

Chapter 2

Measuring and evaluating financial position and financial performance

Practice Problems

Practice Problem A

	\$
Sales (300,000 + 100,000)	400,000
COGS	(70,000)
Other operating expenses (80,000 + 30,000)	<u>(110,000)</u>
Net profit before tax	220,000

Practice Problem B

PSM Limited
Balance sheet
as at 30 June 2016

	\$000
Current assets	
Cash	11,636
Accounts receivable	47,515
Inventory	66,479
Prepayments	3,958
Investments	<u>3,371</u>
	132,959
Non-current assets	
Other receivable	361
Investments	2,087
Property, plant and equipment	67,760
Other long term assets	<u>42,742</u>
	112,950
Total assets	245,909
Current liabilities	
Accounts payable	43,091
Provisions for employee entitlements	<u>30,919</u>
	74,010
Non-current liabilities	
Long-term borrowings	30,866
Provisions for employee entitlements	<u>3,969</u>
	34,835
Total liabilities	108,845
Net assets	137,064
Shareholders' equity	
Share capital	108,518
Retained profits	<u>28,546</u>
Total shareholders' equity	137,064

Practice Problem C

- 1 NE
- 2 +Revenue, +Net Profit
- 3 +Expense, –Net Profit
- 4 NE
- 5 NE
- 6 NE
- 7 NE
- 8 +Revenue, +Expense, +Net Profit
- 9 +Expense, –Net Profit
- 10 NE
- 11 +Expense, –Net Profit
- 12 NE

Practice Problem D

Income Statement for the Month of September 2016	
	\$
Sales	30,000
Expenses:	
Wages	7,000
Cleaning	1,000
Rent	<u>2,000</u>
Net Profit	<u>10,000</u> <u>20,000</u>

Balance Sheet as at 30 September 2016			
	\$		\$
Cash ¹	102,000	Accounts Payable	<u>1,000</u>
Accounts Receivable ²	19,000		<u>1,000</u>
		Shareholders' equity	
		Share capital	100,000
		Retained profits ³	<u>20,000</u>
			<u>120,000</u>
	<u>121,000</u>		<u>121,000</u>

¹ 100,000 – 2,000 + 11,000 – 7,000 = 102,000

² 30,000 – 11,000 = 19,000

³ As there is no opening retained profits and no dividends, it is profit figure from the income statement