

60.1 A drill to practise accounting for profits, losses and dividends in a limited company

Show a summarized balance sheet at the end of each year, for each of the following companies

1.

ABC Ltd is incorporated with authorized share capital £1 000 divided into 1 000 shares of £1 each. All of the shares are issued fully paid, at par.

YEAR 1: net profit £230, dividend £170

YEAR 2: net profit £180, dividend 10p per share

YEAR 3: net loss £50, dividend 3p per share

YEAR 4: net profit £90, dividend 8%

<i>ABC BALANCE SHEETS at end of ...</i>	<i>YR 1</i>	<i>YR 2</i>	<i>YR 3</i>	<i>YR 4</i>
£	£	£	£	£
Net Assets	<u>£1 000</u>	<u>£1 060</u>	<u>£1 140</u>	<u>£1 060</u>
Issued Share Capital				
1000 shares of £1	1 000	1 000	1 000	1 000
Retained Earnings (Loss)	<u>60</u>	<u>140</u>	<u>60</u>	<u>70</u>
	<u>£1 000</u>	<u>£1 060</u>	<u>£1 140</u>	<u>£1 070</u>

Workings:	<i>YR 1</i>	<i>YR 2</i>	<i>YR 3</i>	<i>YR 4</i>
for Net Assets				
<i>b/f</i>	1 000	1 060	1 140	1 060
<i>add profit/less (loss)</i>	230	180	(50)	90
<i>less dividend</i>	(170)	(100)	(30)	(80)
c/f	<u>£1 060</u>	<u>£1 140</u>	<u>£1 060</u>	<u>£1 070</u>
for Retained Earnings (Loss)				
<i>b/f</i>	nil	60	140	60
<i>add profit/less (loss)</i>	230	180	(50)	90
<i>less dividend</i>	(170)	(100)	(30)	(80)
c/f	<u>£ 60</u>	<u>£ 140</u>	<u>£ 60</u>	<u>£ 70</u>

2.

DEF Ltd is incorporated with authorized share capital £500 divided into 1 000 shares of 50p each. All of the shares are issued for 75p each, fully paid.

YEAR 1: net profit £105, dividend £100

YEAR 2: net profit £80, dividend 4.5p per share

YEAR 3: net loss £5, dividend 3p per share

YEAR 4: net profit £60, dividend 5%

<i>DEF BALANCE SHEETS at end of ...</i>	<i>YR 1</i>	<i>YR 2</i>	<i>YR 3</i>	<i>YR 4</i>
	£	£	£	£
Net Assets	<u>£ 750</u>	<u>£ 755</u>	<u>£ 790</u>	<u>£ 755</u>
Issued Share Capital				
1000 shares of 50p	500	500	500	500
Share Premium	250	250	250	250
Retained Earnings (Loss)	<u>5</u>	<u>40</u>	<u>5</u>	<u>40</u>
	<u>£ 750</u>	<u>£ 755</u>	<u>£ 790</u>	<u>£ 755</u>

Workings:	<i>YR 1</i>	<i>YR 2</i>	<i>YR 3</i>	<i>YR 4</i>
for Net Assets				
<i>b/f</i>	750	755	790	755
<i>add profit/less (loss)</i>	105	80	(5)	60
<i>less dividend</i>	(100)	(45)	(30)	(25)
<i>c/f</i>	<u>£ 755</u>	<u>£ 790</u>	<u>£ 755</u>	<u>£ 790</u>
 for Retained Earnings (Loss)				
<i>b/f</i>	nil	5	40	5
<i>add profit/less (loss)</i>	105	80	(5)	60
<i>less dividend</i>	(100)	(45)	(30)	(25)
<i>c/f</i>	<u>£ 5</u>	<u>£ 40</u>	<u>£ 5</u>	<u>£ 40</u>

3.

GHI Ltd is incorporated with authorized share capital £2 000 divided into 2 000 shares of £1 each. 1 500 of the shares are issued at a premium of 10p each, fully paid.

YEAR 1: net loss £50

YEAR 2: net profit £350, dividend £150

YEAR 3: net profit £200, dividend 9p per share

YEAR 4: net loss £45, dividend nil

<i>GHI BALANCE SHEETS at end of ...</i>	YR 1	YR 2	YR 3	YR 4
	£	£	£	£
Net Assets	<u>£1 650</u>	<u>£1 600</u>	<u>£1 800</u>	<u>£1 865</u>
Issued Share Capital				
1500 shares of £1	1 500	1 500	1 500	1 500
Share Premium	150	150	150	150
Retained Earnings (Loss)	<u>(50)</u>	<u>150</u>	<u>215</u>	<u>170</u>
	<u>£1 650</u>	<u>£1 600</u>	<u>£1 800</u>	<u>£1 820</u>

Workings:	YR 1	YR 2	YR 3	YR 4
for Net Assets				
<i>b/f</i>	1 650	1 600	1 800	1 865
<i>add profit/less (loss)</i>	(50)	350	200	(45)
<i>less dividend</i>	nil	(150)	(135)	nil
c/f	<u>£1 600</u>	<u>£1 800</u>	<u>£1 865</u>	<u>£1 820</u>
 for Retained Earnings (Loss)				
<i>b/f</i>	nil	(50)	150	215
<i>add profit/less (loss)</i>	(50)	350	200	(45)
<i>less dividend</i>	nil	(150)	(135)	nil
c/f	<u>£(50)</u>	<u>£ 150</u>	<u>£ 215</u>	<u>£ 170</u>

4.

JKL Ltd is incorporated with authorized share capital £500 divided into 5 000 shares of 10p each. 3 000 of the shares are issued at par, part paid 7p per share.

YEAR 1: net profit £95, dividend £45

YEAR 2: net loss £20, dividend 10%

YEAR 3: during this year, the company required the shares to be paid up in full, and reported net profit £140, dividend 2p per share

YEAR 4: net profit £50, dividend 10%

<i>JKL BALANCE SHEETS at end of ...</i>			YR 1	YR 2		YR 3	YR 4
	£		£	£		£	£
Net Assets	£ 210		£ 260	£ 210	Net Assets	£ 380	£ 400
Issued Share Capital 3000 shares of 10p, part paid 7p	210		210	210	Issued Share Capital 3000 shares of 10p fully paid	300	300
Retained Earnings (Loss)			50	0	Retained Earnings (Loss)	80	100
	<u>£ 210</u>		<u>£ 260</u>	<u>£ 210</u>		<u>£ 380</u>	<u>£ 400</u>
Workings:			YR 1	YR 2	Workings:	YR 3	YR 4
for Net Assets					for Net Assets		
b/f			210	260	b/f	210	380
add profit/less (loss)			95	(20)	add cash from call on shares	90	
less dividend			(45)	(30)	add profit/less (loss)	140	50
c/f			<u>£ 260</u>	<u>£ 210</u>	less dividend	(60)	(30)
					c/f	<u>£ 380</u>	<u>£ 400</u>
for Retained Earnings (Loss)					for Retained Earnings (Loss)		
b/f			nil	50	b/f	0	80
add profit/less (loss)			95	(20)	add profit/less (loss)	140	50
less dividend			(45)	(30)	less dividend	(60)	(30)
c/f			<u>£ 50</u>	<u>£ 0</u>	c/f	<u>£ 80</u>	<u>£ 100</u>