

# Paramount Marine Safety Limited Exercise

This is the trading and financial information for a marine safety supplies company in its first year of trading which ended on 31st December 2016.

## Sales

100 Life jackets at £300 each.

200 Personal Locator beacons at £250 each.

2,000 Marine distress flares for a total value of £10,000.

At the end of the year all the marine distress flares were fully paid for, but money was still owed to the business for 20 of the life jackets and 15 of the personal locator beacons that had been sold during the year.

## Purchases

150 Life jackets at £100 each.

250 Personal locator beacons at £100 each.

2,100 Marine distress flares at £2 each.

At the end of the year the business had yet to pay its suppliers for 10 life jackets, 15 personal locator beacons and 100 marine distress flares.

## Overheads

During the year the business incurred the following expenses: -

Salaries	£27,000
Shop rent	£250 per month
Sales Commission	10% of sales
Electricity	£600
Telephone	£300
Advertising	£2,500
Insurance	£1,000
Van running costs	£750

In addition to the above expenditure, at the end of the year the business is aware it also owes a further £200 for electricity and £100 for telephone it has used during the year (*i.e. accruals*).

The company also had to pay (in addition to its quarterly rent payments) £500 rent in advance as a deposit (*i.e. a prepayment*) which is returnable at the end of the lease.

## Fixed assets:

The business acquired: -

Computer equipment costing £2,000 and a van costing £6,000

The business expects all of these assets to last for only 4 years with no residual value and has therefore opted to depreciate them on a straight-line basis, *i.e. at the rate of £2,000 per annum*.

## Finance

The owners introduced £10,000 of their own capital into the business and they took out a £6,000 bank loan repayable over 3 years at £500 per quarter to purchase the business assets above. Loan interest is fixed at £400 per annum. The business also secured a bank overdraft facility of £20,000.

**Profit & Loss Account**  
Year ending 31<sup>st</sup> December 2016

	£	£
<b>Sales</b>		
Cost of Sales		
<b>Gross Profit</b>		<hr/>
<i>Less Expenses:</i>		
Salaries		
Rents		
Sales Commissions		
Electricity		
Telephone		
Advertising		
Insurance		
Motor Expenses		
Depreciation		
Bank Interest		
Total Expenses		<hr/>
<b>Total Net Profit</b>		<hr/> <hr/>

# Balance Sheet

Year ending 31<sup>st</sup> December 2016

	£	£
<b>Fixed Assets</b>		
Plant & Machinery	_____	
<b>Current Assets</b>		
Stock		
Debtors		
<b>Total</b>	_____	
<b>Current Liabilities</b>		
Creditors		
Accruals		
Loan Repayments		
Overdraft		
<b>Total</b>	_____	
Current Assets less Current Liabilities <i>(i.e. Working Capital)</i>		
<b>Long term Liabilities</b>		
Bank Loan	_____	
<b>Total Assets less all Liabilities</b>		=====
<b>Capital Employed</b>		
Owners' capital introduced		
Profits for first year of trade		
<b>Total Capital Employed</b>		_____
		=====

# Cash Flow Statement

Year ending 31<sup>st</sup> December 2016

	£	£
<b><i>Inflows</i></b>		
Cash from sales		
Loan received		
<b>Total</b>		<hr/>
<b><i>Outflows</i></b>		
Trade Creditors		
Expenses paid out		
Capital Expenditure		
Loan Capital Repayments		
Prepayments		
<b>Total</b>		<hr/>
Cash at Bank ( <i>i.e. overdraft</i> )		<hr/> <hr/>