

Answers

(a) Define the term *copyright*.

[2 marks]

Copyright is a type of intangible asset which is a form of legal protection for the works of the registered creator, such as an author, artist, musician, or photographer.

(b) Using the data in **Table 1**, explain **one** reason why the equity value for *LM* should be the same value as its net asset. [2 marks]

One reason why the equity value for *LM* should be the same as its net asset in the statement of financial position (balance sheet) for a non-profit entity is because the business does not have any share capital.

Top tip: Sole traders and partnership, as forms of business entities, do not have "share capital" presented in their statement of financial position (balance sheet).

(c) On a separate piece of paper, construct a statement of financial position for *LM* for the period ending December 31, 2022. [4 marks]

Les Mills (LM)

Statement of financial position as of 31st December 2024

<u>Non-current assets</u>	(€m)	(€m)
Factory	12.0	
Accumulated depreciation	(3.0)	
Non-current assets		9.0
<u>Current assets</u>		
Cash	2.5	
Debtors	1.0	
Stock	0.3	
Current assets		3.8
Total assets		12.8
<u>Current liabilities</u>		
Bank overdraft	2.75	
Trade creditors	1.33	
Other short-term loans	0.60	
Current liabilities		4.68
<u>Non-current liabilities</u>		
Mortgage	6.00	
Non-current liabilities		6.00
Total liabilities		10.68
NET ASSETS		2.12
 <u>Equity</u>		
Retained earnings	2.12	
TOTAL EQUITY		2.12

Answers

- (a) State the value of net assets for JC as of 31st December 2024. [1 mark]
- The value of net assets should be the same as the value of equity in order for the balance sheet to actually balance.
 - Thus, net assets as of 31st December 2024 for JC is £593,000
- (b) On a separate piece of paper, calculate the figures X, Y, and Z by constructing a statement of financial position for JC as of 31st December 2024. [4 marks]

Jo Clinic (JC)

Statement of financial position as of 31st December 2024

<u>Non-current assets</u>	(£'000)	(£'000)
Clinic	500	
Medical equipment	300	
Accumulated depreciation	X = (250)	
Non-current assets		550
<u>Current assets</u>		
Cash	70	
Debtors	25	
Stock	Y = 10	
Current assets		105
Total assets		655
<u>Current liabilities</u>		
Bank overdraft	22	
Trade creditors	Z = 28	
Current liabilities		50
<u>Non-current liabilities</u>		
Borrowings - long term	12	
Non-current liabilities		12
Total liabilities		62
NET ASSETS		593
 <u>Equity</u>		
Retained earnings	593	
TOTAL EQUITY		593

Figure X calculations:

- Non-current assets = Clinic + Medical equipment – Accumulated depreciation
- £550,000 = £500,000 + £300,000 – Y
- X = £250,000

Worksheet 19

3.4 Final Accounts (10)

Figure Y calculations:

- Current assets = Cash + Debtors + Stock
- £105,000 = £70,000 + £25,000 + Z
- Y = £10,000

Figure Z calculations:

- Net assets = (Non-current assets + Current assets) – (Current liabilities + Non-current liabilities)
- £593,000 = (£550,000 + £105,000) – (Current liabilities + £12,000)
- Current liabilities = £50,000
- Thus, £50,000 = £22,000 (bank overdraft) + X (trade creditors)
- Z = £28,000

- (c) On a separate piece of paper, construct a statement of profit and loss for JC for the period ending 31st December 2024. [4 marks]

Jo Clinic

Statement of profit or loss for the year ended 31st December 2024

	(£'000)
Sales revenue	670
Cost of sales	(200)
Gross surplus	470
<u>Expenses</u>	
Rent	50
Salaries	230
Promotion expenses	10
Depreciation expenses	20
Expenses	310
Surplus before interest	160
Interest	W = 16
Surplus before tax	144
Tax	(28.8)
Surplus for period	115.2
Retained surplus	115.2

Tax calculation:

- 20% of surplus before tax = £144,000 × 0.2 = £28,800

Top tip: You are expected to list out the specific items under each of the sub-sections in the final accounts. In this case, it include sub-sections like "current assets" and "current liabilities."