

The following balances are taken from the books of ABC Company at the end of year trading on 31 December 2018.

	Debit(Rs)	Credit(Rs)
Sales		618,000
Purchases	50,000	
Wages and Salaries	20,000	
Insurance	10,000	
Repair and Maintenance	8,000	
Cash at bank (Overdraft)		20,000
Cash in hand	25,000	
Trade Receivables	12,000	
Trade Payables		6,000
Premises	1,000,000	
Drawings	15,000	
Capital		1,000,000
Loans		10,000
Interest Expense	1,000	
Motor Van	400,000	
Prepaid Rent	25,000	
Goodwill	100,000	
Accrued Expense		5,000
General Expenses	18,000	
Advance rent income		25,000
	1,684,000	1,684,000

The following additional information is available:

1. Inventory at 31 December 2018 was valued at **Rs. 28,000**.
2. Bad debt written off **Rs. 2,000** from trade receivables at the end of the year 2018.

Required:

- (a) Prepare the **income statement** for the year ended 31 December 2018.
- (b) Prepare a **balance sheet** as at 31 December 2018.
- (c) Write any **assumptions** you will made when preparing the financial statements.