

Financial accounting

Interest calculation, mortgage – basic operations

"Au coup de ciseaux" is a hair salon in the region. The owner works with a part-time employee. The legal form chosen is a sole proprietorship.

In addition to his main activity, he owns a small rental building in which he lives.

By way of simplification, VAT is not taken into account in this problem. All calculations should be rounded to the nearest franc.



The company presents the following balance sheet as of 1st of January:

	Debit	Credit
Cash	3 400.00	
Post account	18 000.00	
Various receivables	1 000.00	
Furniture	30 000.00	
Computer / IT	1 000.00	
Commercial premises	120 000.00	
Rental building	800 000.00	
Commercial debt / payables		4 500.00
UBS bank account (40'000)		3 000.00
Various debts		4 500.00
Debt on computer / IT		
Mortgage on commercial premises - BCVs		50 000.00
mortgage on rental building - Raiffeisen		500 000.00
Private account		11 400.00
Equity		400 000.00
Total	<u>973 400.00</u>	<u>973 400.00</u>

Additional information

- The commercial premises belong to the hair salon. There is still a mortgage debt with the Banque Cantonale du Valais (BCVs) at the rate of 4%. The annuity is payable on June 30th. It's for a total amount of fr. 20'000.—.
- The rental building is composed of 3 apartments, one of which is occupied by the boss. The other two apartments are rented for fr. 1'200.— per month. On this building, there is a mortgage at Raiffeisen, the rate is 2% p.a, due on June 30th and December 31st. The financial amortization as of 31st of December is FR. 20'000.—.

Transactions

1. Purchase of different hairdressing products on credit for a gross amount invoiced fr. 13'000.- (5% discount within 30 days).
2. Cash received for services and sale of products (delivery) for fr. 220'000.—. The 80% of customers pay by cards; also consider the fee up to 2.5%.
3. Sending an invoice for the sale of different hairdressing products, fr. 750.—.
4. Monthly payment of the hairdresser's salary through form post account for fr. 36'000.— (annual value).
5. Payment of social security contributions (AHV, LPP, health insurance) fr. 5'400.—.
6. Payment by PostFinance account all the annual electricity bills for fr. 3'880.—.
7. Booking of various invoices (other operating expenses) for fr. 9'800.— and an invoice for administrative expenses for fr. 1'500.—.
8. Payment by the bank within 20 days of the invoice of the entry 1.
9. UBS's debit advice, as of 30 June, in regard to yearly interest due on mortgage at BCV.
10. UBS debit notice, as of 30 June, for the payment of the financial debt on the rental property.
11. Collection of rents for the year in UBS bank account.
12. Payment by UBS of the concierge's salary who works for the rental property, fr. 6'000.—, and booking of various invoices (insurance, maintenance costs ...) related to this building, fr. 12'000.—.
13. Following a extraordinary gain at the French-speaking lottery, he decided to reinvest this sum in the hair salon, fr. 10,000.—. He deposits this money in the post account.
14. He decides to change his computer equipment. It is aimed at the store "Crazy PC". The store takes back his old equipment for fr. 800.—. He buys new for fr. 5'800.—. The installation and delivery costs are fr. 300.—. Payment is made as follows:
 - by compensation;
 - by a bank transfer from UBS of CHF 2,000.—;
 - the balance remains due.
15. Use of different products for fr. 1'000.— by the owner/shareholdere.
16. Payment by post transfer of taxes balance due for fr. 6'700.—.
17. Purchase of small materials for the living room. Payment by post from fr. 650.—. This material is considered as an expense.
18. Payment by UBS of an administrative expense invoice, already booked, for CHF 900.—.
19. Payment on December 31st by post transfer of the annuity on the rental property.
20. In view of a positive result for this accounting year, the boss takes fr. 15'000.—.

Closing transactions

21. Depreciation of the furniture for fr. 2'500. —.
22. Debit advice for the maintenance of postal and bank accounts, respectively fr. 120.— and fr. 180.—.

23. *Book the annual salary of the boss, fr. 24'000.—.*
24. *Book an interest of 4% on the equity invested.*
25. *Book the rental value of the commercial premises for fr. 11'900.—.*
26. *book the rental value of the chef's apartment for fr. 9'600.—.*

Work to be done

- ✓ Book all the journal entries
 - ✓ Determine the different margins, as well as the change in assets as of December 31st.
 - ✓ Close the accounts and prepare the final balance sheet as of December 31st.
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- ✓ Prepare the annual income statement, as well as determination of the taxable income.