

## BASIC ACCOUNTING

## EXERCISE

1. The adjusted Trial Balance of Paradise Washing Company as of June 30, 2003 is presented below :

## PARADISE WASHING COMPANY

## Adjusted Trial Balance

As on June 30, 2003

	Debit Tk.	Credit Tk.
Cash	4,200	
Accounts receivable	1,800	
Supplies	6,300	
Prepaid insurance	43,500	
Land	1,32,000	
Buildings		25,600
Accumulated depreciation—buildings		3,700
Accounts payable		10,300
Interest payable		2,500
Salaries payable		4,100
Property tax payable		2,600
Unearned revenue		1,00,000
Notes payable (due in three years)		40,000
Capital		78,600
Service revenue	14,800	
Wages expenses	4,600	
Utilities expenses	3,500	
Property tax expenses	6,700	
Insurance expenses	5,100	
Supplies expenses	8,800	
Depreciation expenses	13,200	
Interest expenses	1,200	
Miscellaneous expenses		2,67,400
<b>Total</b>	<b>2,67,400</b>	<b>2,67,400</b>

## Required :

- Prepare the income statement for the year ended June 30, 2003.
- Prepare the balance sheet as of June 30, 2003.

2. The unadjusted trial balance of Super Painting Service as on December 31, 2002 is presented below :

## SUPER PAINTING SERVICE

## Unadjusted Trial Balance

As on December 31, 2002

Title of accounts	Debit Tk.	Credit Tk.
Cash	4,000	
Accounts receivable	14,000	
Supplies	12,000	
Prepaid insurance	2,000	
Equipment	23,000	
Accumulated depreciation—equipment		6,500
Owner's capital		31,900
Owner's withdrawals	6,000	
Service revenue		36,000
Salaries expenses	14,000	
Rent expenses	2,400	
<b>Total</b>	<b>74,400</b>	<b>74,400</b>

## FINANCIAL STATEMENT

Use the following information about the firm's adjustments to complete financial statements for the firm:

- The cost of expired insurance coverage was Tk. 600.
- The cost of unused supplies on hand at the end of the year was Tk. 1,600.
- Depreciation of the equipment for the year was Tk. 2,500.
- Earned but unpaid salaries at the end of the year were Tk. 550.

**Required :**

- Prepare the income statement for the year ended December 31, 2002.
- Prepare the balance sheet as of December 31, 2002.

3. The unadjusted trial balance of Imperial Delivery Service as on May 31, 2003 is presented below:

## IMPERIAL DELIVERY SERVICE

## Trial Balance

As on May 31, 2003

Title of accounts	Debit Tk.	Credit Tk.
Cash	5,840	
Accounts receivable	1,410	
/Supplies	890	
Prepaid insurance	1,900	
Land	48,000	
Buildings	82,000	
Accumulated depreciation—buildings		18,960
Equipment	43,000	
Accumulated depreciation—equipment		16,800
Accounts payable		2,160
Unearned delivery fees		2,100
Mortgage payable		58,000
/Capital		65,000
Withdrawals	15,000	
Delivery fees earned		55,090
Salary expenses	16,670	
Telephone expenses	620	
Utilities expenses	1,350	
Repairs expenses	1,430	
Total	2,18,110	2,18,110

**Adjustment data :**

- Supplies used during the month Tk. 270.
- Prepaid insurance expired during the month Tk. 600.
- Depreciation on Buildings Tk. 500, and equipment Tk. 900.
- Unearned delivery fees earned during this month Tk. 1,300.
- Salaries earned but not yet paid Tk. 1,200.
- Interest on mortgage accrued Tk. 300.
- Delivery fees earned but not recorded and not received Tk. 500.

**Required :**

- Prepare income statement of Imperial Delivery Service for the month of May.
- Prepare balance sheet as of that date.

4. The unadjusted trial balance of Hassan Construction as on December 31, 2001 is presented below :

### HASSAN CONSTRUCTION

#### Trial Balance

As on December 31, 2001

Title of accounts	Debit Tk.	Credit Tk.
1 Cash	6,000	
2 Accounts receivable	12,000	
3 Supplies	9,400	
4 Prepaid insurance	6,200	
5 Equipment	81,000	
6 Accumulated depreciation—equipment		20,250
7 Accounts payable		4,800
8 Long term notes payable		15,000
9 Hassan's capital		38,000
10 Hassan's drawings	36,000	
11 Construction fees earned		1,40,000
12 Wages expenses	41,000	
13 Interest expenses	1,500	
14 Rent expenses	13,200	
15 Property tax expenses	5,000	
16 Repairs expenses	2,850	
17 Utilities expenses	3,900	
Total	<u>2,18,050</u>	<u>2,18,050</u>

**Additional data :**

- Supplies used during the year Tk. 6,400.
- The balance of prepaid insurance on December 31, 2001 Tk. 2,200.
- Annual depreciation on equipment is Tk. 7,000.
- The December utilities expense of Tk. 4,000 was not included in the trial balance because the bill arrived after it was prepared.
- Make allowances for doubtful debts @ 5% on accounts receivable.

