTION (SUPPLEMENTARY) (Q5c)**

GOODWILL ACCOUNT

Particulars	GHC 000	GHC 000	Particulars	GHC 000	GHC 000
Capital:			Capital:		
AA (5/10*50)		25.00	AB (1/2*50)		25.00
AB (3/10*50)		15.00	AC (1/2*50)		25.00
AC (2/10*50)		10.00			
		<u>50.00</u>			<u>50.00</u>

REVALUATION ACCOUNT

Particulars	GHC 000	GHC 000	Particulars	GHC 000	GHC 000
Receivables		20.00	Office premises		100.00
Current Liabilities		10.00			
<u>Share of Profit</u>					
AA (5/10*70)	35.00				
AB (3/10*70)	21.00				
AC (2/10*70)	14.00	70.00			
		<u>100.00</u>			<u>100.00</u>

***NB: Goodwill is not featured in the Revaluation account because it has been computed for in the Goodwill Account.***



FINANCIAL STATEMENTS DRAFT

FLUCTUATING CAPITAL ACCOUNT

Particulars	AA GHC	AB GHC	AC GHC	Particulars	AA GHC	AB GHC	AC GHC
Goodwill	-	25.00	25.00	Bal b/d	110.00	60.00	80.00
Loan	176.00	-	-	Bal b/d	6.00	10.00	8.00
Bal c/d	-	81.00	87.00	Goodwill	25.00	15.00	10.00
				Share of Profit	35.00	21.00	14.00
	<u>176.00</u>	<u>106.00</u>	<u>112.00</u>		<u>176.00</u>	<u>106.00</u>	<u>112.00</u>
				Bal b/d	-	81.00	87.00

*We were not required to prepare the balance sheet but for studies purposes it has been prepared;*

STATEMENT OF FINANCIAL POSITION AFTER RETIREMENT OF AA

Particulars	GHC 000	GHC 000	GHC 000
Non-Current Assets			300.00
Current Assets			<u>60.00</u>
Total Assets			<u><u>360.00</u></u>
<b>Financed by:</b>			
<b>Capital:</b>			
AB		81.00	
AC		<u>87.00</u>	168.00
Current Liabilities		16.00	
Loan		<u>176.00</u>	<u>192.00</u>
			<u><u>360.00</u></u>

*NB: see a similar question in 2013 and 2018 past question, question 4b and 1b respectively.*

FINANCIAL STATEMENTS DRAFT

**2014 PAST QUESTION (SUPPLEMENTARY) (Q5)**

APPROPRIATION ACCOUNT

Particulars	GHC	GHC	Particulars	GHC	GHC
Salaries			Net Profit b/d		24,000.00
Afiba		6,000.00	Interest on Drawings		
			Afiba (10% * 10,000)	1,000.00	
Interest on capital			Kesewa (10% * 8,000)	<u>800.00</u>	<u>1,800.00</u>
Afiba (5% * 35,000)	1,750.00				
Kesewa (5% * 20,000)	<u>1,000.00</u>				
		<u>2,750.00</u>			
		8,750.00			25,800.00
Share of profit					
Afida (3/5 * 17,050)	10,230.00				
Kesewa (2/5 * 17,050)	<u>6,820.00</u>	<u>17,050.00</u>			
		<u>25,800.00</u>			<u>25,800.00</u>

GOODWILL ACCOUNT

Particulars	GHC	GHC	Particulars	GHC	GHC
Capital:			Capital:		
Afiba (1/2 * 20,000)		10,000.00	Afiba (3/5 * 20,000)		12,000.00
Kesewa (1/2 * 20,000)		10,000.00	Kesewa (2/5 * 20,000)		8,000.00
		<u>20,000.00</u>			<u>20,000.00</u>

FINANCIAL STATEMENTS DRAFT

CURRENT ACCOUNT

Particulars	Afiba GHC	Kesewa GHC	Particulars	Afiba GHC	Kesewa GHC
Drawings	10,000.00	8,000.00	Bal b/d	3,100.00	820.00
Interest on Dr	1,000.00	800.00	Salaries	6,000.00	-
Bal c/d	10,080.00	-	Interest on Cap	1,750.00	1,000.00
			Share of profit	10,230.00	6,820.00
			Bal c/d	-	160.00
	<u>21,080.00</u>	<u>8,800.00</u>		<u>21,080.00</u>	<u>8,800.00</u>
Bal b/d	-	160.00	Bal b/d	10,080.00	-

CAPITAL ACCOUNT

Particulars	Anor GHC	Baidoo GHC	Particulars	Anor GHC	Baidoo GHC
Goodwill	12,000.00	8,000.00	Bal b/d	35,000.00	20,000.00
Bal c/d	33,000.00	22,000.00	Goodwill	10,000.00	10,000.00
	<u>45,000.00</u>	<u>30,000.00</u>		<u>45,000.00</u>	<u>30,000.00</u>
			Bal b/d	33,000.00	22,000.00

*NB: the same question as question 2 in 2009 past question.*

**INTRODUCTION TO THE FINANCIAL STATEMENTS OF LIMITED  
LIABILITY COMPANIES**

**Question:1**

The following trial balance is extracted from the books of SBJ Ltd as on 31 December 2011.

