

## Question 9

### Manjimup Traders

1

### Workings

#### Depreciation of Delivery Vehicle

$$(\$37,300 - 4,500) \times 15\% \times 6/12 = \$2,460$$

#### Depreciation of Office Furniture

$$\$8,000 \times 10\% \times 6/12 = \$400$$

#### Doubtful debt adjustment

Accounts Receivable	\$10,000
Less Additional bad debts written off	600
<b>New debtors' balance</b>	<b>\$9,400</b>

#### Total Bad Debts

$$\$390 + \$600 = \$990$$

#### Allowance for Doubtful Debts

Bad Debts	990	Balance	400
Balance c/d	470	<b>Doubtful Debts</b>	<b>1,060</b>
	<u>1,460</u>		<u>1,460</u>
		Balance b/d	470

**Question 9 continued**  
**Manjimup Traders**

1

<b>Manjimup Traders</b> <b>Income Statement</b> <b>for the six months ended 31 December 2027</b>			
Sales			198,000
Less Discount Allowed			110
Net Sales			197,890
<b>Less Cost of Sales</b>	53,000		
Less Discount Received	300		52,700
Gross Profit			145,190
<b>Add Other Income</b>			
Bank Interest (\$200 + \$410)			610
			145,800
<i>Less Other Expenses</i>			
<b>Selling and Distribution Expenses</b>			
Doubtful Debts	1,060		
Cartage Outwards	4,910		
Advertising (\$8,900 – \$500)	8,400		
Sales Wages	37,320		
Depreciation of Delivery Vehicle	2,460	54,150	
<b>General and Administration Expenses</b>			
Rent	43,210		
Office Salaries	26,500		
Electricity (\$7,200 + \$790)	7,990		
Depreciation of Office Furniture	400	78,100	
<b>Financial Expenses</b>			
Interest on Loan		1,690	133,940
<b>Net Profit</b>			<b>\$11,860</b>

**Question 9 continued**  
**Manjimup Traders**

2

**Manjimup Traders**  
**Balance Sheet**  
**as at 31 December 2027**

<b>Current Assets</b>		
Cash at Bank		990
Accounts Receivable	9,400	
Less Allowance for Doubtful Debts	470	8,930
GST Credits		1,410
Inventory		41,000
Prepaid Rent (\$45,100 – \$43,210)		1,890
Prepaid Advertising		500
Accrued Income		410
Total Current Assets		55,130
<b>Non-Current Assets</b>		
Office Furniture	8,000	
Less Accumulated Depreciation	3,800	4,200
Delivery Vehicles	37,300	
Less Accumulated Depreciation	6,960	30,340
Total Non-Current Assets		34,540
Total Assets		89,670
<b>Current Liabilities</b>		
Accounts Payable		1,500
GST Payable		2,800
Accrued Expenses		790
Total Current Liabilities		5,090
<b>Non-Current Liabilities</b>		
Loan from Bank		22,000
Total Non-Current Liabilities		22,000
Total Liabilities		27,090
Net Assets		\$62,580
<b>Equity</b>		
Capital		66,140
Add Profit		11,860
		78,000
Less Drawings		15,420
Total Equity		\$62,580

**Question 9 continued**  
**Manjimup Traders**

3 Below are a set of transaction of the business known as Book World.

- a On 20 June 2027 the bookshop received an order from the Sunshine High School for 100 copies of the textbook Accounting for Small Business. The order was not included as income in the income statement for the year ended 30 June 2027 as no copies of the textbook were available until August 2027.
- b A piano purchased by the owner of the business and used in her family home was not included in the accounting records of the business.
- c A motor vehicle was purchased by a business in 2021 for \$19,000. In the balance sheet prepared on 30 June 2026 the motor vehicle was shown at \$19,000 less accumulated depreciation.
- d The purchase of a stapler costing \$51 was included in the profit and loss ledger account as an expense in the year of purchase. The stapler is expected to have a useful life of 5 years.

Name the principle or concept that has been applied in dealing with each transaction.

- a income recognition criteria
- b business entity concept
- c historical cost principle
- d materiality principle

## Question 10

### Commerce Traders

1

### Workings

#### Depreciation of Buildings

$$\$90,000 \times 2\% \times 6/12 = \$900$$

#### Selling and Distribution

$$\text{Depreciation of Buildings } \$900 \times 70\% = \$630$$

#### General and Administration

$$\text{Depreciation of Buildings } \$900 \times 30\% = \$270$$

#### Depreciation of Office Equipment

$$(\$10,000 - \$6,000) \times 25\% \times 6/12 = \$500$$

#### Doubtful Debt Adjustment

#### Bad Debts

$$\$200 + \$500 = \$700$$

Allowance for Doubtful Debts			
Bad Debts	700	Balance	900
Balance c/d	800	<b>Doubtful Debts</b>	<b>600</b>
	<u>1,500</u>		<u>1,500</u>
		Balance b/d	800

**Question 10 continued**  
**Commerce Traders**

1

<b>Commerce Traders</b> <b>Income Statement</b> <b>for the six months ended 31 December 2018</b>			
Sales			198,000
<b>Less Cost of Sales</b>	72,000		
Less Discount Received	800	71,200	
Gross Profit			126,800
<i>Less Other Expenses</i>			
<b>Selling and Distribution Expenses</b>			
Doubtful Debts	600		
Advertising	7,900		
Sales Salaries (\$45,100 + \$300)	45,400		
Freight Outwards	9,500		
Depreciation of Buildings	630	64,030	
<b>General and Administration Expenses</b>			
Insurance	8,200		
Office Salaries	89,400		
Loss on Sale of Office Furniture	100		
Depreciation of Buildings	270		
Depreciation of Office Equipment	500	98,470	
<b>Financial Expenses</b>			
Interest Expense	2,900		
Discount Allowed	700	3,600	166,100
<b>Net Loss</b>			<b>(\$39,300)</b>

2

**Accrued Expenses**

$$(\$89,400 - \$89,000) + \$300 = \$700$$

**Question 10 continued**  
**Commerce Traders**

**Commerce Traders**  
**Balance Sheet**  
**as at 31 December 2018**

<b>Current Assets</b>		
Accounts Receivable	6,200	
Less Allowance for Doubtful Debts	800	5,400
GST Credits		1,000
Inventory		47,000
Prepaid Insurance (\$9,000 – \$8,200)		800
Total Current Assets		54,200
<b>Non-Current Assets</b>		
Office Equipment	10,000	
Less Accumulated Depreciation	6,500	3,500
Buildings	90,000	
Less Accumulated Depreciation	5,400	84,600
Land		167,000
Total Non-Current Assets		255,100
Total Assets		309,300
<b>Current Liabilities</b>		
Bank Overdraft		17,600
Accounts Payable		26,200
GST Payable		5,100
Accrued Expenses		700
Total Current Liabilities		49,600
<b>Non-Current Liabilities</b>		
Loan from Bank		45,000
Total Non-Current Liabilities		45,000
Total Liabilities		94,600
Net Assets		\$214,700
<b>Equity</b>		
Capital		280,000
Less Loss		39,300
		240,700
Less Drawings		26,000
Total Equity		\$214,700

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\$43 (\$16 rent + \$4 insurance + \$23 office salaries)