**Required :**

- Prepare the income statement for the year ended December 31, 2001.
- Prepare Owner's equity statement.
- Prepare the balance sheet as of December 31, 2001.

5. Following is the Trial Balance of Rokeya Computer and Photostat Service as on June 30, 2003.

**ROKEYA COMPUTER AND PHOTOSTAT SERVICE**

**Trial Balance**  
**As on June 30, 2003.**

Name of accounts	Dr. Tk.	Cr. Tk.
Cash	2450	
Accounts receivable	10,700	
Equipment	2,05,000	
Accumulated depreciation—equipment		25,000
Service revenue		3,95,000
Notes payable		45,000
Supplies	25,000	
Photostat materials purchased	1,06,000	
Rent expenses	22,000	
Utilities expenses	14,000	
Prepaid insurance	10,500	
Electricity	12,000	
Interest expenses	1,350	
Capital		60,000
Household expenses	1,16,000	
<b>Total</b>	<b>5,25,000</b>	<b>5,25,000</b>

**Other information :**

1. On June 30, 2003 inventory of supplies Tk. 6,000 and Photostat material Tk. 9,000 were in hand.
2. Insurance policy was taken on November 1, 2002 covering a period of one year from this date.
3. On February 1, 2003 the firm purchased a printer at a cost of Tk. 45,000 and issued a 12% note for this. Interest on the note is payable at three months interval i.e. May 1, August 1, November 1 etc.
4. One month rent is still due.
5. Electric Bill for the month of June not yet received, it is estimated that bill for this month may be Tk. 1,200.
6. Service performed but not yet billed for Tk. 2,000.
7. Depreciate equipment @ 10% per annum.

**Required :**

1. Prepare an Income Statement for the year ending June 30, 2003
2. Prepare Balance Sheet as on that date.

6. Following is the Trial Balance of Mushier Rahman as of December 31, 2002

**MUSHIER RAHMAN**

**Trial Balance**

As of December 31, 2002

Title of accounts	Dr. Tk.	Cr. Tk.
Mushier Rahman's Capital		2,30,000
Mushier Rahman's Withdrawal	32,500	
Inventories 1.1.2002	1,74,000	
Sales return and allowances	5,990	
Carriage inwards	12,400	
Deposit with Kamal (interest free)	13,750	
Carriage outwards	7,250	
Loan to Ashraf @ 9% given on 1.7.2002	10,000	
Interest on the above loan		250
Returns outwards		8,400
Rent expenses	8,200	
Rent outstanding		1,300
Purchases	10,79,700	
Accounts receivable	90,000	
Goodwill	17,300	
Accounts payable		30,000
Advertisement expenses	9,540	
Allowances for doubtful debts		12,000
Bad debts written off	4,000	
Patents and trade marks	5,000	
Cash in hand	620	
Sales		12,29,140
Sales discount allowed	3,300	
Salaries and Wages	7,540	
Store equipment (purchased on 1.7.2002)	30,000	
<b>Total</b>	<b>15,11,090</b>	<b>15,11,090</b>

Prepare a single step Income statement for the year ended December 31, 2002 and a Balance Sheet as on that date, after giving effect to the following adjustments :

1. The value of the ending inventories is Tk. 1,87,920.
  2. Make allowances for doubtful debts @ 10% on accounts receivable.
  3. Salaries and Wages include Tk. 2,000 paid for the installation of equipment on 1.7.2002.
  4. Provide depreciation on equipment @ 10% per annum.
5. Ending inventories include merchandise of Tk. 2,000 received at late hour of December 31, were not taken into purchase day book.

7. From the following balances of Duke as on 31. 12. 2001, prepare Income statement and owner's equity statement for the year ended 31. 12. 2001 and the Balance Sheet as at that date.

