**Emilio’s Gym Equipment Solution**

***Workings:***

Amounts in Red 🡪 Income Statement

Amounts in Green 🡪 Balance Sheet

* Unearned Sales: **0**; Sales **$202,000**
* Stock of Supplies: **0**; Supplies Consumed**: $4,000**
* Interest Income: $3,900 + **$100** = **$4,000**
* Interest Expense: $560 + **$300** = **$860**
* Advertising: $3,800 – **$200** = **$3,600**
* Staff Wages: $65,000 + **$1,500** = **$66,500**
* Depreciation Equipment: $67,600 x 15% = **$10,140**

Accumulated Depreciation: $45,093 + $10,140 = **$55,233**

* Allowance for Doubtful Debts:

**Accounts Receivable**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 2029  Jun 30 | Balance b/f | 45,000 | 2029  Jun 30 | Bad Debts | 200 |
|  |  |  |  | Balance c/f | 44,800 |
|  |  | 45,000 |  |  | 45,000 |
|  | **Balance b/f** | **44,800** |  |  |  |

**x 3% = $1,344**

**Bad Debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 2029  Jun 30 | Balance b/f | 3,400 | 2029  Jun 30 | **Allowance for Doubtful Debts** | **3,600** |
|  | Accounts Receivable | 200 |  |  |  |
|  |  | 3,600 |  |  | 3,600 |
|  |  |  |  |  |  |

**Allowance for Doubtful Debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 2029  Jun 30 | **Bad Debts** | **3,600** | 2029  Jun 30 | **Balance b/f** | **4,000** |
|  | **Balance c/f** | **1,344** |  | **Doubtful Debts** | **944** |
|  |  | 4,944 |  |  | 4,944 |
|  |  |  | 30 | **Balance b/f** | **1,344** |

**Doubtful Debts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Contra Account | Dr | Date | Contra Account | Cr |
| 2029  Jun 30 | **Allowance for Doubtful Debts** | **944** | 2029  Jun 30 | Profit and Loss Summary | 944 |
|  |  | 944 |  |  | 944 |

* **Concerning the workings re Allowance for Doubtful Debts for the purpose of Financial Statements with BDAs you only need to show the ledger account for Allowance for Doubtful Debts and how you calculated the new balance for Allowance for Doubtful Debts in a test or exam.**

**Emilio’s Gym**

**Income Statement**

**for the year ended 30 June 2025**

|  |  |  |  |
| --- | --- | --- | --- |
| Sales |  |  | 202,000 |
| Cost of Sales |  |  | 65,000 |
| **Gross Profit** |  |  | 137,000 |
| Add other income |  |  | 4,000 |
| Interest Income |  | 4,000 |  |
| **Gross Income** |  |  | 141,000 |
| Less Operating Expenses |  |  |  |
| *Sales and Distribution Costs* |  |  |  |
| Advertising | 3,600 |  |  |
| Doubtful Debts | 944 | 4,544 |  |
| *General and Admin Costs* |  |  |  |
| Depreciation - Lab Equipment | 10,140 |  |  |
| Wages – Staff | 66,500 |  |  |
| Administration Expenses | 32,700 |  |  |
| Supplies expense | 5,600 | 114,940 |  |
| *Financial Expenses* |  |  |  |
| Interest Expense | 860 | 860 | 120,344 |
| **Profit for the period** |  |  | **20,656** |

**Emilio’s Gym**

**Balance Sheet**

**30 June 2025**

|  |  |  |
| --- | --- | --- |
| CURRENT ASSETS |  |  |
| Cash at Bank |  | 3,560 |
| Accounts Receivable | 44,800 |  |
| Less Allowance for Doubtful Debts | 1,344 | 43,456 |
| Inventory / Stock |  | 65,333 |
| Accrued Income |  | 100 |
| Prepaid Advertising |  | 200 |
| *Total Current Assets* |  | 112,649 |
| NON-CURRENT ASSETS |  |  |
| Government Grant |  | 56,000 |
| Patent |  | 43,000 |
| Lab Equipment | 67,600 |  |
| Less Accumulated Depreciation | 55,233 | 12,367 |
| Land and Buildings |  | 89,070 |
| *Total Non-Current Assets* |  | 200,437 |
| *Total Assets* |  | 313,086 |
| CURRENT LIABILITIES |  |  |
| Accrued Expenses (300 + 1,500) |  | 1,800 |
| Accounts Payable |  | 6,430 |
| GST Payable |  | 7,900 |
| *Total Current Liabilities* |  | 16,130 |
| NON-CURRENT LIABILITIES |  |  |
| Mortgage |  | 93,300 |
| *Total Liabilities* |  | 109,430 |
| NET ASSETS |  | **203,656** |
|  |  |  |
| EQUITY |  |  |
| Capital |  | 250,000 |
| Add Profit |  | 20,656 |
|  |  | 270,656 |
| Less Drawings |  | 67,000 |
|  |  | **203,656** |