

# YE Company Finances System – Winding Up

## Step-by-Step Guide



1. End of Year Reports.....	2
1.1. Allocating Profit - Filling in the End of Year Accounts Input Form.....	2
1.2. A note about Bonuses and Donations.....	5
1.3. Statement of Winding Up Liabilities.....	5

# YE Company Finances System – Winding Up

## Step-by-Step Guide



### 1. End of Year Reports

In order to generate a new set of End of Year Reports you should do the following:

#### 1. Generate and print out an updated "Profit and Loss Report" and "Balance Sheet" from Monthly Reports

Make sure that your Payments and Receipts have been updated as well as your closing stock value (which should be zero at the time of winding up) before you generate these reports. You should bring these reports to your next company meeting (see point 3 below).

#### 2. Print out a blank copy of the End of Year Accounts Input Form

This can be found in the "End of Year Reports" section of the Company Finances system.

#### 3. Discuss with your fellow student company members how you want to distribute your profits and how you will complete the form

This should be done at a Board meeting and decided jointly by the student company members. See 5.1 below for more information on how to fill this in.

#### 4. Complete the End of Year Accounts Input Form online

This should be done online by a student company member who has permission to edit the student company finances (ideally the Finance Director). When you complete the End of Year Accounts Input Form online you will generate the following reports:

- Winding Up Report (see section 5.3).
- Statement of Winding Up Liabilities.

The Winding Up Report summarises the information you will have entered in your "End of Year Accounts Input Form" - to record how you have decided to allocate your student company's profits.

#### 5. Present your end of year accounts to your shareholders at the student company's AGM

Your shareholders will need to approve your end of year accounts which tells them what the return on their investment will be. They may also want to see your most up to date balance sheet and profit and loss account. If the shareholders do not approve your end of year accounts, you will have to generate the end of year reports again to reflect the changes discussed at the AGM.

### 1.1 Allocating Profit – Filling in the End of Year Accounts Input Form

You can fill in some of the entries straight away (highlighted below in green) before discussing the allocation of remaining profit with your fellow student company members. **This part of the form shows your student company's remaining assets after winding up.**

Assets	£	
Cash in hand and at bank	£ 422.00	Total cash held by the student company
Accounts receivable	£ 18.00	Total money owed to the student company (debtors)
Stock	£ -	Total value of your current stock
Tool, machinery and equipment	£ -	Total value of the tools, machinery and equipment you own
Other Assets	£ -	The value of other assets that belong to your company
<b>Total Assets</b>	£ 440.00	

Because you have wound up your company all of your student company's assets must be distributed. **This part of the form shows how your student company's remaining assets will be distributed.**

# YE Company Finances System – Winding Up

## Step-by-Step Guide



Distribution		£	
<b>Final Expenses:</b>			
Annual Report		£ 10.00	Cost of your annual report if not already included in your payments
Bank Charges		£ -	Total bank charges left to pay
Creditors		£ -	Total money you owe to other people or
Winding up fee owed to YE		£ 45.00	Calculated automatically
Young Enterprise contributions		£ -	Any other money owed to Young Enterprise
Bonuses to student company members			
<b>Shareholders</b>			
Balance distributed to	Shareholders		Number of shareholders
Holding a total of	£1 shares		Total numbers of shares sold
Dividend out of profits	Per share	Shares	Total amount of dividend paid out to shareholders on top of the amount they invested
Return of capital at	Per share	Shares	Total amount of capital given to you by shareholders that should be repaid if you have
<b>Total before donations</b>			<b>Total distribution before donations</b>
<b>Donations (optional):</b>			
Young Enterprise			Total amount donated to Young Enterprise
Other			Total amount donated to other
<b>Total (must equal total of assets)</b>			

To fill in the rest of the form your student company needs to make some decisions about how much of your student company's remaining assets you will return to shareholders, pay your student company members as bonuses or donate to charity.

However you choose to distribute your remaining assets you must make sure that **Total Assets = Total of all distributions**

Initially student company members will decide exactly how to allocate your student company's assets at a Board meeting and the following two examples may help you understand how this can be done. An independent and responsible person (for example an Adviser) should be requested to verify the accuracy of the statement, and sign the auditor's report at the bottom of the winding up report.

**Bear in mind that the final accounts and distribution of profits must be approved by your shareholders at the AGM before they are finalised.**

### Example 1 – The student company has made an overall profit

In this example the student company's total assets were £440 which must be distributed.

After the final expenses, Young Enterprise winding up (£45) and annual report cost (£10) they had £385 remaining to distribute. (£440 – £45 – £10 = £385)

At the start of the year they had raised money from 150 shares at £1 each, a total of £150 share capital.

The company decides to distribute the remaining £385 in the following way:

<b>Student Company Members</b>	Bonuses - £155
<b>Shareholders</b>	Dividend out of profits - £60 Return of Capital - £150
<b>Donations</b>	Young Enterprise £10 Other £10

You can see that they have chosen to pay back the shareholders their original £150 investment and also to pay them a "dividend" (extra payment) of £60.

# YE Company Finances System – Winding Up

## Step-by-Step Guide



It is standard practice in business to pay back shareholders a dividend if the company has made a significant profit to thank them for their investment and to encourage them to continue to be investors in the company. Usually the more profit a company makes the higher dividend it is able to pay back to its shareholders.

