Prepare an income statement and balance sheet for Shoes R Us from the following information:

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| **Trial Balance** | | |
| Shoes R Us | | |
| As at 30 June 2020 | | |
|  |  |  |
| **Account** | **Debit** | **Credit** |
| Sales |  | 43,486 |
| Advertising | 1,830 |  |
| Bank Fees | 21 |  |
| Bad debts | 155 |  |
| Cost of sales | 9,100 |  |
| Cleaning | 477 |  |
| Prepaid rent | 967 |  |
| Light, Power, Heating | 645 |  |
| Interest expense | 311 |  |
| Rates | 1,296 |  |
| Printing & Stationery | 161 |  |
| Rent | 3,000 |  |
| Drawings | 5,300 |  |
| Salaries | 20,100 |  |
| Telephone & Internet | 190 |  |
| Travel - National/Sales | 462 |  |
| Prepaid Insurance | 1,800 |  |
| Bank Account | 15,664 |  |
| Discount Allowed | 3,400 |  |
| Accounts Receivable | 7,540 |  |
| Office Equipment | 750 |  |
| Accumulated Depreciation on Office Equipment |  | 125 125 |
| Accounts Payable |  | 3,848 3,848 |
| Allowance for Doubtful Debts |  | 305 305 |
| GST payable |  | 1,372 1,372 |
| Discount Received |  | 4,521 4,521 |
| Interest Revenue |  | 1,000 1,000 |
| Capital |  | 18,513 18,513 |
| **Total** | **73,169** | **73,169** |

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| **Additional information:** |
| 1. Write off bad debts of $300. |
| 2. Adjust the allowance for doubtful debts to $1000. | |
| 3. Depreciation on office equipment is 20% reducing balance method. | | |
| 4. Unpaid salaries on balance date is $700. |
| 5. Prepaid rent on balance day is $167. |
| 6. Accrued interest revenue of $200 on balance day. | |
| 7. Accrued interest expense on balance day is $100. | |
| 8. A 12 month insurance policy was taken out on 1 February 2020. | | |

Solution: Shoes R Us

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| Sales |  | 43,486 |  |
| Less Discount Allowed |  | 3,400 |  |
| Net Sales |  |  | 40,086 |
| Cost of Sales | 9,100 |  |  |
| Less Discount Received | 4,521 |  | 4,579 |
| Gross Profit |  |  | 35,507 |
| Add other income |  |  |  |
| Interest Income |  |  | 1,200 |
| Gross Income |  |  | 36,707 |
| Less Operating Expenses |  |  |  |
| *Sales and Distribution Costs* |  |  |  |
| Advertising | 1,830 |  |  |
| Travel - National/Sales | 462 |  |  |
| Doubtful debts | 1,150 | 3,442 |  |
| *General and Admin Costs* |  |  |  |
| Depreciation - Office Equipment | 125 |  |  |
| Salaries | 20,800 |  |  |
| Cleaning | 477 |  |  |
| Light, Power, Heating | 645 |  |  |
| Rates | 1,296 |  |  |
| Insurance | 750 |  |  |
| Printing & Stationery | 161 |  |  |
| Rent | 3,800 |  |  |
| Telephone & Internet | 190 | 28,244 |  |
| *Financial Expenses* |  |  |  |
| Bank Fees | 21 |  |  |
| Interest Expense | 411 | 432 | 32,118 |
| Profit for the period |  |  | **4,589** |
|  |  |  |  |
|  |  |  |  |
| CURRENT ASSETS |  |  |  |
| Bank Account |  | 15,664 |  |
| Accounts Receivable | 7,240 |  |  |
| Less Allowance for Doubtful Debts | 1,000 | 6,240 |  |
| Prepaid rent |  | 167 |  |
| Accrued Income |  | 200 |  |
| Prepaid Insurance |  | 1,050 |  |
| Total Current Assets |  | 23,321 |  |
| NON-CURRENT ASSETS |  |  |  |
| Office Equipment | 750 |  |  |
| Less Accumulated Depreciation | 250 | 500 |  |
| Total Non-Current Assets |  | 500 |  |
| Total Assets |  | 23,821 |  |
| CURRENT LIABILITIES |  |  |  |
| Accounts Payable |  | 3,848 |  |
| Accrued Expenses |  | 800 |  |
| GST |  | 1,372 |  |
| Total Current Liabilities |  | 6,020 |  |
| Total Liabilities |  | 6,020 |  |
| NET ASSETS |  | **17,801** |  |
| EQUITY |  |  |  |
| Capital |  | 18,513 |  |
| Add Profit |  | 4,589 |  |
|  |  | 23,101 |  |
| Less Drawings |  | 5,300 |  |
|  |  | **17,801** |  |
|  |  |  |  |