

## 59.2 A drill to practise reading the limited company balance sheet

For each of the following companies, state the total value of the shareholders' claim on the company, and explain the origin of its different components

### DEF Ltd

| DEF Ltd Balance Sheet                     |             |
|---|-------------|
| Net Assets                                | <u>£200</u> |
| Issued Share Capital<br>800 shares of 25p | <u>£200</u> |

DEF Ltd: the total shareholders' claim on the company is £200. All of this claim arises in respect of value paid in to the company by shareholders in exchange for the shares issued to them. Shareholders have paid in no more than the minimum required by the company.

### GHI Ltd

| GHI Ltd Balance Sheet |             |
|-----------------------|-------------|
|                       | £           |
| Net Assets            | <u>£120</u> |
| Issued Share Capital  |             |
| 100 shares of £1      | 100         |
| Share Premium         | <u>20</u>   |
|                       | <u>£120</u> |

GHI Ltd: the total shareholders' claim on the company is £120. All of this arises in respect of value paid in to the company by shareholders in exchange for the shares issued to them, but the total is divided into:

- issued share capital – a claim to £100 of value in respect of the minimum payment required by the company in exchange for the issue of 100 shares, and
- share premium – a claim to £20 extra value paid in by shareholders.

**JKL Ltd**

| JKL Ltd Balance Sheet |             |
|-----------------------|-------------|
|                       | £           |
| Net Assets            | <u>£190</u> |
| Issued Share Capital  |             |
| 500 shares of 20p     | 100         |
| Share Premium         | 50          |
| Retained Earnings     | <u>40</u>   |
|                       | <u>£190</u> |

JKL Ltd: the total shareholders' claim on the company is £190. This total is divided into:

- issued share capital – a claim to the minimum £100 of value that shareholders had to pay into the company to acquire the number of shares that have been issued
- share premium – a claim to an extra £50 of value also paid in by shareholders
- retained earnings – a claim to extra net assets (or profit) accumulated by the company, with a value of £40

**MNO Ltd**

| MNO Ltd Balance Sheet |               |
|-----------------------|---------------|
|                       | £             |
| Net Assets            | <u>£550</u>   |
| Issued Share Capital  |               |
| 1 000 shares of 50p   | 500           |
| Share Premium         | 250           |
| Retained Loss         | <u>( 200)</u> |
|                       | <u>£550</u>   |

MNO Ltd: the total shareholders' claim on the company is £550. This total can be divided into three parts:

- issued share capital – a claim to the minimum £500 of value shareholders had to pay into the company to acquire the number of shares that have been issued
- share premium – a claim to an extra £250 of value also paid in by shareholders *minus*
- retained loss of £200 – this is the accumulated value of net assets lost by the company.

**PQR Ltd**

| PQR Ltd              |                |
|----------------------|----------------|
|                      | £              |
| Net Assets           | <u>£2 000</u>  |
| Issued Share Capital |                |
| 1 000 shares of £5   | 5 000          |
| Share Premium        | 3 000          |
| Retained Loss        | <u>(6 000)</u> |
|                      | <u>£2 000</u>  |

PQR Ltd: the total shareholders' claim on the company is £2 000. This total can be divided into three parts:

- issued share capital – a claim to the minimum £5 000 of value shareholders had to pay into the company to acquire the number of shares that have been issued
- share premium – a claim to an extra £3 000 of value also paid in by shareholders

*minus*

- retained loss of £6 000 – the accumulated value of net assets lost by the company.

**STU Ltd**

| STU Ltd              |                 |
|----------------------|-----------------|
|                      | £               |
| Net Assets           | <u>£(1 000)</u> |
| Issued Share Capital |                 |
| 1 000 shares of £5   | 5 000           |
| Share Premium        | 3 000           |
| Retained Loss        | <u>(9 000)</u>  |
|                      | <u>£(1 000)</u> |

STU Ltd: the total shareholders' claim on the company is *minus* £1 000. This means that the company is insolvent, and to make it solvent would require a payment in of £1 000 by shareholders. The total negative claim consists of:

- share capital – claim to the £5 000 of value that shareholders had to pay in for the number of shares issued to them
- share premium - claim to an extra £3 000 also paid in by shareholders

*minus*

- retained loss – accumulated value of net assets lost by company £9 000