

StudentHome	Profile	Dashboard	Study	Community	Help Centre
-------------	---------	-----------	-------	-----------	-------------

B190-15K Assessment resources B190-15K: End-of-module assessment ... Question 2

Search this document 


Contents

- Guide to Submission of EMA
- Introduction
- Learning outcomes for Question 1
- Learning outcomes for Question 2
- Question 1
- Question 2**

View as single page

 Help with this page

Navigation

- B190-15K
 - Resources & forums
 - Week 1
 - Week 2
 - Week 4
-  **B190-15K: End-of-modt assessment (EMA) 15K**

Previous: [Question 1](#)

Question 2

Read the case study 'Hendrix Ltd' below and answer the questions which follow.

Hendrix Ltd

Hendrix Ltd sells exclusive kitchen appliances in a fashionable area of a large UK city. The business has been incorporated for three years. The sole director of the business, Tim Hendrix, also owns 75% of the shares of the company while his father, Paul Hendrix, owns the balance of the share capital. Tim keeps his own financial records using spreadsheets and gives a draft trial balance to his professionally qualified accountant and friend, Amy Reynolds, who finalises the accounts and ensures that all the legal and regulatory responsibilities of the company are met.

Amy is currently semi-retired from work as an accountant but still does the minimum continuous professional development to keep her status as a professionally qualified accountant. Much of Amy's time currently is writing the final draft of an accounting textbook based on business case studies that Amy is familiar with. Amy is a member of a professional accounting body that signs up to the IFAC Code of Ethics for Professional Accountants.

Below is Hendrix Ltd's Trial Balance as at 31 December 20X3

	Dr	Cr
	£	£
Advertising	7,250	
Bank	77,750	
Long term loan at 5%		50,000
Opening stock at 1 January 20X3	41,000	
Retained profit at 1 January 20X3		74,658
Creditors		134,080
Debtors	224,880	
Provision for doubtful debts		2,400
Directors remuneration	87,600	
VAT liability		11,623
Carriage out	3,480	
Cost of office equipment at 1 January 20X3	125,000	
Accumulated depreciation on office equipment at 1 January 20X3		80,000
Cost of showroom equipment at 1 January 20X3	112,450	
Accumulated depreciation on showroom equipment at 1 January 20X3		35,984
Office expenses	22,400	
Office salaries	36,680	

Purchases	180,125	
Sales		494,915
Salesforce wages	51,750	
Sales expenses	10,962	
Rent and rates	20,600	
Heat and light	6,733	
Issued share capital (at £1 per share)		<u>125,000</u>
	<u>1,008,660</u>	<u>1,008,660</u>

During the last week of the financial year Tim has finalised the following further information:

Further information:

- The closing stock at 31 December 20X3 was £36,000.
- Bad debts of £2,280 needed to be written off at the year end.
- The provision for doubtful debts at the yearend was to be kept at 2% of debtors, net of bad debts.
- Depreciation of office equipment for the year ended 31/12/20X3 was £5,000.
- Depreciation of showroom equipment for year ended 31/12/20X3 was £4,498.
- Rent paid in advance as at 31/12/20X3 was £1,800.
- Sales expenses owing as at 31/12/20X3 were £800.
- Office expenses owing as at 31/12/20X3 were £1,850.
- As at 31/12/20X3, corporation tax of £4,750 was owing.
- Interest on the long term loan had not been accounted for as at 31/12/20X3.
- No dividend has been paid, proposed or declared as at 31/12/20X3.

Required

a) Using the Excel file you created called **B190 EMA Qu 2 spreadsheet ans PI** followed by your PI number, complete the following tasks in the spreadsheet templates provided.

- i. In worksheet 1 of the file, entitled **Extended Trial Balance**, use the template provided to complete the debit and credit columns for 'Adjustments', 'Profit and loss account' and 'Balance sheet' for Hendrix Ltd for the year ended 31/12/20X3. (15 marks)

(In worksheet 1, an asterisk () in a cell indicates that a figure needs to be inserted from the information given. In the cell marked with a double asterisk (**), a detailed working, in the form of an appropriate Excel formula, need to be inserted. In worksheets 2 and 3 below, figures need to be inserted into appropriate blank cells.)*

- ii. In worksheet 2 of the file, entitled **Profit and Loss Account**, use the template provided to complete the profit and loss account for Hendrix Ltd for the year ended 31/12/20X3. (4 marks)
- iii. In worksheet 3 of the file, entitled **Balance Sheet**, use the template provided to complete the balance sheet for Hendrix Ltd for the year ended 31/12/20X3. (6 marks)

b) Using the word document you created called **B190 EMA Qu 1 and 2 ans PI** followed by your PI number, complete the following tasks:

- i. Explain why the following have an interest in the published

accounts of Hendrix Ltd:

- Paul Hendrix,
 - the employees of Hendrix Ltd,
 - HM Revenue & Customs,
 - the creditors of Hendrix Ltd. (4 marks)
- ii. Based on information given in the case study above, state the three fundamental principles of the IFAC Code of Ethics for Professional Accountants with which Amy would find it most difficult to comply. For each of these principles, explain why Amy might find compliance difficult. (6 marks)

Total for Question 2: 35 marks

Total for EMA: 100 marks

© 2016. All rights reserved. The
and a charity registered in Scotland (SC 15297), and a company registered in England and Wales (01423318).