

Using GOAL to Study for Exam CB1!

Written Answer

This problem features a written answer component. Please write out your solution using your preferred method. When you are ready to review your work and score yourself, click the following button.

Reveal / Review Written Answer Scoring

Written answers must be graded if you wish to include them in your GOAL Score during Practice sessions.

Question - Part A

Difficulty: Mastery

[20 points] Star Ways Academy, a division of Star Ways, is preparing the year-end financial statements. To this end, your help is required. Use the following data to prepare:

- 1) Statement of Profit or Loss (income statement) [10 points]
- 2) Statement of Financial Position (balance sheet) [10 points]

Year-End Trial Balance

	Debit	Credit
[1] Administrative staff salaries	4,824	
[2] Cash	34,394	
[3] Treasury bills	30,600	
[4] Faculty wages	19,566	
[5] Dividend paid	27,000	
[6] Energy expenses	6,516	
[7] Loan interest	7,200	
[8] Long term loan		81,000
[9] Other operational expenses	192,868	
[10] Plant and equipment – Gross Value	162,738	
[11] Plant and equipment – Accumulated depreciation		87,354
[12] Directors' salaries	7,560	
[13] Property – Gross Value	176,400	
[14] Property – Accumulated depreciation		26,208
[15] Retained earnings		38,124
[16] Revenue		386,040
[17] Sales staff commission	9,360	
[18] Sales staff salaries	21,330	
[19] Share capital		135,000
[20] Trade payable		28,860
[21] Trade receivables	82,230	
	782,586	782,586

Values in £000

Additional information (£000)

- The company spent and paid £1500 (thousands) in research
- Depreciation for the current year has still to be recorded on the following basis:
 - Property: 2% straight line
 - Plant and equipment: 25% straight line
- The corporate tax rate is 20%

Help Me Start

See the solution below!

Self Assessment & Solution - Part A

1) Statement of Profit or Loss (income statement) [10 points]

Star Ways Academy
Statement of Profit and Losses

Revenue	386,040
Human Resources/Personnel Costs	62,640
Operating Costs	200,884
Depreciation	44,213
Operating Profit/EBIT	78,304
Finance Charge	7,200
Profit before tax	71,104
Tax expense	14,221
Profit for the year	56,883

Values in £000

Intermediate Calculations

$$\begin{aligned} \text{Personel Costs} &= [1] + [4] + [12] + [17] + [18] \\ &= 4,824 + 19,566 + 7,560 + 9,360 + 21,330 \\ &= 62,640 \end{aligned}$$

$$\begin{aligned} \text{Operating Expenses} &= [6] + [9] + [\text{Research}] \\ &= 6,516 + 192,868 + 1,500 \\ &= 200,884 \end{aligned}$$

$$\begin{aligned} \text{Depreciations} &= [10] \times 25\% + [13] \times 2\% \\ &= 162,738 \times 25\% + 176,400 \times 2\% \\ &= 44,213 \end{aligned}$$

2) Statement of Financial Position (balance sheet) [10 points]

Star Ways Academy
Statement of Financial Position

Non-Current Assets	181,364	Equity	
		Share Capital	135,000
Current Assets		Retained Earnings	68,007
Accounts Receivable	82,230		Total: 203,007
Cash and Equivalents	63,494	Non-current Liabilities	
	Total: 147,224	Loan	81,000
		Current Liabilites	
		Accounts Payable	28,860
		Taxes	14,221
		Total: 44,581	
		Total Liabilities	125,581
Total Assets	327,088	Total Equity + Liabilities	327,088

Values in £000

Intermediate Calculations

$$\begin{aligned} \text{Non Current Assets} &= [10] - [11] + [13] - [14] - [\text{Depreciations}] \\ &= 162,738 - 87,354 + 176,400 - 26,208 - 44,213 \\ &= 181,364 \end{aligned}$$

$$\begin{aligned} \text{Cash and Equivalents} &= [2] + [3] - [\text{Research}] \\ &= 34,394 + 30,600 - 1,500 \\ &= 63,494 \end{aligned}$$

$$\begin{aligned} \text{Retained Earnings} &= [15] - [5] + [\text{Profit for the Year}] \\ &= 38,124 - 27,000 + 56,883 \\ &= 68,007 \end{aligned}$$

Self Assessment Score: 20.00

Test Tip

Be aware that IFoA is a UK institute, so exercises on 4. Constructing and Interpreting Company Accounts apply different GAAP, either UK GAAP or IFRS.

Rate this problem

Excellent

Needs Improvement

Inadequate

Quickly access the Hub for additional learning.

Flag problems for review, record notes, and email a professor for help.

Reveal answers and review to score yourself.

View difficulty level.

Detailed questions with points system for easy scoring.

Not sure where to begin? Some questions feature "Help Me Start" to guide you in the right direction.

Dive into the solutions and have each question broken down step by step.

Grade your performance using the self assesment.

Receive tips on how to approach questions.

Rate a problem or give feedback.