

**ACTIVITY 34.2**
**Estimated Statement of financial position for Energen plc as at 31 December 2013**

ASSETS	\$m	
Non-current assets:		
Property	2,000	
Equipment	500	
	2,500	
Current assets:		
Inventories	120	
Accounts receivable	650	
Cash	20	
	790	
<b>TOTAL ASSETS</b>		<b>3,290</b>
EQUITY and LIABILITIES		
Current liabilities:		
Accounts payable	450	
Overdraft	30	
	480	
Non-current liabilities:		
Long-term loans	250	
	250	
<b>TOTAL LIABILITIES</b>	<b>730</b>	
Shareholders' equity:		
Share capital	2,000	
Retained earnings	560	
	2,560	
<b>TOTAL EQUITY and LIABILITIES</b>		<b>3,290</b>

[16 marks, 30 minutes]

- 1 Make the following amendments to this Statement of financial position:
  - a The property assets of the business have been increased by purchasing a new building for \$800 million. This was paid for by an increase in share capital and a further long-term loan (50% of cost each).
  - b Some of the inventories have remained unsold for several months, so their value should be reduced by 20%.
  - c \$50 million worth of debts are now believed to be irrecoverable – that is, it is most unlikely that these trade receivables will pay, so they should be written off from the Statement of financial position.
  - d It has been discovered that accounts payable (trade creditors) have been under-recorded by \$30 million due to poor accounting procedures.
  - e Annual retained earnings of \$100 million were earned, but half of this figure was used to finance an increase in debts receivable – the other half is in cash.
  - f The retained earnings figure – part of shareholders' equity – has to be adjusted to ensure that the Statement of financial position still balances.

Recalculate the totals for total assets and total equity and liabilities.

[16]