

Financial statements preparation

[Finance](#)



**ASSIGN
BUSTER**

Financial statements 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.

Cash 44450

Capital contribution 40000

Prepaid Expenses 2000

Inventory 1600

Accounts payable 5400

Supplies 1000

Note Payable 11000

Equipment 11000

Advertisements 600

Accounts Receivable 50

Cost of Goods 4400

Sales 11000

Wage Expense 2000

Repair Expense 300

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:

Cash 44450

Inventory 1600

Receivables 50

Non-Current assets:

Equipment 11000

Total Assets 57100

Current Liabilities:

Payables 5400

Non-current Liabilities:

Loan Notes 1100

Equity:

Share Capital 40000

Retained Earnings 700

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.