<i>Trial balance</i>		Dr	Cr
		GHs	GHs
10% preference share capital			200,000
Ordinary share capital			700,000
10% Debenture (repayable 2015)			300,000
Goodwill at cost		255,000	
Buildings at cost		1,050,000	
Equipment at cost		120,000	
Motor Vehicles at cost		172,000	
Provision for Depreciation: building	1.1.2011		100,000
	equipment 1.1.2011		24,000
	Motor vehicles 1.1.2011		51,600
Inventory 1.1.2011		84,912	
Sales			1,022,000
Purchases		439,100	
Carriage inwards		6,200	
Salaries and Wages		192,400	
Directors remunerations		123,000	
Motor Expenses		3,120	
Rates and Insurances		8,690	
General Expenses		5,600	
Accounts receivable		186,100	

Accounts payable		113,700
Bank	8,390	
General reserve		50,000
Capital surplus		100,000
Interim ordinary dividend paid	35,000	
Retained profits 31.12.2010		43,212
Debenture Interest	15,000	
	2,704,512	2,704,512

The following adjustments are needed:

- i. Inventory at 31.12.2011 was GHs 91,413
- ii. Depreciate buildings GHs10,000; motor vehicles GHs18,000; equipment GHs12,000
- iii. Accrue Debenture interest GHs 15,000
- iv. Provide for preference dividend GHs20,000 and final ordinary dividend of 10 percent.
- v. Transfer GHs10,000 to general reserve
- vi. Write-off goodwill impairment of GHs30,000
- vii. Authorised share capital is GHs200,000 in preference shares and GHs1.0 million in Ordinary shares.
- Viii. Provide for corporation tax 30%.

Required: Prepare the Income Statement of SBJ Ltd for the year ended 31 Dec 2011 and the Statement of Financial Position for the same year. Again, show a statement of changes in equity for the company.

	Dr	Cr
BS Stated Capital	-	152,856
IS Rent	19,100	
IS Inventory	54,900	
BS Land at cost	39,790	
BS Buildings at cost	139,100	
BS Equipment at cost	39,900	
BS Buildings depreciation provision		52,320
BS Equipment depreciation provision		19,100
BS Trade receivables <i>Creditors</i>	51,960	
SC Trade payables <i>Debtors</i>		43,440
IS Turnover		199,300
IS Purchases	107,500	
BS Discounts allowed and received	8,100	7,280
IS Salary	32,200	
IS Stationery	3,340	
IS Utilities	5,680	
IS Travelling and Transport	8,255	
IS Returns outwards		4145
IS Carriage inwards	3,710	
BS Bank overdraft		10,294
BS 15 % Preference shares		17,500
BS Retained earnings		7,300
	-----	-----
	<b>513,535</b>	<b>513,535</b>
	=====	=====

Additional information

- Inventory at 31 December, 2020 was valued at C\$53,600.
- Depreciation is at 4% on the cost of the buildings. *5564*
- Depreciation is at 10% on straight line method on the equipment.
- Rent paid in advance amounted to C\$2,500/ *Prepayment Rent*
- Accrued salary totaled C\$3,200

Required: Prepare

- A Statement of Comprehensive Income for the year ended 31 December 2020;
- A Statement of Financial Position as at that date,

(25 marks)

12,000

## FINANCIAL STATEMENTS DRAFT

## SBJ LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011

	GHC	GHC	GHC
Sales			1,022,000.00
Opening Inventory		84,912.00	
Purchases	439,100.00		
Carriage Inwards	6,200.00	445,300.00	
Cost Of Goods Available For Sale		530,212.00	
Less Closing Inventory		(91,413.00)	
Cost Of Sales			438,799.00
Gross Profit			583,201.00
Less Expenses:			
Salaries And Wages		192,400.00	
Directors Remuneration		123,000.00	
Motor Expenses		3,120.00	
Rates And Insurance		8,690.00	
General Expenses		5,600.00	
Depreciation: Buildings		10,000.00	
Motor Vehicle		18,000.00	
Equipment		12,000.00	
Total Operating Exepenses			372,810.00
Profit Before Interest And Tax			210,391.00
Debenture Interest (15,000+15,000)			(30,000.00)
Profit Before Tax			180,391.00

