

# [Financial statements preparation](https://assignbuster.com/financial-statements-preparation/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Financial ments Preparation al Affiliation) Problem One: a) The T Accounts are in the attached excel spreadsheet.
b) The Trial Balance for 4/30/12:
Dr. Cr.
Cash44450
Capital contribution40000
Prepaid Expenses2000
Inventory1600
Accounts payable 5400
Supplies1000
Note Payable11000
Equipment11000
Advertisements 600
Accounts Receivable50
Cost of Goods4400
Sales 11000
Wage Expense2000
Repair Expense300
Total $67400 $67400
Income Statement for the period ended 4/30/12
Sales 11000
Cost of Goods 4400
Gross profit 6600
Wage expense 2000
Repair expense 300
Advertisements 600
Prepaid expenses 2000
Supplies 1000
Net profit $700
Statements of Changes in equity for the period ending 30th April 2012
$
Balance at the beginning of the year 0
Capital Contributed during the year 40000
Profit for the year 700
Balance at the end of the year 47000
Statement of Financial Position as at 4/ 30/ 12
$
Current assets:
Cash44450
Inventory1600
Receivables50
Non-Current assets:
Equipment 11000
Total Assets57100
Current Liabilities:
Payables 5400
Non-current Liabilities:
Loan Notes 1100
Equity:
Share Capital 40000
Retained Earnings700
Total Equity and Liabilities 57100
c) Memo to Audrey
The operations have been very successful for the first month of business. Companies normally make loses during the first period in business due to the startup costs related in the line business. The business made a profit of $700 despite all these factors that face small start-ups such as the one Audrey owns. The shareholder capital has increased due to the retained earnings gained. This implies that the company has increased the wealth of the shareholder. The company has a high liquidity position since its current assets exceed its current liabilities by a large margin implying that the company can easily offset its current debts.