

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

[](https://assignbuster.com/)[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.