



Switching on to Business

EXTRA!

Chapter 14

KEEPING ACCOUNTS & CALCULATING PROFITS

HANDOUT 1

Ritz Nightclub

Five entrepreneurs set up the Ritz Night Club four years ago. Each invested €25,000 in exchange for 25,000 shares each in the business. They purchased a disused warehouse with the additional help of a €90,000 mortgage (a long term loan used to buy property) from a bank. Since the building was renovated and the club opened its doors to the public, business has boomed.

Balance Sheet

	Year 1	Year 2	Year 3	Year 4
<u>TOTAL NET ASSETS SECTION</u>				
Fixed Assets				
Premises	130,000	140,000	152,000	160,000
Furniture and fitting	20,000	20,000	?	15,000
Light and sound equipment	10,000	10,000	10,000	10,000
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Total Fixed Assets	160,000	?	180,000	185,000
Add Current Assets				
Stock	32,000	33,000	35,000	24,000
Debtors	5,000	2,000	?	3,000
Cash in Bank	3,000	1,000	5,000	7,000
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	40,000	36,000	46,000	34,000
Less Current Liabilities				
Creditors	(5,000)	(6,000)	(11,000)	(7,000)
Dividends due	0	0	(10,000)	(10,000)
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TOTAL NET ASSETS	195,000	200,000	205,000	202,000
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<u>FINANCED BY SECTION</u>				
Ordinary shares	100,000	100,000	100,000	100,000
Reserves: Retained earnings	5,000	10,000	?	17,000
Mortgage Loan	90,000	90,000	90,000	85,000
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CAPITAL EMPLOYED	195,000	?	205,000	202,000
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1. Fill in the missing numbers
2. Distinguish between the assets and liabilities of a business.
3. Comment on the changes in the company's Balance sheet between Year 1 and Year 4.
4. Give two reasons why a business might retain profits.