Name of accounts	Tk.	Name of accounts	Tk.
Opening Stock	30,000	Accounts receivable	20,000
Purchases	1,10,000	Bad debts	3,000
Office equipment	75,000	Machinery at cost (including Tk. 10,000 new)	60,000
Accumulated depreciation— office equipment	20,000	Depreciation Fund—store equipment	25,000
Salaries and Wages	23,000	Accounts payable	24,000
Carriage inwards	3,000	Rent, rates and taxes	4,000
Notes payable	10,000	Trade expenses	4,000
Furniture	9,000	Mr. Duke's Capital	90,000
Salaries	42,000	Mr. Duke's Withdrawal	34,600
Advertisement	24,000	Allowances for doubtful debts	1,000
Cash at bank	14,000	Misc. expenses	3,200
Prepaid expenses	1,000	Cash in hand	800
Depreciation fund investment	25,000	Outstanding rent	400
Sales	3,19,200	Petty cash expenses	4,000

The following additional information is supplied :

- a. Ending inventories Tk. 15,000.
- b. Stock valued at Tk. 10,000 was destroyed by fire but the Insurance Company admitted a claim of Tk. 8,500 only, and the claim is not yet paid.
- c. Salaries and wages include Tk. 2,000 for installation of Machinery on 1.9.2001.
- d. Depreciate equipment at 10% per annum.

8. Abdul Kamal is in business as a stationery merchant. From the following Trial balance extracted from his books of accounts, you are required to prepare Income statement for the year ended December 31, 2000 and a Balance Sheet as on that date :

**ABDUL KAMAL**  
Trial Balance  
As of December 31, 2000

Title of accounts	Dr. Tk.	Cr. Tk.
Cash in hand	45,000	
Plant and machinery	50,000	
Furniture and fixtures	10,000	
Withdrawals	10,000	90,000
Capital	1,000	
Insurance charges	25,000	
Salaries and wages	35,000	
Accounts receivable	20,000	
Beginning inventories	40,000	
Trade mark rights (10 years from 1.1.2000)	1,50,000	
Purchases	2,000	
Postage and telegrams	1,000	15,000
Bad debts	200	
Loan from Hafiz @ 6% per annum (taken on 1.7.2000)		54,200
Interest on loan from Hafiz		2,30,000
Accounts payable		3,89,200
Sales		3,89,200
Total		

**Information :**

1. Inventories on 31. 12. 2000 Tk. 38,000.
  2. Depreciate plant and machinery at 10% and furniture and fixture at 5% per annum.
  3. Invoice of the value of Tk. 3,000 was recorded in the Sales Book on December 29, 2000, but goods were dispatched until January 7, 2001 and were included in closing stock.
  4. Of the accounts receivable Tk. 1,000 are bad and should be written-off.
  5. Create a reserve for doubtful debts of 5% on accounts receivable.
  6. Goods of the value of Tk. 1,000 were distributed free amongst customer for advertisement.
- 9. Following is the Trial Balance of Sultan Traders as on December 31, 2002 :**

**SULTAN TRADERS**  
**Trial Balance**  
**As on December 31, 2002**

Debit	Tk.	Name of accounts	Credit Tk.
Purchase	16,000	Sales	30,000
Discount	1,300	Mortgage and Interest to date	3,050
Wages	6,500	Capital Account	10,655
Salaries	2,000	Accounts payable	2,100
Travelling Expenses	500		
Carriage-in	275		
Insurance	150		
Sales commission	325		
Rent and Rates	500		
Cash	130		
Cash at Bank	2,725		
Stable Expenses	195		
Misc. Expenses	55		
Interest on mortgage loan	150		
Building	4,000		
Machinery	1,500		
Horses and Cart	500		
Inventories as on January 01, 2002	5,750		
Accounts receivable	3,250		
<b>Total</b>	<b>45,805</b>		<b>45,805</b>

**Additional information :**

1. Make provision for Rent and Rates un-expired Tk. 30;
2. Charge depreciation on Building at  $2\frac{1}{2}\%$ ; Machinery at 5%; Horse and Carts at  $7\frac{1}{2}\%$  per annum;
3. Bad debts to be written off Tk. 175;
4. Liability for insurance Tk. 20;
5. Create allowances for bad and doubtful accounts @ 5% on net accounts receivable
6. Stock in hand as on December 31, 2002 Tk. 6,075.

**Required :**

- (a) Prepare income statement for the year ended December 31, 2002
- (b) Prepare a classified balance sheet as on that date.

**FINANCIAL STATEMENT**

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10. Following is the Trial Balance of Kongkon Merchandiser as on December 31, 2001.

