

Financial Statements – Sole Trader

- 1 Gurpreet, a sole trader, provided the following trial balance at 31 December 2019.

	Debit \$	Credit \$
Allowance for doubtful debts		750
Bank	3 000	
Drawings	10 000	
Equity		60 000
Inventory	15 000	
Motor vehicles – accumulated depreciation		25 000
Motor vehicles – cost	50 000	
Office expenses	16 780	
Purchases	45 920	
Revenue		81 385
Trade payables		3 515
Trade receivables	5 575	
Wages	24 375	
Total	<u>170 650</u>	<u>170 650</u>

Additional information

1. During the year ended 31 December 2019, a motor vehicle that was purchased during 2014 for \$10 000, was sold for \$5 760. This has not yet been recorded in the books. Depreciation is charged on motor vehicles at 10% per annum using the straight line method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.
2. At 31 December 2019:
 - inventory was valued at \$12 000
 - wages owing were \$1 125
 - office expenses paid in advance were \$1 280
3. A debt of \$575 should be written off as irrecoverable and the allowance for doubtful debts is maintained at 12% of trade receivables.

(a) Prepare the income statement for the year ended 31 December 2019.

(20)

Gurpreet
Income statement for the year ended 31 December 2019

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2 Yu Win provided the following information.

At 1 June 2017	\$
Provision for irrecoverable debts	3 000
Fixtures and fittings	
Cost	20 000
Accumulated depreciation	5 000
Motor vehicles	
Cost	50 000
Accumulated depreciation	13 550
Inventory	37 150

At 31 May 2018	\$
Carriage inwards	3 625
Discount received	1 250
General expenses	24 375
Purchases	185 375
Purchases returns	12 500
Sales	329 500
Sales returns	15 500
Wages and salaries	38 650

During the year ended 31 May 2018:

- fixtures and fittings purchased on 1 January 2013 for \$7 500 were sold for \$5 400
- a motor vehicle costing \$20 000 was purchased.

The following adjustments have not yet been made:

- closing inventory \$43 950
- Yu Win took goods for personal use costing \$2 500
- wages and salaries owing \$1 350
- general expenses paid in advance \$1 125
- a decrease in the provision for irrecoverable debts of \$750
- depreciation charge:
 - fixtures and fittings 5% per annum straight line
 - motor vehicles 10% per annum reducing balance
 - a full year's depreciation is charged in the year of purchase and none in the year of disposal.

(a) Prepare the Income Statement for the year ended 31 May 2018.

(20)

Yu Win
Income Statement for the year ended 31 May 2018

A series of horizontal dotted lines for writing the income statement.