In total this company has sold 150 shares, which means that each £1 share has a 40p dividend (£60 divided by 150). This represents a 40% dividend (40p is 40% of £1)

Distribution				£	
<b>Final Expenses:</b>					
Annual Report				£ 10.00	Cost of your annual report if not already included in your payments
Bank Charges				£ -	Total bank charges left to pay
Creditors				£ -	Total money you owe to other people or organisations
Winding up fee owed to YE				£ 45.00	Calculated automatically
Young Enterprise contributions				£ -	Any other money owed to Young Enterprise
Bonuses to student company members				£ 155.00	
<b>Shareholders</b>					
Balance distributed to	10	Shareholders			Number of shareholders
Holding a total of	150	£1 shares			Total numbers of shares sold
Dividend out of profits	£ 0.40	Per share	150	£ 60.00	Total amount of dividend paid out to shareholders on top of the amount they invested
Return of capital at	£ 1.00	Per share	150	£ 150.00	Total amount of capital given to you by shareholders that should be repaid if you have made a profit
<b>Total before donations</b>					<b>Total distribution before donations</b>
<b>Donations (optional):</b>					
Young Enterprise				£ 10.00	Total amount donated to Young Enterprise (optional)
Other				£ 10.00	Total amount donated to other charities/organisations
<b>Total (must equal total of assets)</b>				<b>£ 440.00</b>	

The total of the distribution table = £440 which is the same as the total assets £440 which means that the company has calculated these figures correctly.

### Example 2 – The company has made an overall loss

In this example the student company's total assets were £140 which must be distributed.

After the final expenses, annual report (£10) and bank charges (£10) they had £120 remaining to distribute. (£140 – £10 – £10 = £120)

At the start of the year they had raised money from 150 shares at £1 each, a total of £150 share capital.

This means they do not have enough money to pay back their shareholders in full. The student company decides to divide all the remaining assets amongst the shareholders (leaving no money left for bonuses or donations to charity).

The company decides to distribute the remaining £120 in the following way:

<b>Student Company Members</b>	Bonuses - £0
<b>Shareholders</b>	Dividend out of profits - £0 Return of Capital - £120
<b>Donations</b>	Young Enterprise £0 Other £0

# YE Company Finances System – Winding Up

## Step-by-Step Guide



You can see that in this example the company has been unable to pay back shareholders any dividend. In fact, shareholders will get back an amount less than they invested.

In total this company has sold 150 shares which means that each £1 share will only be returned to the shareholders as 80p (£120 divided by 150 = 80p).

Distribution				£	
<b>Final Expenses:</b>					
Annual Report				£ 10.00	Cost of your annual report if not already included in your payments
Bank Charges				£ 10.00	Total bank charges left to pay
Creditors				£ -	Total money you owe to other people or organisations
Winding up fee owed to YE				£ -	Calculated automatically
Young Enterprise contributions				£ -	Any other money owed to Young Enterprise
Bonuses to student company members				£ -	
<b>Shareholders</b>					
Balance distributed to	10	Shareholders			Number of shareholders
Holding a total of	150	£1 shares			Total numbers of shares sold
Dividend out of profits	£ -	Per share	150	Shares	Total amount of dividend paid out to shareholders on top of the amount they invested
Return of capital at	£80.00	Per share	150	Shares	Total amount of capital given to you by shareholders that should be repaid if you have made a profit
<b>Total before donations</b>				£ 120.00	Total distribution before donations
<b>Donations (optional):</b>					
Young Enterprise				£ -	Total amount donated to Young Enterprise (optional)
Other				£ -	Total amount donated to other charities/organisations
<b>Total (must equal total of assets)</b>				<b>£ 140.00</b>	

The total of the distribution table = £140 which is the same as the total assets of £140 which means that the company has calculated these figures correctly.

## 1.2 A note about Bonuses and Donations

You can, of course, work out several different rates of dividend all of which will give different totals available for distribution as bonuses and donations.

You should consider how to calculate any bonus payable to student company members. It might be on the basis of hours worked or sessions attended etc.

**Although it is against Young Enterprise rules for you to trade on the fact that you intend to donate your profits to charity you can decide to donate your remaining assets to charity after you have wound up the student company.**

You should bear in mind that the more money you pay yourselves as bonuses or donate to charity the less money you will be able to return to shareholders who are the people who first invested in your student company. Decisions about how much to pay in bonuses and donations should be approved by the shareholders at your AGM before the accounts are finalised.

## 1.3 Statement of Winding Up Liabilities

This form calculates the Winding Up fee that the student company owes to Young Enterprise. The total is shown in the "Final Winding up fee to be paid to YE" box. You will need to fill in your company address at the top and get this form signed and dated. Unless you are advised of alternative

# YE Company Finances System – Winding Up

## Step-by-Step Guide



local arrangements for collection of the winding up fee send the form with a cheque to cover the total to the Young Enterprise Support Centre, made payable to Young Enterprise (or the Young Enterprise Scotland office for Scotland made payable to Young Enterprise Scotland).

The YE Winding up fee is calculated at the rate of 20% on the net profit of the student company, as indicated in the final Profit & Loss Account. The fee is equivalent to taxes which would have been payable to the authorities on a winding up if they had been standalone entities subject to normal tax rules. Your YE Winding up payments are very important to Young Enterprise as part of their funds to provide students next year with the experience you have (hopefully) enjoyed. As Young Enterprise is a charity these payments are an essential part of its charitable income.