

CHAPTER TEN

FINAL ACCOUNTS:  
STATEMENT OF FINANCIAL POSITION

- ❖ Statement of financial position
- ❖ Terminologies
- ❖ Format for statement of financial position
- ❖ Practical application.

Learning Objectives:

- At the end of this chapter, the student should be able to:
- Identify capital expenditures.
  - Apply the matching concept in accounting
  - Prepare a simple statement of financial position.

10.1 STATEMENT OF FINANCIAL POSITION

This is a statement prepared to show the financial position of an enterprise as at the end of an accounting period. The statement of financial position previously known as balance sheet is not part of double entry. It is simply a list of balances remaining on the ledger after the preparation of the statement of comprehensive income which is part of the double entry principle.

The statement of financial position is arranged to express the accounting equation earlier explained in chapter two of this book. This implies that the two sides of the statement must balance or agree. The agreement is such that all assets are shown on the right hand side while all liabilities and capital are shown on the left hand side if the 'T' format of presentation is adopted, even though the 'T' form is no longer conventional. A simple layout of its presentation is thus:

Long Term Liabilities	X	Non- Current Assets	X
Current Liabilities	X	Current Assets	X
	<u>XX</u>		<u>XX</u>

10.2 TERMINOLOGIES

- a. **Non-current assets:** This is otherwise known and referred to as fixed assets. These assets are of long life in nature. i.e, they last beyond one accounting period and are purchased primarily for use in the business operation. They are not meant for resale in the ordinary activities of the business. Typical examples include Buildings, Fixtures, Machineries, e.t.c. They are used to earn revenue for the business. Non- Current assets are valued and shown in the statement of affairs at historical cost less accumulated depreciation. This invariably reduces the value of the asset to its net book value or carrying amount.
- b. **Current assets:** These are cash or cash equivalents i.e. those assets that are easily convertible to cash. They are primarily purchased or bought for conversion to cash. They have a short life period, usually not more than one accounting period. Current assets continually change their form in the ordinary course of business. Examples of current assets include Cash; Debtors or Receivables; Stocks or Inventory. e.t.c.
- c. **Long term liabilities:** These are long term obligations of a business enterprise to outsiders. They last beyond one accounting period. They are those liabilities that have to be met at long interval. Examples are Capital, Long term loan such as debentures, e.t.c.
- d. **Current liabilities:** These are liabilities that have to be met at relatively short intervals, say within one accounting period. Examples of Current Liabilities include Bank Overdraft, Creditors or Payables, e.t.c.
- e. **Working capital:** The working capital of a business is current assets less current liabilities. It is the available fund used for the day to day running of the business. It is referred to as net current assets or working capital.

X	X
X	X
X	X
XX	XX



10.3 FORMAT OF STATEMENT OF FINANCIAL POSITION

The format of the statement of financial position according to the International Financial Reporting Standard (IFRS) is as shown below:

XYZ Company's		
Statement of Financial Position as at 31 December, 2012		
	31/12/12	31/12/11
ASSETS:		
Non-Current Assets:		
Property, Plant and Equipment	X	X
Goodwill	X	X
Other intangible Assets	X	X
Investment in Associates	X	X
Available for sale Investments	X	X
	XX	XX
Current Assets:		
Inventories	X	X
Trade Receivables	X	X
Other Receivables	X	X
Cash and Cash Equivalents	X	X
	XX	XX
Total Assets	XXXX	XXXX
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share Capital	X	X
Other Reserves	X	X
Retained Earnings	X	X
Non-Controlling Interest	X	X
Total Equity	XX	XX
Non-current liabilities		
Long Term Loan	X	X
Deferred Tax	X	X
Provisions	X	X
Total Non-current Liabilities	XX	XX

Current Liabilities		
Trade and Other Payables	X	X
Short Term Borrowings	X	X
Current Tax Payable	X	X
Provision	X	X
Total Current Liabilities	XX	XX
Total Liabilities	X	X
Total Equity and Liabilities	XXXX	XXXX
(Culled from IFRS for Dummies, page 23).		

