

## Tabular Statements.

2006 Q.6

### Column One.

Before starting a tabular statement question we first of all have to write a list of the company's assets and liabilities down the left hand side of our page. You'll notice in the solution that the list of assets includes a few things that might look a bit strange...

- Depreciation is written under each fixed asset and the opening value is written into the first column of our answer as a minus figure. This is important and needs to be done in every tabular statement answer.
- Bad debt provision is dealt with in the same way as depreciation. Debtors are listed as an asset and the bad debt provision is put in directly underneath this as a minus figure. You might wonder where the figures of €90,000 and €4,500 have come from (since the question clearly says that Debtors are €85,500). If you look at the list of current assets in the question though it says 'Debtors (less provision 5%) = €85,500'. In other words the debtors figure we see in the current assets has already had 5% taken away, or more simply, the figure of €85,500 is 95% of the original debtors figure. So if we divide €85,500 by 95 and multiply by 100 we get the original Debtors figure of €90,000. The difference between the €90,000 and the €85,500 is the bad debt provision.
- In the solution, the list of assets down the left hand side of the page includes Goodwill and Insurance. These two things would only have been entered later on in the question since at the beginning you would have had no way of knowing that they would have ended up in the answer. If you look down at the list of liabilities you'll see the same thing happens with Revaluation Reserve and Rent Received. The moral of the story is that before you can start the answer you need to list all of the assets and liabilities from the question with the relevant amount for each thing from the question (as long as you have all of the assets together and all of the liabilities together the order you put things in isn't that important). Just don't forget to leave 2/3 lines of space after the assets and again after the liabilities so that there'll be room to fit things in that might pop up later in the question (like goodwill, revaluation reserve, etc in this question).

NB: The list of assets you've put in should equal the list of liabilities. In the solution you'll see that this is €420,500. This is the great thing about tabular statement questions – you'll pretty much know every step of the way if you're getting it right. Make sure in every column that what you add or take away from the assets column equals what you add or take away from the liabilities column.

### Column Two – January.

We're told that NSL bought a new business and this included buildings worth €120,000 (so in our answer we add €120,000 to Land and Buildings). There were also Debtors of €10,000 which we obviously add to Debtors and Creditors of €38,000 which we add to Creditors.

Instead of paying for this new business with money though, the question tells us that we gave the seller of the business shares in our company instead. We gave 80,000 shares to them (and since our shares are €1 each – it says this in the Financed By part of the question), we increase the Ordinary Share Capital in our answer by €80,000. We're told that we sold them at a 'Premium' (which basically just means an extra charge) of 20c per share. So if you multiply 20c by 80,000 you get a total premium (or extra charge) of €16,000 and this gets added to the existing share premium in our answer.

Finally, you'll notice in the solution that Goodwill of €4,000 appears in the January column. This is because we bought a business that seems to have been worth €92,000 ( $€120,000 + €10,000 - €38,000$ ). But yet we paid €96,000 for it ( $€80,000 + €16,000$ ). So there must have been an extra asset – Goodwill of €4,000. This will happen in all of these tabular statement questions so just remember that the difference between what you pay for the new business and what it's actually worth is entered in the list of assets as Goodwill.

### Column Three – February.

This is pretty straightforward. We're told that we decided to revalue the land and buildings at €550,000 so we just need to make the land and building column equal this amount. If you remember that we started with land and buildings costing €260,000 and we added €120,000 in January, then obviously we just need to add €170,000 in the February column to make the current total €550,000. You need to remember though that when you revalue a fixed asset, you automatically cancel out any depreciation on it. That's why you'll see €25,000 opposite depreciation in the answer – It cancels out the minus €25,000 that we began with in land and buildings depreciation. Finally if those were the only things we did, we'd end up with assets

going up by €195,000 (that's the €170,00 we put opposite land and buildings and the €25,000 we put opposite depreciation), but we've put nothing down in the liabilities!

Remember that to get the question right the assets always need to equal the liabilities. Luckily you might remember the issue of Revaluation Reserve which is a figure that's meant to appear in the Financed By section whenever we increase the value of a fixed asset. So in this case we just add the revaluation reserve to the list of the liabilities and put €195,000 in for it.

By the way, the bit in brackets ('which includes land valued at 70,000') is completely irrelevant for this part of the question. You'll see why they wrote it later!

#### Column Four – March.

Couldn't be easier. Find 6% of debtors (but don't forget it's 6% of the *current* debtors figure i.e. The €90,000 we started with plus the €10,000 we added in January). So 6% of this €100,000 is €6,000. We therefore need make sure that the figure for bad debt provision in our list of assets (which don't forget is always a minus figure) equals €6000. Given that is started as minus €4,500, we need to put in a further minus €1,500. Again don't forget that our asset total always has to equal our liability total so we need to put minus €1500 somewhere down in the liabilities. Since an increase in a bad debt provision is an expense for a company, our profit will fall by €1,500 as a result of what's happened (and therefore we put minus €1,500 opposite the Profit and Loss balance).

