

# Company Accounts

## Statement of changes in equity

A set of financial statements for a company must include a statement of changes in equity (SOCIE) in order to comply with the requirements of IAS1: **Presentation of financial statements**.

The SOCIE is a part of the financial statements of a company, together with the statement of financial position, statement of comprehensive income, statement of cash flows and notes to the financial statements.

For each 'component of equity', a SOCIE shows the amount at the **beginning** of the period for that component of equity, changes during the period, and **its amount** at the end of the period.

The purpose of the statement is **simply to show** how the total amount of equity has changed during the year, and **which parts of equity** have increased or decreased in amount, and by how much.

ARD Limited  
Statement of Changes in Equity for the year ended 31 Dec 2020

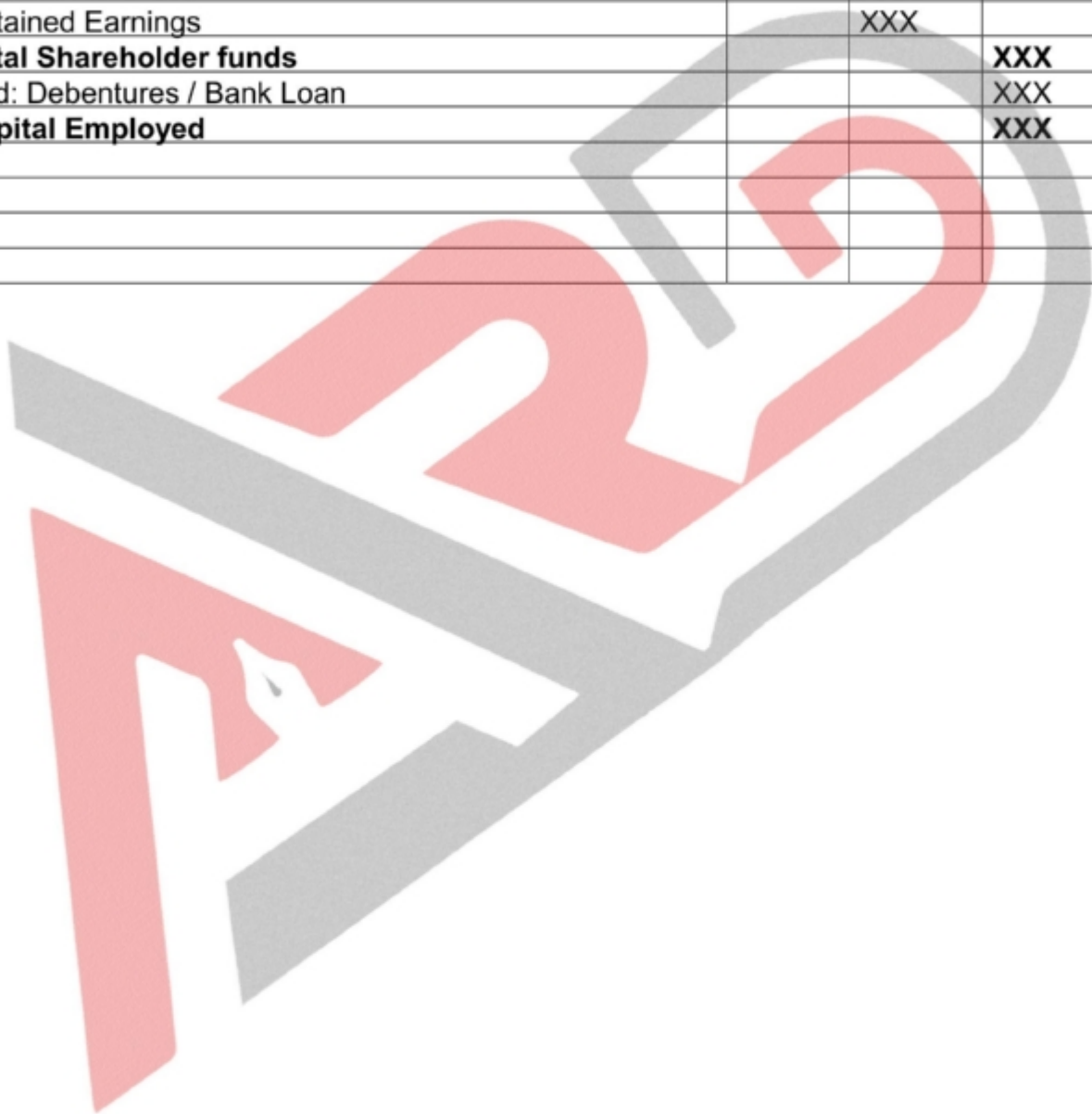
	<u>Preference Share Capital</u>	<u>Ordinary Share Capital</u>	<u>General Reserve</u>	<u>Retained Earnings</u>	<u>Total Equity</u>
Balance at Start	XXX	XXX	XXX	XXX	XXXX
Profit / (Loss) after interest				XX(XX)	XX(XX)
Dividends paid				(XX)	(XX)
Transfer to General Reserve			XX	(XX)	nil
Balance at End	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXXX</u>

### (w) Calculation of Profit after interest

Profit for the year before interest	XXX
Less: Debentures / Loan interest (Debentures Amount X Rate%)	<u>(XXX)</u>
Profit for the year	<b>XXX</b>

ARD Limited  
Statement of Financial Position Extract for the year ended Dec 31, 2020

<b>Equity &amp; Reserves</b>			
<b>ISSUED / CALLED UP / PAID UP SHARE CAPITAL:</b>			
Preference share Capital	XXX		
Ordinary Share Capital	XXX	XXX	
General Reserves		XXX	
Retained Earnings		XXX	
<b>Total Shareholder funds</b>			<b>XXX</b>
Add: Debentures / Bank Loan			XXX
<b>Capital Employed</b>			<b>XXX</b>