Note that the format above is a comprehensive one for companies which can be modified to suit any other business entity.

Illustration 10.1

From the following balances, prepare the statement of financial position of Enyi, a sole trader as at 31<sup>st</sup> December, 2012.

Stock	2,205
Motor Van	400
Debtors/Receivables	627
Creditors/Payables	524
Fixtures and Fittings	250
Drawings	240
Cash In Hand	45
Bank Overdraft	320
Net Profit for the year	600
Capital as at 1 <sup>st</sup> January, 2012	2,323
	88,805

### SOLUTION 10.1

Enyi's

Statement of financial position as at 31<sup>st</sup> December, 2012

Non-Current Asset:

	N	N	N
Cost		Acc. Depreciation	Carrying Amount
Fixtures and Fittings	250	-	250
Motor Van		400	400
			650
Current Assets:			
Stock		2,205	
Debtors		627	
Cash		<u>45</u>	<u>2877</u>
			<b>3,527</b>

Long term Liabilities:

Capital		2,323
Add Net Profit	600	
Less Drawings	<u>(240)</u>	360

Current Liabilities:

Creditors	524	
Bank Overdraft	320	844
		<u>3,527</u>

The 'T' form of presentation is shown below:

Enyi's

Statement of financial position as at December, 2012

Assets		Liabilities	
N	N	N	N
Capital	<u>2,323</u>	Fixtures & fittings	250
Add Net profit	600	Motor Vehicle	<u>400</u>
	2,923		650
Less Drawings	<u>240</u>	Stock	2,205
	2,683	Debtors	627
Creditors	524	Cash	<u>45</u>
Bank O/D	<u>320</u>		<u>2,877</u>
	<u>3,527</u>		<u>3,527</u>

### Illustration 10.2

**Illustration 10.2**  
From the following balances, prepare the Statement of Comprehensive Income and Statement of Financial position of Babatunde Enterprises.

Babatunde Enterprises'

Trial Balance as at 31<sup>st</sup> December, 2011.

	Dr	Cr
	N	N
Cash in Hand	157,455	
Cash at Bank	672,500	
Debtors	112,500	
Creditors		175,000
Capital		500,000
Sales		2,440,000
Motor Vehicle	200,000	
Discount Allowed	93,750	
Discount Received		88,805
Stationery	25,000	
Transport Expenses	4,000	
Purchases	1,781,100	
Salaries/Wages	205,000	



Rent	25,000	
Return Inwards	52,500	
Return Outwards		125,000
	<u>3,328,805</u>	<u>3,328,805</u>

#### Additional Information:

Stock as at 31<sup>st</sup> December is ₦100,000

#### Solution 10.2

##### Babatunde Enterprises'

Statement of Comprehensive Income for the year ending 31<sup>st</sup> December, 2011.

	N	N
Sales		2,440,000
Less Return Inwards		52,500
		<u>2,387,500</u>
Less Cost of Goods Sold:		
Purchases	1,781,100	
Return Outwards	(125,000)	
Goods Available	1,656,100	
Closing Stock	(100,000)	
Cost of Goods Sold		1,556,100
Gross Profit		831,400
Add: Other incomes		
Discount received		88,805
Less Expenses:		
Discount allowed	93,750	
Stationery	25,000	
Transport expenses	4,000	
Salaries & Wages		<u>205,000</u>
Rent	25,000	(352,750)
Net profit		567,455

#### Babatunde Enterprises'

##### Statement of Financial Position as at 31<sup>st</sup> December, 2012.

	N	N
Non-current Asset:		200,000
Motor Vehicle		
Current Assets:		
Stock	100,000	
Debtors	112,500	
Cash at Bank	672,500	
Cash in Hand	157,455	
	1,042,455	
Less Creditors	175,000	
Working Capital		867,455
Net Assets		<u>1,067,455</u>
Financed By:		
Capital at January, 2011		500,000
Net Profit		567,455
		<u>1,067,455</u>

#### 10.4 PRACTICAL APPLICATION

Comprehensive illustration from Books of Original Entry to Statement of Financial Position.

