

QUESTION THREE

The following trial balance relates to Apple Ltd. as at 31 March 2017:

	Sh. "000"	Sh. "000"
Ordinary shares of Sh.10 par value		100,000
Share premium		40,000
Retained earnings (1 April 2016)		22,400
Land and buildings at cost (Land Sh.40 million)	120,000	
Plant and equipment at cost	189,000	
Accumulated depreciation: 1 April 2016:		
Buildings		40,000
Plant and equipment		49,000
Inventories (31 March 2017)	87,400	
Trade receivables	84,400	
Bank balance		13,600
Deferred tax		12,400
Trade payables		70,200
Revenue		1,100,000
Cost of sales	823,000	
Distribution costs	43,000	
Administrative expenses	61,800	
Dividends paid	40,000	
Bank interest	1,400	
Current tax		<u>2,400</u>
	<u>1,450,000</u>	<u>1,450,000</u>

Additional information:

- On 1 April 2016, the company's directors decided that land and buildings should be revalued at their market values. At that date, an independent expert valued land at Sh.24 million and buildings at Sh.70 million and these valuations were accepted by the directors. The remaining useful life of buildings on that date was 14 years. The company does not make a transfer to retained earnings for excess depreciation.
- Plant and equipment is depreciated at 20% per annum using the reducing balance method and time apportioned as appropriate. Depreciation for the year is yet to be accounted for.
- Directors' remuneration amounting to Sh.11 million should be provided for and is classified as administrative cost.
- Income tax provision of Sh.54.4 million is required for the year ended 31 March 2017. As at that date, deferred tax liability amounted to Sh.18.8 million. The movement in deferred tax should be taken to profit or loss. The balance on the current tax in the trial balance represents over/under provision of tax liability for the year ended 31 March 2016.
- On 1 July 2016, the company made a rights issue of 1 share for every 4 shares at Sh.24 each. Immediately before this issue, the stock market value of the shares was Sh.40 each.

Required:

- Statement of comprehensive income for the year ended 31 March 2017. (8 marks)
 - Statement of changes in equity as at 31 March 2017. (4 marks)
 - Statement of financial position as at 31 March 2017. (8 marks)
- (Total: 20 marks)**