**KONGKON MERCHANDISER**  
**Trial Balance As on December 31, 2001**

Title of accounts	Debit	Credit
	Tk.	Tk.
Purchase	16,000	
Sales		20,000
Capital		10,650
6% Loan (July 1, 2001)		9,000
Accounts receivable and accounts payable	8,200	8,950
Inventories as on January 1, 2001	5,000	
Wages and Salaries	3,700	
Merchandise returned	2,000	1,500
Insurance	320	
Carriage-in	280	
Land and Building	8,600	
Accumulated depreciation—Land and Building		1,740
Furniture and Fittings	6,900	
Accumulated depreciation—Furniture and fittings		860
Commercial Expenses	800	
Allowances for Bad debts		800
Cash in hand	1,700	
<b>Total</b>	<b>53,500</b>	<b>53,500</b>

**Additional information :**

1. Merchandise inventories as on December 31, 2001 were Tk. 8,500;
2. Of the accounts receivable Tk. 600 are to be written off as bad debts and a reserve for doubtful debt @ 5% is to be created on accounts receivable.
3. A fire occurred in the godown on the December 20, 2001 and goods valuing Tk. 3,000 were damaged. The Insurance Company admitted the claim for Tk. 2,000.
4. Insurance un-expired Tk. 50.
5. Depreciation is to be charged at 5% on Furniture and Fittings and at 2% on land and building

**Required :** (a) A multiple step income statement

(b) A classified balance sheet as on December 31, 2001.

11. Following is the Trial Balance of Tarun enterprise as on December 31, 2002 :

**TARUN ENTERPRISE**

**Trial Balance**

**As on December 31, 2002**

Debit	Name of accounts	Tk.	Name of accounts	Credit
	Name of accounts	Tk.		
Machinery as on 1.1.2002		50,000	Capital	90,000
Machinery purchase 1.7.2002		6,000	Accounts payable	10,000
Inventories as on 1.1.2002		15,000	Sales	1,21,000
Returns inwards		2,000	Returns outward	1,000
Purchases		82,000	Allowances for Bad debts	400
Furniture		11,000	Purchase discounts	800
Freight-in		2,000	Accumulated depreciation—Machinery	4,000
Carriage outward		500	Accumulated depreciation—Furniture	2,000
Drawings		6,000		
Rent and Taxes		3,400		
Printing and Stationery		800		
Distribution Expenses		1,000		
Insurance Premium		700		
Salaries		21,300		
Cash in hand		5,700		
Accounts receivable		20,500		
Postage and Telegram		800		
Vat current account		500		
<b>Total</b>		<b>2,29,200</b>		<b>2,29,200</b>

**Adjustments :**

- (i) Closing Stock December 31, 2002 Tk. 14,500
- (ii) Reserve for doubtful Debts, to be made at 5% on accounts receivable
- (iii) Unexpired Insurance Premium Tk. 50.
- (iv) Depreciation (a) 5% per annum on furniture, (b) 10% on Machinery per annum.
- (v) Merchandise that cost Tk. 2,000 withdrawn by owner but no record is maintained for this.

**Required :**

- (a) A multiple step income statement.
- (b) A classified balance sheet as on December 31, 2002.

12. Faisal Robin is an owner of a retail shop named as Sundarban Store. Following trial Balance is prepared as on December 31, 2000 using the books and records of Sundarban Store.

**SUNDARBAN STORE**  
**Trial Balance**  
**As of December 31, 2000**

Debit	Particulars	Tk.	Particulars	Credit
Inventories	25,000	Capital	78,550	
Equipments	30,000	Accounts payable	7,020	
Furniture	13,250	Bad debt provision	430	
Purchase	63,220	Sale	75,200	
Carriage-in	2,100	Notes payable	9,800	
Wages and salaries	13,698	Loan at 10% taken on 1.3.2000	10,000	
Buildings	13,840	Purchase allowances	2,400	
Sales Salaries	3,663	Accumulated depreciation—Equipments	6,000	
Bad debts	719	Accumulated depreciation—Furniture	2,000	
General expenses	1,000	Value added tax current account	900	
Advertisement	3,800			
Cash	510			
Sales discount	200			
Accounts receivable	9,900			
Bank balance	2,100			
Drawings	9,300			
Total	<u>1,92,300</u>			<u>1,92,300</u>

**Adjustments :**

- a. Ending inventory was Tk. 30,000.
- b. Goods worth Tk. 3,000 from the business were used for expansion of buildings and wages of Tk. 250 spent in this connection were recorded in wages and salaries account;
- c. Half of the advertisement is to be written off;
- d. Bad debt provision is to be raised by Tk. 540;
- e. Depreciation @ 10% is to be charged on furniture and equipment ;
- f. Sale of Tk. 2,000 was omitted to record.

**You are required to prepare :**

1. Income statement of Sundarban Store for the year ended December 31, 2000.
2. Owner's equity statement.
3. Balance Sheet as on December 31, 2000.
4. Adjusting entries at the end of the year.