Bob Loco commenced business on 1<sup>st</sup> January, 2011. His financial position as at that date is as follows:

	N
Cash in hand	200
Cash at Bank	12,600
Stock	58,300
xtures	4,000
Delivery Van	10,600
Freehold Premises	100,000
Receivables:	
Forbes Enterprises	2,400
Henry enterprises	1,600
Payables:	
Bonsieur Enterprises	3,080
Kennedy	4,800



You are required to pass the above entries in the Journal.  
It was revealed that Bob Loco's transactions for the Month of January, 2011 were as follows;

Jan 1	Cash sales banked	N 540
3	Forbes Enterprises paid N2,340 by cash in full settlement of his account.	
4	Cash Sales to date	1,180
	Paid cash of N3, 440 into the bank	
7	Bought of Jumai Stores goods invoiced at N4, 000 less trade discount of 10%	
	Paid carriage inwards in cash	100
10	Received a credit note for N400 for goods Returned to the Jumai Stores.	
	Cash sales paid into bank	1,860
13	Settled Kennedy's account by cheque less 2 1/2% discount.	
	Sold goods to Charles N320, 000 less 5% trade discount.	
16	Charles returned damaged goods worth N800	
	Cash sales to date paid into bank	1,700
	Paid office expenses in cash	140
19	Bought from Obollo & co. 50 hats at N250 each 40 Shirts at N600 each	
21	Exchanged goods worth N600 for fixtures of the same value.	
	Cash sales to date paid into bank	1,520
23	Paid Insurance Premium by cheque	200
25	Bought a new Delivery Van for N12, 000 from Oakland motors. The company agreed to take over the old Van for N3, 000. The balance to be settled in cash. The carrying amount of the old Van is N3, 600.	
26	Sold to Forbes 20 pairs of shoes at N400 a pair 10 shirts at N300 each Settled Oakland's account by cheque.	

31	Cash Sales to date	3,560
	Paid Cash into bank	2,800
	Paid wages in cash	480
	Paid Jumai Stores Cheque on account	2,000
	Paid rent in cash	200
	Withdrew cash from bank for private use	1000

Additional information.

Closing stock of goods as at month end stood at N6, 000.

You are required to:

- Open the subsidiary books and enter the above transactions.
- Post to the relevant ledger accounts
- Extract the trial balance
- Prepare the statement of comprehensive income
- Prepare the statement of financial position of Bob Loco Enterprises.

### Solution: Comprehensive question.

(a).

#### Journal

		Dr (N)	Cr (N)
Jan 1	Cash in Hand	200	
	Cash at Bank	12,600	
	Stock	58,300	
	Fixtures	4,000	
	Delivery Van	10,600	
	Freehold Premises	100,000	
	Receivables:		
	Forbes	2,400	
	Henry	1,600	
	Payables:		
	Bonsieur		3,080
	Kennedy		4,800
	Capital (bal. figure)		181,820
Being assets and liabilities as at Jan 1 <sup>st</sup> , 2011			
Jan 21	Fixtures	600	
	Sales		600
Being goods exchanged for fixtures			
Jan 25	Delivery Van	12,000	
	Oakland Motors		12,000
Being Delivery van purchased to Date.			
	Oakland motors	3,000	
	Loss on sale of assets	600	
	Delivery Van		3,600
Being old Van given in exchange of a new one and loss written off.			