#### Column Five – April.

Ok we sold stuff for €800 on credit and it's been returned back to us so the first obvious thing is that debtors (people who owe us money because they've bought things on credit from us) need to be reduced by €800 (by placing minus €800 opposite debtors). You'll notice if you look at the solution though that debtors only has minus €720 beside it. Why? This is because we were told that even though these debtors have returned stuff worth €800 to us, we're charging them a 10% restocking charge. In other words they still owe us €80. So therefore we only need to reduce debtors by €720.

The second thing that needs to happen is that we need to increase Stock because things that we thought were gone have now been sent back to us. Crucially stock is always valued at the *cost* price not the *selling* price so we need to do a quick sum. If the selling price of the goods was €800 and this is the cost plus 25%, we then know

that the selling price is 125% of the cost price. So just divide €800 by 125 and then multiply it by 100 to find the cost price - €640 (and this now gets added to stock).

With +€640 and -€720 now added to our list of assets, the total comes to -€80. Since we haven't put anything down in the liabilities list we clearly need to or else the question won't balance. So where do we put -€80 down there? The answer is that it should go opposite Profit and Loss Balance. That's the €80 difference between the €640 stock we've recovered (a good thing) and the €720 sale we've lost (a bad thing), which works out at an overall loss of €80.

### Column Six – May.

The May entry in the question looks a bit weird but thankfully we can ignore the issue of the dates that are mentioned for the moment. All you need to notice is that the fire insurance we've paid includes some period of time for next year and so we're dealing with 'Insurance Prepaid' (which is an Asset). Equally, the rent received covers some period of time for next year and so we're dealing with 'Rent Received Prepaid' (which is a liability). We therefore do three things...

Firstly the *total* figure for the rent (€4,800) is listed as a liability.

Secondly the *total* figure for insurance (€2,000) is listed as an asset.

Thirdly the balance of these payments must be recorded in the bank. Since we spent €2,000 and received €4,800, we have taken in a balance of €2,800. If the bank figure was in our lists of assets we would add this €2,800 to it but since the bank figure is currently an overdraft or liability, the €2,800 of income is *reducing* the liability and so is entered as a minus.

The issue of how many months each of the prepayments relates to is something we don't have to deal with till the end of the question.

### Column Seven – June.

We've just received €630 from a debtor and this must be recorded in our bank. Just like on the last adjustment the €630 is recorded as a minus in our bank because of the fact that the bank is currently an overdraft or liability. In other words the €630 is reducing our overdraft.

Not only did we get €630 but we've also found out that there's more to come. The €630 is 70% of what we were owed and we now know that we're getting the other 30%. If we divide €630 by 70 and then multiply by 100, we find out what 100% of the original debt was (€900). So we've found out that we are going to get €270 more

over the coming months. This €270 is added to debtors in our list of assets and the €900 total of the whole thing (the €630 we got paid and the €270 we're going to get soon) is recorded as a gain (by putting it opposite Profit and Loss Balance down in the liabilities list). If you imagine that this is the opposite of a bad debt, it's not that hard to understand. If we found out that there was some money we *weren't* going to get paid we would have recorded this as a loss by subtracting it from our profit and loss balance. So if you find out you have *recovered* a bad debt you add it to your profit and loss balance.

#### Column Eight – July.

We're told that a debt we owed to a creditor has now been paid in full so Creditors needs to be reduced by the €500. If we had paid them in money it would have been a simple matter of taking the €500 from bank as well but unfortunately we gave them equipment instead. To make matters worse, the equipment wasn't even worth €500 at the time we gave it to them! So we have to do a few things.

Firstly, since equipment that had originally cost us €900 is now gone, we need to reduce equipment by that amount. Secondly, because we're told that the equipment is now worth €400 it means that there's been €500 worth of depreciation on this equipment from the time we bought it to the time we sold it (€900 - €400). This €500 is entered as a plus figure opposite depreciation in our answer. The reason for this is because when you sell a fixed asset, you basically pass on the depreciation to the buyer any you no longer keep a record of it in your accounts. This should be logical enough because if you didn't do this you'd end up having depreciation in your accounts for fixed assets you don't even own anymore. Given that depreciation is recorded as a minus figure in tabular statement answers, by adding the €500 in this particular case we're cancelling it out or removing it from our accounts.

Finally, don't forget that we owed this creditor €500 and only gave him something worth €400 so there's been a 'Discount Received' of €100. This would be entered in our normal accounts as a 'Gain' and so in this tabular statement answer it gets put in opposite the 'Profit and Loss Balance' heading.

