

UK GAAP Co Limited

Notes to the Trial Balance

Note 1: Goodwill

Goodwill was purchased on 1 January 2013 and satisfies the recognition and measurement criteria in FRS 10 *Goodwill and Intangible Assets*. On that date the directors considered the useful economic life of the goodwill to be 26 years. Goodwill was impairment tested on 31 December 2013 and 31 December 2014 and the directors concluded there was no evidence of impairment. With the benefits of hindsight, the directors concluded that the 26-year life was inappropriate and misguided and concluded that they could not, in fact, assign a useful economic life to the goodwill and have therefore started to amortise goodwill over a 10-year period in an effort to be prudent.

Note 2: Land and buildings

Freehold land and buildings were acquired together on 31 December 2013 for a purchase price of £125,000. The survey report confirms that the value of land is £40,000. The company received a valuation from an independent firm of Chartered Surveyors in 2014 which confirmed the valuation of buildings to be £138,000 (with the land value remaining unchanged). The Chartered Surveyor also confirmed that the suggested useful life of the building be 50 years from 31 December 2014.

Note 3: Investment properties

The company's investment properties are accounted for in accordance with SSAP 19 *Accounting for Investment Properties*. On 31 December 2014 the independent Chartered Surveyor reported an increase in fair value of £25,000 but on 31 December 2015 the building had suffered a temporary diminution in value of £10,000.

Note 4: Stocks

The company values its inventory under the last-in first-out method of valuation. The finance director has undertaken an exercise using the weighted average cost methodology and this produces a stock valuation as follows:

31 December 2015	£1,201,301.22
31 December 2014	£1,001,509.87
31 December 2013	£312,222.01

Note 5: Holiday pay accruals

The HR officer has undertaken an exercise of calculating the value of holiday pay still owed to staff that is to be carried over to the next accounting period and this has been calculated as follows:

31 December 2015	£7,009.34
31 December 2014	£6,125.45
31 December 2013	£5,002.00