### Purchases Day Book

Date	Particulars	Folio	Details N	Amount N
Jan 7	Jumai Stores Less 10% discount		4,000 400	3,600
19	Obollo & Co. 50 hats at N250 each 40 Shirts at N600 each		12,500 24,000	36,500
31	Purchases Account... Dr			40,100

### Sales Day Book

Date	Particulars	Folio	Details N	Amount N
Jan 13	Charles Goods Less 5% discount		320,000 16,000	304,000
19	Forbes. 20 Pairs of Shoes at N400 10 Shirts at N300 each		8,000 3,000	11,000
31	Sales Account..... Cr			315,000

### Return Outwards Day Book

Date	Particulars	Folio	Details N	Amount N
Jan 10	Jumai Stores Goods Less 10% discount		400 40	360
31	Return Outwards Account.....Cr			360

### Return Inwards Day Book

Date	Particulars	Folio	Details N	Amount N
Jan 10	Charles Goods Less 5% discount		800 40	760
31	Return Inwards Account...Dr			760

### Cash Book

Date	Particulars	Folio	Disc allowed N	Cash N	Bank N	Date	Particulars	Folio	Disc Received N	Cash N	Bank N
Jan 1	Balances			200	12,600	Jan 4	Bank	©		3,440	
1	Sales				540	7	Carriage Inwards			100	
3	Forbes		60	2,340		13	Kennedy		120		4,680
4	Sales			1,180		16	Office Expenses			140	
4	Cash	©			3,440	23	Insurance Prem.				200
10	Sales				1,860	25	Oakland Motors				9,000
16	Sales				1,700	31	Bank	©		2,800	
21	Sales				1,520	31	Wages			480	
31	Sales			3,560		31	Jumai Shoes				2,000
31	Cash	©			2,800	31	Rent			200	
						31	Drawings				1,000
						31	Bal c/d			120	7,580
			60	7,280	24,460				120	7,280	24,460

Feb 1. Bal b/d

120 7,580

### (b) General Ledger

#### Capital Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Drawings		1,000	Jan 1	Balance		181,820
				31	Net Profit		231,500

#### Drawings Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Bank		1,000	Jan 31	Capital A/c		1,000

#### Freehold Premises Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 1	Bal b/d		100,000				

#### Fixtures Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 1	Bal b/d		4,000	Jan 31	Bal c/d		4,600
21	Sales		600				
			4,600				4,600

Feb 1. Bal c/d

4,600

#### Delivery Van Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 1	Bal b/d		10,600	Jan 25	Oakland Motors		3,000
25	Oakland Motors		12,000	31	Loss on sale of Asset		600
				31	Bal c/d		19,000
			22,600				22,600

Feb 1. Bal c/d

19,000



### Stock Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 1	Bal b/d		58,300	Jan 31	Trading A/c		58,300
Jan 31	Trading A/c		6,000				

### Purchases Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	PDB		40,100	Jan 31	Trading A/c		40,100

### Sales Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Trading a/c		325,960	Jan 1	Bank		540
				4	Cash		1,180
				10	Bank		1,860
				16	Bank		1,700
				21	Bank		1,520
				21	Furniture		600
				31	Cash		3,560
				31	SDB		315,000
			325,960				325,960

### Return Outwards Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Trading A/c		360	Jan 31	RODB		360

### Return Inwards Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	RIDB		760	Jan 31	Trading A/c		760

### Carriage Inwards Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 7	Cash		100	Jan 31	Trading A/c		100

### Office Expenses Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 16	Cash		140	Jan 31	Trading A/c		140

### Insurance Premium Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 23	Cash		200	Jan 31	Trading A/c		200

### Wages Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Cash		480	Jan 31	Trading A/c		480

### Rent Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Cash		200	Jan 31	Trading A/c		200

### Discount Allowed Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 16	Sundries		60	Jan 31	Statement of Comp. Income		60

### Discount Received Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Statement of Comp. Income		120	Jan 31	Sundries		120

### Loss on Sale of Asset Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 31	Delivery Van		600	Jan 31	Statement of Comp. Income		600



## PURCHASES LEDGER

## Bonsieur Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
				Jan 1	Bal		3,080

## Kennedy Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 13	Bank		4,680	Jan 1	Bal c/d		4,800
13	Discount		120				
			4,800				4,800

