

Question 6

Albany Traders

1

Workings

Depreciation of Delivery Van

$$(\$35,800 - \$11,300) \times 20\% = \$4,900$$

Depreciation of Office Equipment

$$\$8,000 \times 10\% = \$800$$

Stationery expense

Trial balance amount	\$1,400
Less Stationery on hand	400
Stationery expense	\$1,000

Doubtful debt adjustment

Allowance for Doubtful Debts			
Bad Debts	800	Balance	2,100
Balance c/d	1,700	Doubtful Debts	400
	<u>2,500</u>		<u>2,500</u>
		Balance b/d	1,700

Question 6 continued
Albany Traders

1

Perth Traders
Income Statement
for the year ended 30 June 2027

Sales			180,000
Less Sales Returns			3,000
Discount Allowed			790
Net Sales			176,210
Less Cost of Sales	58,000		
Less Discount Received	1,500		56,500
Gross Profit			119,710
<i>Less Other Expenses</i>			
Selling and Distribution Expenses			
Doubtful Debts	400		
Advertising	15,100		
Sales Salaries	31,000		
Depreciation of Delivery Van	4,900	51,400	
General and Administration Expenses			
Office Salaries	19,600		
Stationery (\$1,400 – \$400)	1,000		
Rent	41,700		
Electricity (\$3,100 + \$800)	3,900		
Depreciation of Office Equipment	800	67,000	
Financial Expenses			
Bank Fees	210		
Interest on Loan	1,000	1,210	119,610
Net Profit			\$100

Question 6 continued
Albany Traders

2

Albany Traders
Balance Sheet
as at 30 June 2027

Current Assets

Cash at Bank		16,800
Accounts Receivable	20,800	
Less Allowance for Doubtful Debts	<u>1,700</u>	19,100
GST Credits		5,000
Inventory		34,000
Stationery Asset		400
Prepaid Rent (\$42,400 – \$41,700)		700
Total Current Assets		<u>76,000</u>

Non-Current Assets

Delivery Van	35,800	
Less Accumulated Depreciation	<u>16,200</u>	19,600
Office Equipment	<u>8,000</u>	
Less Accumulated Depreciation	<u>1,800</u>	6,200
Total Non-Current Assets		<u>25,800</u>
Total Assets		<u>101,800</u>

Current Liabilities

Accounts Payable	25,900
GST Payable	6,000
Accrued Expenses	800
Total Current Liabilities	<u>32,700</u>

Non-Current Liabilities

Loan from Bank	<u>10,000</u>
Total Non Current Liabilities	<u>10,000</u>
Total Liabilities	<u>42,700</u>
Net Assets	<u>\$59,100</u>

Equity

Capital	70,000
Add Profit	<u>100</u>
	70,100
Less Drawings	<u>11,000</u>
Total Equity	<u>\$59,100</u>

Question 7

Katanning Traders

1

Workings

Depreciation of Delivery Vehicle

$$(\$29,000 - 5,000) \times 20\% = \$4,800$$

Doubtful debt adjustment

Allowance for Doubtful Debts			
Bad Debts	810	Balance	600
Balance c/d	700	Doubtful Debts	910
	<u>1,510</u>		<u>1,510</u>
		Balance b/d	700

Question 7 continued
Katanning Traders

Katanning Traders
Income Statement
for the year ended 30 June 2020

Sales			159,000
Less Discount Allowed			1,000
Net Sales			158,000
Less Cost of Sales			37,000
Gross Profit			121,000
<i>Less Other Expenses</i>			
Selling and Distribution Expenses			
Doubtful Debts	910		
Advertising	14,740		
Sales Salaries	35,900		
Depreciation of Delivery Van	4,800	56,350	
General and Administration Expenses			
Loss on Sale of Office Equipment	800		
Office Salaries	26,790		
Rent (\$7,600 – \$500)	7,100	34,690	
Financial Expenses			
Interest on Loan (\$1,600 + \$900)		2,500	93,540
Net Profit			\$27,460

Question 7 continued
Katanning Traders

2

Katanning Traders
Balance Sheet
as at 30 June 2020

Current Assets		
Cash at Bank		24,580
Accounts Receivable	9,000	
Less Allowance for Doubtful Debts	700	8,300
GST Credits		4,100
Inventory		26,200
Prepaid Rent		500
Total Current Assets		63,680
Non-Current Assets		
Delivery Van	29,000	
Less Accumulated Depreciation	9,800	19,200
Total Non-Current Assets		19,200
Total Assets		82,880
Current Liabilities		
Accounts Payable		3,070
GST Payable		5,000
Accrued Expenses		900
Total Current Liabilities		8,970
Non-Current Liabilities		
Loan from Bank		19,700
Total Non Current Liabilities		19,700
Total Liabilities		28,670
Net Assets		\$54,210
Equity		
Capital		45,000
Add Profit		27,460
		72,460
Less Drawings		18,250
Total Equity		\$54,210