**Question 20 (47 marks)**

Charles Silver, the proprietor of a home appliance and electronics store, has provided you with the following information as at 30 June 2018.

**Silver Plus Appliances**

**Trial Balance**

**as at 30 June 2018**

|  |  |  |
| --- | --- | --- |
| **Ledger Account** | **Debit** | **Credit** |
| Accounts Payable |  | 65,080 |
| Accounts Receivable | 26,000 |  |
| Prepaid Advertising | 26,400 |  |
| Allowance for doubtful debts |  | 600 |
| Bad Debts | 880 |  |
| Mortgage |  | 100,000 |
| Capital |  | 200,000 |
| Cash at Bank |  | 50,540 |
| Cash in Hand | 800 |  |
| Office Computer | 7,000 |  |
| Sales |  | 1,916,000 |
| Cost of Sales | 1,107,000 |  |
| Discount Allowed | 6,800 |  |
| Discount Received |  | 19,600 |
| Drawings | 104,000 |  |
| Electricity | 12,000 |  |
| Showroom Fixtures and Fittings | 37,400 |  |
| Accumulated Depreciation – Showroom Fixtures and Fittings |  | 9,260 |
| Gain on sale of Asset |  | 5,000 |
| Land | 200,000 |  |
| Interest | 29,200 |  |
| Inventory | 82,000 |  |
| Office Salaries | 185,600 |  |
| Postage and Stationery | 1,600 |  |
| Prepaid Insurance | 59,800 |  |
| Rent | 72,000 |  |
| Accumulated Depreciation – Office Computer |  | 2,000 |
| Sales Returns | 13,200 |  |
| Sales Wages | 390,000 |  |
| Telephone - Office | 6,400 |  |
|  | **$2,368,080** | **$2,368,080** |

**Additional Information**

* Write off additional bad debts $200.
* Allowance for doubtful debts is to be adjusted to 2% of net Accounts Receivable.
* Advertising expense for the financial year totalled $24,000.
* Sales wages unpaid on balance date was $6,400.
* Insurance prepaid on balance date was $9,800. Insurance is considered a general and administration expense.
* The Office Computer is to be depreciated at 30% reducing balance method, and the Showroom Fixtures and Fittings at 10% straight-line method.
* No interest was accrued on balance day.
* Electricity and Rent expenses are all split 80% Showroom and 20% Office.

1. Prepare all entries to adjust the Allowance for Doubtful Debts ledger to its new balance. Balance the ledger account and show all workings.  **(6 marks)**

**Workings**

**Allowance for Doubtful Debts**

1. What is the difference between a bad debt and a doubtful debt? **(3 marks)**

1. Prepare a fully classified Income Statement for Silver Plus Appliances for the year   
   ending 30 June 2018. **(26 marks)**

**Workings**

**Silver Plus Appliances**

**Income Statement**

**for the year ending 30 June 2018**

1. Prepare a Statement of Financial Position extract as at 30 June 2018 showing the Current Assets and Current Liabilities sections **only**. **(12 marks)**

**Silver Plus Appliances**

**Statement of Financial Position (extract)**

**as at 30 June 2018**