FINANCIAL STATEMENTS DRAFT

Corporate Tax (30%*180,391)	<u>(54,117.30)</u>
Profit After Tax	<u>126,273.70</u>

STATEMENT OF CHANGES IN EQUITY AS 31ST DECEMBER,2011

PARTICULARS	ORDINARY SHARE CAPITAL	PREFERNECE SHARE CAPITAL	RETAIN PROFIT	CAPITAL SURPLUS	GENERAL RESERVE	TOTAL
	GHC	GHC	GHC	GHC	GHC	GHC
Opening Balance	700,000.00	200,000.00	43,212.00	100,000.00	50,000.00	1,093,212.00
Profit For Year			126,273.70			126,273.70
Goodwill Impairment			(30,000.00)			(30,000.00)
Transfer To General Reserve			(10,000.00)		10,000.00	-
Preference Dividend Proposed			(20,000.00)			(20,000.00)
Interim Ordinary Dividend Paid			(35,000.00)			(35,000.00)
Final ordinary Proposed			(35,000.00)			(35,000.00)
						-
<b>TOTAL</b>	<b>700,000.00</b>	<b>200,000.00</b>	<b>39,485.70</b>	<b>100,000.00</b>	<b>60,000.00</b>	<b>1,099,485.70</b>

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER,2023

Non Current Asset	COST	DEPRECIATION	CARRY AMOUNT
	GHC	GHC	GHC
Goodwill	255,000.00	30,000.00	225,000.00
Building	1,050,000.00	110,000.00	940,000.00
Equipment	120,000.00	36,000.00	84,000.00
Motor Vehicle	<u>172,000.00</u>	<u>69,600.00</u>	<u>102,400.00</u>
Total Non Current Asset	<u>1,597,000.00</u>	<u>245,600.00</u>	1,351,400.00



**Joshua Yirenkyi-Smart, Opoku**  
**FINANCIAL STATEMENTS DRAFT**

**Current Asset**

Inventory	91,413.00	
Account Receivables	186,100.00	
Bank	<u>8,390.00</u>	
Total Current Asset		<u>285,903.00</u>
Total Asset		<u><u>1,637,303.00</u></u>

**Financed by:**

Share Capital: Ordinary		700,000.00
Preference Share Capital		200,000.00
Retain Profit		39,485.70
Capital Surplus		100,000.00
General Reserve		<u>60,000.00</u>
Total		1,099,485.70

**Non-Current Liabilities**

10% Debenture		300,000.00
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**Current Liabilities**

Account Payable	113,700.00	
Corporate Tax	54,117.30	
Preference Dividend Due	20,000.00	
Final Ordinary Dividend Due	35,000.00	
Debenture Interest Due	<u>15,000.00</u>	
<b>Total Current Liabilities</b>		237,817.30

**Joshua Yirenyi-Smart, Opoku**  
**FINANCIAL STATEMENTS DRAFT**

**Total Equity And Liabilities**

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**1,637,303.00**

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## FINANCIAL STATEMENTS DRAFT

**FINANCIAL STATEMENTS FOR COMPANIES****THE QUESTION ON PAGE 126 OF THE ACCOUNTING MANUAL**

## ARC LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012			
Particulars	GHC 000	GHC 000	GHC 000
Sales			160,800.00
<u>Cost of Sales</u>			
Opening Inventory		25,145.00	
Purchases		<u>106,670.00</u>	
Cost of Goods available for sale		131,815.00	
Closing Inventory		<u>(32,630.00)</u>	<u>(99,185.00)</u>
Gross Profit			61,615.00
Investment income			<u>1,000.00</u>
Total Gross Profit			62,615.00
<u>Operating Expenses</u>			
Increase in provision for bad debts		150.00	
Wages and Salaries	13,533.00		
Wages Outstanding	<u>220.00</u>	13,753.00	
Rates and Insurance	1,217.00		
Insurance paid in Advance	<u>(78.00)</u>	1,139.00	
Bad Debts		770.00	
Directors Remuneration		3,000.00	

FINANCIAL STATEMENTS DRAFT

Provision for Depreciation:

Motor Vehicle	2,160.00	(20,972.00)
Profit Before Tax		<u>41,643.00</u>

STATEMENT OF CHANGES IN EQUITY

	EQUITY SHARE CAPITAL	PREFERENCE SHARE CAPITAL	RETAIN EARNINGS	TOTAL
	GHC	GHC	GHC	GHC
	000	000	000	000
Opening Balance	100,000.00	20,000.00	6,954.00	126,954.00
Profit for the year			41,643.00	168,597.00
Preference Dividend			(1,000.00)	167,597.00
Ordinary Dividend Declared			(10,000.00)	157,597.00
Total	100,000.00	20,000.00	37,597.00	157,597.00

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

Particulars	GHC	GHC	GHC
	000	000	000
<u>Non-Current Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
Freehold Properties	88,000.00	-	88,000.00
Motor Vehicle	10,800.00	3,720.00	<u>7,080.00</u>
			95,080.00
Unquoted Investment			5,800.00
General Investment			<u>7,890.00</u>
			108,770.00
<u>Current Assets</u>			
Closing Inventory		32,630.00	

FINANCIAL STATEMENTS DRAFT

Receivables	28,370.00		
Provision for bad debt	<u>(750.00)</u>	27,620.00	
Short term Investment		16,690.00	
Insurance paid in Advance		78.00	
Balance at Bank		<u>8,179.00</u>	<u>85,197.00</u>
Total Assets			<u>193,967.00</u>
Financed by:			
Stated Capital:			
Ordinary Share Capital		100,000.00	
5% Preference Share Capital		20,000.00	
Retain Earnings		<u>37,597.00</u>	157,597.00
<u>Current Liabilities</u>			
Trade Payables		25,650.00	
Wages Outstanding		220.00	
Preference Dividend due		500.00	
Ordinary Dividend due		<u>10,000.00</u>	<u>36,370.00</u>
			<u>193,967.00</u>

## FINANCIAL STATEMENTS DRAFT

2020 PAST QUESTION (Q6)

## EVEREST LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

Particulars	GHC	GHC	GHC
Turnover			199,300.00
<u>Cost of Sales</u>			
Opening Inventory		54,900.00	
Purchases	107,500.00		
Return Outwards	(4,145.00)		
Carriage Inwards	<u>3,710.00</u>		
Net Purchases		<u>107,065.00</u>	
Cost of Goods Available for sale		161,965.00	
Closing Inventory		<u>(53,600.00)</u>	<u>(108,365.00)</u>
Gross Profit			90,935.00
Discount Received			<u>7,280.00</u>
Total Gross Profit			98,215.00
<u>Operating Expenses</u>			
Rent	19,100.00		
Rent paid in advance	<u>(2,500.00)</u>	16,600.00	
Discount Allowed		8,100.00	
Salary	32,200.00		
Salary Accrued	<u>3,200.00</u>	35,400.00	
Stationery		3,340.00	
Utilities		5,680.00	

FINANCIAL STATEMENTS DRAFT

Travelling and Transport		8,255.00	
Provision for depreciation:			
Buildings (4/100*139,100)	5,564.00		
Equipment (10/100*39,900)	<u>3,990.00</u>	<u>9,554.00</u>	<u>(86,929.00)</u>
Net Profit for the year			<u>11,286.00</u>

STATEMENT OF CHANGES IN EQUITY

	EQUITY SHARE CAPITAL	PREFERENCE SHARE CAPITAL	RETAIN EARNINGS	TOTAL
	GHC	GHC	GHC	GHC
Opening Balance	152,856.00	17,500.00	7,300.00	177,656.00
Profit for the year			11,286.00	188,942.00
Preference Dividend due			(2,625.00)	186,317.00
Total	152,856.00	17,500.00	15,961.00	186,317.00

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

Particulars	GHC	GHC	GHC
<u>Non-Current Assets</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
Land	39,790.00	-	39,790.00
Buildings	139,100.00	57,884.00	81,216.00
Equipment	<u>39,900.00</u>	<u>23,090.00</u>	<u>16,810.00</u>
	<u>218,790.00</u>	<u>80,974.00</u>	137,816.00
<u>Current Assets</u>			
Closing Inventory		53,600.00	

FINANCIAL STATEMENTS DRAFT

Receivables	51,960.00	
Rent paid in advance	<u>2,500.00</u>	<u>108,060.00</u>
		<u>245,876.00</u>
<u>Financed by:</u>		
Stated Capital	152,856.00	
Preference Share	17,500.00	
Retained Earnings	<u>15,961.00</u>	186,317.00
<u>Current Liabilities</u>		
Trade Payables	43,440.00	
Bank Overdraft	10,294.00	
Accrued Salary	3,200.00	
Preference Dividend due	<u>2,625.00</u>	<u>59,559.00</u>
Capital Plus Liabilities		<u>245,876.00</u>