#### Column Nine – August.

Money was given from the company to all ordinary share holders. It's important to remember exactly how many ordinary shares holders we have before putting figures into the answer. A quick glance at the Financed By section of the question will tell us that we have 290,000 issued ordinary shares but remember that in January we issued a further 80,000. Giving 5c to each of these shareholders would therefore have

involved a payment of €18,500 ( $370,000 \times 5c$ ). In the answer this is recorded as money coming out of our bank (since we paid it to the shareholders) and as a minus figure in the Profit and Loss Balance (because in a normal question these dividends paid would have been subtracted from our Net Profit in an Appropriation Account).

#### Column Ten – October.

This would seem like a pretty simple entry and one half of it certainly is. The €40,000 we're told we received goes into our bank as you might expect. The other half of the entry clearly involves the sale of shares and so you might expect that we should put €40,000 opposite Ordinary Share Capital in the answer. But we need to be a little careful and remember that in the question you'll see that the company has 400,000 Authorised Shares (you'll see this in the Financed By section). Now if you remember that we had sold 290,000 of these at the start of the year and a further 80,000 of them in January, this means that we only had 30,000 left available to sell. So how come we took in €40,000 if we only sold 30,000 €1 shares? Because we obviously charged more for them than €1! In our answer we are expected to put €30,000 opposite Ordinary Share Capital and €10,000 (the extra money we made by selling the shares at a higher price than normal) opposite the Share Premium heading.

#### Column Eleven – November.

A nice easy one. All you have to do here is remember back to the entry from June when a debtor paid us some money and promised us a further payment. This further payment of €270 has now arrived so we simply minus it from our debtor (because he no longer owes us the money) and record it in our bank (in this case as a minus figure because our bank is a liability or overdraft at the moment so receiving this money is *reducing* our overdraft).

#### Column Twelve – December.

Get ready for a big one! Ok there's a few things going on here so we need to split it up a bit. First of all we're told that building depreciation is to be 2% of cost. If you look back to what the question told us for February in the question you might remember a sneaky bit of information ('which includes land valued at €70,000') that we didn't use at the time. Now is the time when this comes into play. Because we're only working out the depreciation on buildings it's important that we subtract the land value away from 'Land and Buildings' before finding the 2% figure. To add slightly to the complication don't forget that we're told to work out the depreciation from the end of February (the date we revalued land and buildings up to €550,000). So the value of buildings is  $€550,000 - €70,000 = €480,000$ . And the depreciation on these is

$€480,000 \times 2\% \times 10 \text{ months} = €8000$ . This is recorded as depreciation (i.e. a minus figure underneath the fixed asset) and also as an expense (i.e. a minus figure opposite the Profit and Loss Balance).

Luckily, the equipment depreciation is given to us in the question as €9,700. This just gets recorded as equipment depreciation in our assets list and also as an expense down in the Profit and Loss Balance heading in our liabilities list. You'll notice that the two depreciations (buildings of €8,000 and equipment of €9,700) are combined to be recorded as one entry of €17,700 opposite the Profit and Loss Balance heading in the list of liabilities.

The other figures you'll see in the solution relate to something else we saw earlier but couldn't really deal with until now. If you look back at the May entry in the question you might remember the issue of an insurance bill we paid that covered some of next year and rent we received that also covered some of next year. Well now we need to know *how much* of each of these relates to next year. If we deal with the insurance bill first, we were told that a €2,000 payment covered a year (i.e. 12 months) up till the end of March next year. So 9 months of the 12 months we paid for (divide €2,000 by 12 and multiply by 9 to get €1,500) is actually the payment that covers this year. If you look at our list of Assets in our answer you'll see that we have entered 'Insurance Prepaid' as €2,000 in May. So now all we need to do is enter minus €1,500 in December (to show that this is how much of the €2,000 was used up this year). You'll notice in the final column of the answer (where everything has just been totalled across), that insurance prepaid ends up as being €500. This is completely correct because that's how much of the €2,000 we paid that covers the first three months of next year.

Equally if you remember the rent we received of €4,800 in May, we were told this time that it was for a 10 month period starting on May 1<sup>st</sup>. This would mean that 8 months of the payment was for this year so we minus the rent received in our liabilities list by €3,840 (which is the €4,800 divided by 10 and then multiplied by 8). We're then left in the final total column with the two months of rent received that relate to next year (€960).

Lastly, the amount for each of these two things that we now know related to this year go in as a gain and expense in the 'Profit and Loss Balance' heading. So the €1,500 we spent on insurance this year is a minus from the profit and loss and the €3,840 we received for rent this year is a plus.

Column Thirteen – Closing Balances.

All we need to do now is to add all of the figures across the tabular statement and then to get a final total for our assets and a final total for our liabilities. These two figures should be the same and as long as you've made sure that your assets equal your liabilities as you've completed each column along the way, there won't be any problems here.