

- 2.4** On 1 March, Joe Conday started a new business. During March he carried out the following transactions:

- 1 March Deposited £20,000 in a bank account.
- 2 March Bought fixtures and fittings for £6,000 cash and inventories £8,000 on credit.
- 3 March Borrowed £5,000 from a relative and deposited it in the bank.
- 4 March Bought a motor car for £7,000 cash and withdrew £200 in cash for his own use.
- 5 March A further motor car costing £9,000 was bought. The motor car bought on 4 March was given in part exchange at a value of £6,500. The balance of the purchase price for the new car was paid in cash.
- 6 March Conday won £2,000 in a lottery and paid the amount into the business bank account. He also repaid £1,000 of the borrowings.

Required:

Draw up a statement of financial position for the business at the end of each day.

- 2.5** The following is a list of the assets and claims of Crafty Engineering Ltd at 30 June last year:

	£000
Trade payables	86
Motor vehicles	38
Long-term loan from Industrial Finance Co.	260
Equipment and tools	207
Short-term borrowings	116
Inventories	153
Property	320
Trade receivables	185

Required:

- (a) Prepare the statement of financial position of the business as at 30 June last year from the above information using the standard layout. (*Hint*: There is a missing item that needs to be deduced and inserted.)
- (b) Discuss the significant features revealed by this financial statement.

- 2.6** The statement of financial position of a business at the start of the week is as follows:

	£
ASSETS	
Property	145,000
Furniture and fittings	63,000
Inventories	28,000
Trade receivables	<u>33,000</u>
Total assets	<u>269,000</u>
EQUITY AND LIABILITIES	
Equity	203,000
Short-term borrowing (bank overdraft)	43,000
Trade payables	<u>23,000</u>
Total equity and liabilities	<u>269,000</u>

During the week the following transactions take place:

- (a) Inventories sold for £11,000 cash; these inventories had cost £8,000.
- (b) Sold inventories for £23,000 on credit; these inventories had cost £17,000.
- (c) Received cash from trade receivables totalling £18,000.
- (d) The owners of the business introduced £100,000 of their own money, which was placed in the business bank account.

- (e) The owners brought a motor van, valued at £10,000, into the business.
- (f) Bought inventories on credit for £14,000.
- (g) Paid trade payables £13,000.

Required:

Show the statement of financial position after all of these transactions have been reflected.

- 2.7** The following is a list of assets and claims of a manufacturing business at a particular point in time:

	£
Short-term borrowing	22,000
Property	245,000
Inventories of raw materials	18,000
Trade payables	23,000
Plant and equipment	127,000
Loan from Manufacturing Finance Co. (long-term borrowing)	100,000
Inventories of finished goods	28,000
Delivery vans	54,000
Trade receivables	34,000

Required:

Write out a statement of financial position in the standard format incorporating these figures.
(Hint: There is a missing item that needs to be deduced and inserted.)

- 2.8** You have been talking to someone who had read a few chapters of an accounting text some years ago. During your conversation the person made the following statements:

- (a) The income statement shows how much cash has come into and left the business during the accounting period and the resulting balance at the end of the period.
- (b) In order to be included in the statement of financial position as an asset, an item needs to be worth something in the market – that is all.
- (c) The accounting equation is:

$$\text{Assets} + \text{Equity} = \text{Liabilities}$$

- (d) Non-current assets are things that cannot be moved.
- (e) Goodwill has an infinite life and so should not be amortised.

Required:

Comment critically on each of the above statements, going into as much detail as you can.