## Jumai Shoes Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 10	R/Outwards		360	Jan 7	PDB		3,600
31	Bank		2,000				
31	Bal C/d		1,240				
			3,600				3,600

## Obollo &amp; Co Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
				Jan 19	Purchases		36,500

## Oakland Motors Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 25	Delivery Van		3,000	Jan 25	Delivery Van		12,000
	Bank		9,000				
			12,000				12,000

## SALES LEDGER

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 1	Bal		2,400	Jan 3	Cash		2,340
29	SDB		11,000	3	Discount		60

## Forbes Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 1	Bal		2,400	Jan 3	Cash		2,340
29	SDB		11,000	3	Discount		60
			13,400	31	Bal c/d		11,000
	Bal b/d		11,000				13,400

## Henry Enterprises Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 1	Bal		1,600				

## Charles Account

Date	Particulars	Folio	Amount N	Date	Particulars	Folio	Amount N
Jan 16	SDB		304,000	Jan 16	RIDB		760
				31	Bal c/d		303,240
			304,000				304,000

Bal b/d

303,240

(c)

## Trial Balance

	DR (N)	CR (N)
Cash in Hand	120	
Cash at Bank	7,580	
Capital		181,820
Drawings	1,000	
Freehold Premises	100,000	
Fixtures	4,600	
Delivery Van	19,000	
Stock	58,300	
Purchases	40,100	
Sales		325,960
Return Outwards		360
Return Inwards	760	
Carriage Inwards	100	
Office Expenses	140	
Insurance Premium	200	
Wages	480	
Rent	200	
Discount Allowed	60	
Discount Received		120
Loss on Sale of Asset	600	
Bonsieur Enterprises		3080
Jumai Shoes		1240
Obollo & Co		36,500
Forbes	11,000	
Henry Enterprises	1,600	
Charles	303,240	
Total	549,080	549,080



(d) Bob Loco's  
Statement of Comprehensive Income for the year ending 31<sup>st</sup> December, 2011.

N

N

Turnover		325,960
Less Sales return		(760)
Net sales		<u>325,200</u>
Less Cost of sales:		
Opening stock	58,300	
Add purchases	40,100	
Less Purchase returns	(360)	
Add Carriage Inwards	100	
Cost of goods available	<u>98,140</u>	
Less Closing Stock	<u>(6000)</u>	
Cost of goods sold		<u>(92,140)</u>
Gross Profit		<u>233,060</u>
Add other Incomes:		
Discount Received		120
Less Expenses:		
Insurance Premium	200	
Office Expenses	140	
Loss on sale of asset	600	
Wages	480	
Rent	200	
Discount Allowed	60	
Net Profit (transferred to Capital A/c)		<u>(1,680)</u>
		<u>231,500</u>

(e) Bob Loco's  
Statement of financial position for the year ended 31<sup>st</sup> December, 2011.

N

N

Assets:	
Non-Current Asset:	
Freehold Premises	100,000
Fixtures	4,600
Delivery Van	<u>19,000</u>
	<u>123,600</u>
Current Assets:	
Stock	6,000
Receivables	315,840
Cash at Bank	7,580
Cash at hand	<u>120</u>
Total Assets	<u>453,140</u>
Current Liabilities:	
Payables	40,820
Long Term Liabilities:	
Capital	181,820
Net Profit	231,500
Less Drawings	<u>(1,000)</u>
	<u>453,140</u>

11.1 DETERMINATION OF COST OF NON-CURRENT ASSETS

When a non-current asset is acquired, it is recorded at its historical cost.

11.2 DETERMINATION OF COST OF NON-CURRENT ASSETS

When a non-current asset is acquired, it is recorded at its historical cost.

11.3 DETERMINATION OF COST OF NON-CURRENT ASSETS

When a non-current asset is acquired, it is recorded at its historical cost.