

QUESTIONS

Question 1 Edsel

1. Edsel owns a manufacturing business which makes metal storage containers. The following are descriptions of some of the items in his statement of financial position. For each item fill in the adjacent box with NON-CURRENT ASSET, CURRENT ASSET, LONG-TERM LIABILITY or CURRENT LIABILITY.

| | |
|---|--|
| Metal for use in manufacture | |
| Office desks and chairs | |
| Welding machine | |
| Loan from bank repayable in 5 years time | |
| Bank loan to be repaid in six months time | |
| Amount payable to sales representative in respect of her most recent expenses claim | |
| Amount owed by customer | |

Question 2 Fintan

2. Fintan's business capital is £303 630. Non-current assets are £267 760 and total liabilities are £83 776. Use the accounting equation to find the total for current assets.

Question 3 Fiannula

3. Fiannula's business statement of financial position includes the following totals:

| | £ |
|---------------------|---------|
| Current assets | 344 460 |
| Current liabilities | 207 740 |
| Non-current assets | 117 770 |
| Capital | 204 490 |

The four totals above do not produce a balancing statement of financial position. How much is the difference? Is it an asset or liability?

Question 4 Gustavus

4. Gustavus's statement of financial position at 30 June shows the following balances:

| | £ |
|--------------------|--------|
| Non-current assets | 21 470 |
| Inventory | 16 222 |
| Trade receivables | 5 934 |
| Cash | 266 |
| Bank overdraft | 1 803 |
| Due to HMRC | 766 |
| Trade payables | 3 722 |

a) What is the total of assets in the business?

- b) What is the total of current assets?
- c) What is the total for liabilities?
- d) What is Gustavus's capital?

Question 5 Gilroy

5. Gilroy's business, which trades as Gilroy International Services, has the following balances at 31 March:

| | £ |
|---------------------------------------|--------|
| Inventory | 31 774 |
| Trade payables | 18 251 |
| Cash in bank account | 8 342 |
| Long-term bank loan | 10 000 |
| Non-current assets – premises | 47 000 |
| Non-current assets – office equipment | 5 222 |
| Amounts owed by customers | 16 870 |
| Amounts owed to HMRC | 2 044 |
| Gilroy's capital | 78 913 |

Prepare Gilroy's statement of financial position at 31 March.

Question 6 Hana

6. Hana's statement of financial position at 1 June is as follows:

| | £ | £ |
|---------------------------|---|--------|
| ASSETS | | |
| Non-current assets | | 28 870 |

Current assets

| | | |
|-------------------|--------|--------|
| Inventory | 18 250 | |
| Trade receivables | 8 477 | |
| Bank account | 6 212 | |
| | <hr/> | 32 939 |

61 809

CAPITAL AND LIABILITIES

Capital 43 569

Current liabilities

| | |
|----------------|--------|
| Trade payables | 18 240 |
| | <hr/> |
| | 61 809 |
| | <hr/> |

On 2 June Hana settles a trade payable for £4100

On 3 June Hana receives £786 in respect of a trade receivable

On 4 June Hana buys a non-current asset for £1 000

Explain how her statement of financial position will be affected and show the new statement of financial position at 4 June after taking account of the three transactions.

ANSWERS

Answer 1 Edsel

| | |
|---|------------------------|
| Metal for use in manufacture | CURRENT ASSET |
| Office desks and chairs | NON-CURRENT ASSET |
| Welding machine | NON-CURRENT ASSET |
| Loan from bank repayable in 5 years time | LONG-TERM LIABILITY |
| Bank loan to be repaid in six months time | CURRENT LIABILITY |
| Amount payable to sales representative in respect of her most recent expenses claim | CURRENT LIABILITY |

| |
|-------------------------|
| Amount owed by customer |
|-------------------------|

| |
|---------------|
| CURRENT ASSET |
|---------------|

Answer 2 Fintan

Turning the accounting equation around:

$$\text{CAPITAL} + \text{LIABILITIES} = \text{ASSETS}$$

$$\text{Capital} = £303\,630$$

$$\text{Liabilities} = £83\,776$$

$$\text{Total assets} = £303\,630 + £83\,776 = £387\,406$$

£267 760 of this total comprises non-current assets. Therefore total current assets = £387 406 -
£267 760 = £119 646

