

LCBB4001 SEMINAR WEEK 3

Solutions

Exercise 2.4

Joe Conday

Statement of financial position as at 1 March

	£
<u>ASSETS</u>	
Bank	20,000
<u>LIABILITIES</u>	
<u>EQUITY</u>	
Share capital	20,000

Statement of financial position as at 2 March

	£
ASSETS	
Bank (20,000 – 6,000)	14,000
Fixtures and fittings	6,000
Inventories	8,000
Total assets	28,000
LIABILITIES	
Trade payables	8,000
EQUITY	
Share capital	20,000
Total equity and liabilities	28,000

Statement of financial position as at 3 March

	£
ASSETS	
Bank (14,000 + 5,000)	19,000
Fixtures and fittings	6,000
Inventories	8,000
Total assets	33,000
LIABILITIES	
Trade payables	8,000
Borrowings	5,000
EQUITY	
Share capital	20,000
Total equity and liabilities	33,000

Statement of financial position as at 4 March

	<u>£</u>
ASSETS	
Bank (19,000 – 7,000 – 200)	11,800
Fixtures and fittings	6,000
Inventories	8,000
Motor car	7,000
Total assets	32,800
EQUITY AND LIABILITIES	
Share capital (20,000 – 200)	19,800
Trade payables	8,000
Borrowings	5,000
Total equity and liabilities	32,800

Statement of financial position as at 5 March

	<u>£</u>
ASSETS	
Bank (11,800 – 2,500)	9,300
Fixtures and fittings	6,000
Inventories	8,000
Motor car	9,000
Total assets	32,300
EQUITY AND LIABILITIES	
Share capital (19,800 – 500)	19,300
Trade payables	8,000
Borrowings	5,000
Total equity and liabilities	32,300

Statement of financial position as at 6 March

	<u>£</u>
ASSETS	
Bank (9,300 + 2,000 – 1,000)	10,300
Fixtures and fittings	6,000
Inventories	8,000
Motor car	9,000
Total assets	33,300
EQUITY AND LIABILITIES	
Share capital (19,300 + 2,000)	21,300
Trade payables	8,000
Borrowings (5,000 – 1,000)	4,000
Total equity and liabilities	33,300

Solution to Exercise 2.5

a). Statement of financial position as at 30 June last year

	<u>£000</u>	
ASSETS		
Non-current assets		
<i>Property, plant and equipment</i>		
Property	320	
Equipment and tools	207	
Motor vehicles	<u>38</u>	
	565	
Current assets		
Inventories	153	
Trade receivables	<u>185</u>	
	338	
Total assets		903
LIABILITIES		
Current liabilities		
Trade payables	86	
Short-term borrowings	<u>116</u>	
	202	
Non-current liabilities		
Long-term borrowings (Loan Industrial Finance Co.)	<u>260</u>	
Total liabilities	462	
EQUITY		
Equity (Owners' capital – which is the missing figure)	441	
Total equity and liabilities		903

b. (Explanation given in class)

Solution to Exercise 2.6

Statement of financial position as at the end of the week

ASSETS	£
Property	145,000
Furniture and fittings	63,000
Motor van	10,000
Inventories (28,000 – 8,000 – 17,000 + 14,000)	17,000
Trade receivables (33,000 + 23,000 – 18,000)	38,000
Total assets	273,000
 EQUITY AND LIABILITIES	
Equity (203,000 + 11,000 – 8,000 + 23,000 – 17,000 + 100,000 + 10,000)	322,000
 Borrowings (Bank overdraft) (43,000 – 11,000 – 18,000 – 100,000 + 13,000)	(73,000)
Trade payables (23,000 + 14,000 – 13,000)	24,000
Total equity and liabilities	273,000

Since the bank balance is now positive, we can rewrite this statement of financial position as:

Statement of financial position as at the end of the week

ASSETS	£
Property	145,000
Furniture and fittings	63,000
Motor van	10,000
Inventories	17,000
Trade receivables	38,000
Cash at bank	73,000
Total assets	346,000
 EQUITY AND LIABILITIES	
Equity	322,000
Trade payables	24,000
Total equity and liabilities	346,000

Solution to Exercise 2.7

Manufacturing business
Statement of financial position at a point in time
£000

ASSETS

Non-current assets

Property, plant and equipment

Property	245	
Plant and equipment	127	
Delivery vans	<u>54</u>	
	426	

Current assets

Inventories – raw materials	18	
– finished goods	28	
Trade receivables	<u>34</u>	
	80	

Total assets		506
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LIABILITIES

Current liabilities

Trade payables	23	
Short-term borrowings	<u>22</u>	
	45	

Non-current liabilities

Long-term borrowings (Manufacturing Finance Co.)	<u>100</u>	
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Total liabilities	145	
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EQUITY

Equity (Owners' capital – which is the missing figure)	361	
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Total equity and liabilities		506
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