**SOLUTION**

**Joy** runs a wholesale business selling clothing. Her trial balance for the year ended 30th Sept 2015 was as follows.

Sh ‘000’ sh’000’

Land and buildings 28,000

Motor vehicles 21,000

Inventory (1st Oct 2014) 10,500

Sales 184,450

Purchases 98,000

Return inward and outwards 7,000 3,500

Discount Allowed and Received 5,250 9,800

Rent 700

Furniture and fixtures 14,000

Trade Receivable and payable 17,500 14,000

Telephone expenses 1,050

Allowed for doubtful debts 1,000

Bad debts written off 7,000

Electricity 1,050

Carriage Inwards 700

General expenses 10,500

Salaries and wages 14,000

Drawings 7,000

Capital 32,500

Carriage outwards 1,050

Bank balance 1,000

Total 245,300 245,300

Additional information

1. Inventory as at 30th September 2015 was valued at sh. 7,000,000
2. Provision for doubtful debts is to be increased by 10%
3. Rent accrued as 30th September 2015 amounts to 525,000
4. Electricity and telephone bills prepaid as at 30th September 2015 amounts to sh. 17,500 and sh. 525, 000 respectively.
5. General expenses accrued as at 30th September 2015 amounts to sh. 700,000
6. Depreciation is provided as motor vehicle and furniture and fixture at 15% p. a on cost.

Sales 184,450

Return inward (7,000)

177,450

Cost of sales

Inventory (1st Oct 2014) 10,500

Purchases 98,000

Carriage Inwards 700

Return outwards (3,500)

Inventory (30 sep 2015) (7,000) (98,700)

78,750

Discount Received 9,800

Discount Allowed 5,250

Rent (700+525) 1225

Telephone expenses (1050-525) 525

Bad debts written off 7,000

Electricity (1050-17.5) 1032.5

General expenses (10,500+700) 11,200

Salaries and wages 14,000

Carriage outwards 1,050

Allowed for doubtful debts 100

Dep-Motor vehicle (15%\*21,000) 3,150

Furniture and fixture (15%\*14,000) 2,100 (46,632.5)

Net profit 41,917.5

Land and buildings 28,000 - 28,000

Motor vehicles 21,000 3,150 17,850

Furniture and fixtures 14,000 2,100 11,900

57,750

Current Assets

Inventory 7,000

Trade Receivable (17,500-1100) 16,400

Bank balance 1,000

Prepaid 17.5

525

24,942.5

Current liabilities

Trade payable 14,000

Rent accrued 525

General expenses 700 15,225 9,717.5

**67467.5**

Capital 32,500

Net profit 41,917.5

Drawings (7,000)

**67,417.5**