## Company Accounts

**Q1** SGC Ltd is a trading company. The following balances were extracted from the books on 30 April 2010.

	\$
Inventory (stock) at 1 May 2009	48 500
Raw materials (Purchases)	178 000
Raw materials (Purchase) returns	9 000
Carriage inwards	16 500
Revenue (Sales)	370 000
Office expenses	19 750
Office salaries	59 300
Property (Land and buildings) at cost	250 000
Computer equipment (cost)	80 000
Office fixtures and fittings (cost)	40 000
Provision for depreciation of computer equipment	28 000
Provision for depreciation of office fixtures and fittings	15 000
Other operating (Sundry) expenses	9 800
Advertising and marketing costs	24 000
Finance costs (Debenture interest) paid	3 000
Authorised and issued share capital	
100 000 \$0.50 ordinary shares	50 000
200 000 \$1.00 8% preference shares	200 000
Non-current liabilities (12% debentures repayable 31 December 2020)	50 000
General reserve	40 000
Profit and loss account 1 May 2009	1 300
Trade receivables (debtors)	42 000
Provision for doubtful debts	1 500
Trade payables (creditors)	35 500
Cash (Bank)	3 450 Dr

### Additional information:

- Inventory (stock) at 30 April 2010 was \$57 000.
- At 30 April 2010
  - Office expenses, \$450, were prepaid.
  - Office salaries, \$1800, were accrued.
- Depreciation is to be charged on:
  - computer equipment at 25% per annum using the diminishing (reducing) balance method;
  - office fixtures and fittings using the straight-line method at 20% on cost.
- The provision for doubtful debts is to be maintained at 5% of trade receivables (debtors).
- On 30 April 2010 the directors of SGC Ltd
  - Transferred \$20 000 to the general reserve.
  - Paid the full dividend on the preference shares.
  - Paid an ordinary share dividend of \$0.10 per share.

**REQUIRED**

- (a) Prepare the income statement (trading and profit and loss account and the appropriation account) of SGC Ltd for the year ended 30 April 2010. [22]
- (b) Prepare the balance sheet of SGC Ltd at 30 April 2010. [18]

**[Total: 40]**







**Q2** The following information is available for B Limited at 31 August 2018.

B Limited  
Statement of Changes in Equity for the year ended 31 August 2018

	Ordinary Shares	General Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 September 2017	150 000	65 000	85 000	300 000
Profit for the year			75 000	75 000
Transfer to general reserve		25 000	(25 000)	–
Dividend paid (ordinary shares)			(21 000)	(21 000)
Balance at 31 August 2018	<u>150 000</u>	<u>90 000</u>	<u>114 000</u>	<u>354 000</u>

Other balances at 31 August 2018

	\$
Trade payables	73 000
6% Debentures (repayable 2024)	50 000
Debenture interest owing	4 800
General expenses owing	5 300
5% Bank loan (repayable 31 May 2019)	40 000

Additional information

B Limited had issued 300 000 ordinary shares.

**REQUIRED**

(a) Explain why the debentures are **not** included in the statement of changes in equity.

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.....[2]

(b) Calculate the dividend paid on ordinary shares for the year (in \$ per ordinary share).

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.....[2]







**Q3** Cam Limited provided the following information.

	\$
At 1 October 2015	
Issued share capital \$1 Ordinary shares	70 000
General reserve	40 000
Debentures (Repayable 2025)	50 000
Retained profits	92 000
For the year ended 30 September 2016	
Profit for the year	75 000
Interim dividend paid on ordinary shares	7 000

Additional information

- 1 On 1 November 2015 an additional 30 000 ordinary shares of \$1 each were issued.
- 2 On 30 September 2016 the directors:  
transferred \$80 000 to the general reserve,  
paid a final ordinary dividend of \$0.20 per share on all issued shares.

**REQUIRED**

- (a) Complete the statement of changes in equity for the year ended 30 September 2016.

Cam Limited  
Statement of Changes in Equity for the year ended 30 September 2016

	Share Capital \$	General Reserve \$	Retained Profits \$	Total \$
Balance at 1 October 2015	70 000	40 000	92 000	202 000
Share issue				
Profit for the year				
Transfer to general reserve				
Dividend paid (interim)				
Dividend paid (final)				
Balance at 30 September 2016				

[8]



(d) State **two** differences between ordinary shares and debentures.

1 .....

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2 .....

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[4]

[Total: 20]



**Q4** B Limited had the following balances in the books at 30 April 2017.

	\$
Retained profits 1 May 2016	410 000
General reserve 1 May 2016	75 000
Debentures (repayable 30 June 2020)	80 000
Issued share capital ordinary shares \$1 each	200 000
Interim dividend paid on ordinary shares	10 000
Profit for the year ended 30 April 2017	90 000

Additional information

- 1 On 1 May 2016 an additional 50 000 ordinary shares of \$1 each had been issued.
- 2 On 30 April 2017 the directors:
  - transferred \$50 000 to the general reserve
  - paid a final ordinary dividend of \$0.10 per share.

**REQUIRED**

- (a) Prepare the statement of changes in equity for the year ended 30 April 2017.

B Limited  
Statement of Changes in Equity for the year ended 30 April 2017

	Ordinary share capital	General reserve	Retained profits	Total
	\$	\$	\$	\$
Balance at 1 May 2016	150 000	75 000	410 000	635 000
Share issue				
Profit for the year				
Transfer to general reserve				
Dividend paid (interim)				
Dividend paid (final)				
Balance at 30 April 2017				

[8]