Answer 3 Fiannula

Remember the accounting equation: $\text{ASSETS} - \text{LIABILITIES} = \text{CAPITAL}$

Total assets in Fiannula's statement of financial position = £117 770 (non-current assets) + £344
460 (current assets) = £462 230.

$$\text{Assets} - \text{liabilities} = £462\,230 - £207\,740 = £254\,490$$

However, the figure given for capital is £204 490, i.e. £50 000 less. It seems likely that the imbalance relates to long-term liabilities.

Proof: if long-term liabilities are £50 000, total liabilities = £207 740 + £50 000 = £257 740.

Assets – liabilities then becomes:

£462 230 - £257 740 = £204 490 (i.e. the capital figure given for Fiannula).

Answer 4 Gustavus

a) Total assets = £21 470 (non-current assets) + £16 222 (inventory) + £5 934 (trade receivables) + £266 (cash) = £43 892

b) Current assets = £16 222 (inventory) + £5 934 (trade receivables) + £266 (cash) = £22 422

c) Total liabilities = £1 803 (bank overdraft) + £766 (due to HMRC) + £3 722 (trade payables) = £6 291

d) Gustavus' s capital = assets – liabilities = £43 892 - £6 291 = £37 601.

Answer 5 Gilroy

Gilroy International Services: Statement of financial position at 31 March

| | £ | £ |
|--------------------|--------|--------|
| ASSETS | | |
| Non-current assets | | |
| Premises | 47 000 | |
| Office equipment | 5 222 | |
| | <hr/> | 52 222 |
| Current assets | | |
| Inventory | 31 774 | |

| | | |
|--------------------------------|--------|---------|
| Trade receivables | 16 870 | |
| Bank | 8 342 | |
| | <hr/> | 56 986 |
| | | <hr/> |
| | | 109 208 |
| | | <hr/> |
| CAPITAL AND LIABILITIES | | |
| Capital | | 78 913 |
| Non-current liabilities | | 10 000 |
| Current liabilities | | |
| Trade payables | 18 251 | |
| Due to HMRC | 2 044 | |
| | <hr/> | 20 295 |
| | | <hr/> |
| | | 109 208 |
| | | <hr/> |

Answer 6 Hana

In transaction 1, on 2 June, Hana is using up £4100 of the bank balance to pay trade payables.

The asset of bank reduces, but so also does the liability to pay trade payables.

Decrease bank by £4100

Decrease trade payables by £4100

In transaction 2, on 3 June, the asset of Hana's business bank balance increases. However, the asset of trade receivables decreases by a corresponding amount.

Increase bank by £786

Decrease trade receivables by £786

In transaction 3, on 4 June, Hana is using up £1000 of the amount in the business bank account but at the same time is increasing non-current assets.

Decrease bank account by £1000

Increase non-current assets by £1000

Hana: Statement of financial position at 4 June

| | £ | £ |
|--|--------|--------|
| ASSETS | | |
| Non-current assets (28 870 + 1 000) | | 29 870 |
| Current assets | | |
| Inventory | 18 250 | |
| Trade receivables (8 477 – 786) | 7 691 | |
| Bank account (6 212 – 4 100 + 786 – 1 000) | 1 898 | |
| | <hr/> | 27 839 |
| | | <hr/> |
| | | 57 709 |
| CAPITAL AND LIABILITIES | | <hr/> |
| Capital | | 43 569 |
| Current liabilities | | |
| Trade payables | | 14 140 |
| | | <hr/> |
| | | 57 709 |
| | | <hr/> |