

## CHAPTER-1: FINANCIAL STATEMENTS OF DIFFERENT SINGLE COMPANIES

### CONCEPTUAL FRAMEWORK

The *Conceptual Framework* sets out the concepts that underlie the preparation and presentation of financial statements for external users. The *Conceptual Framework* deals with:

- the objective of financial reporting (which is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity);
- the qualitative characteristics of useful financial information (relevance, faithful representation, comparability, verifiability, timeliness and understandability); and
- the definition, recognition and measurement of the elements from which financial statements are constructed (assets, liabilities, equity, income and expenses).

### IFRS VS IAS

One of the major **differences** is that the series of standards in the **IAS** were published by the International Accounting Standards Committee (IASC) **between** 1973 and 2001, whereas, the standards for the **IFRS** were published by the International Accounting Standards Board (IASB), starting from 2001. When the IASB was established in 2001, it was agreed to adopt all IAS standards, and name future standards as IFRS. One major implication worth noting, is that any principles within IFRS that may be contradictory, will definitely supersede those of the IAS. Basically, when contradictory standards are issued, older ones are usually disregarded.

#### List of IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

IFRS 4 Insurance Contracts

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 6 Exploration for and Evaluation of Mineral Resources

IFRS 7 Financial Instruments: Disclosures

IFRS 8 Operating Segments  
IFRS 9 Financial Instruments  
IFRS 10 Consolidated Financial Statements  
IFRS 11 Joint Arrangements  
IFRS 12 Disclosure of Interests in Other Entities  
IFRS 13 Fair Value Measurement  
IFRS 14 Regulatory Deferral Accounts  
IFRS 15 Revenue from Contracts with Customers  
IFRS 16 Leases  
IFRS 17 Insurance Contracts

### **List of IAS**

IAS 1 Presentation of Financial Statements  
IAS 2 Inventories  
IAS 7 Statement of Cash Flows  
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors  
IAS 10 Events after the Reporting Period  
IAS 11 Construction Contracts  
IAS 12 Income Taxes  
IAS 16 Property, Plant and Equipment  
IAS 17 Leases  
IAS 18 Revenue  
IAS 19 Employee Benefits  
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance  
IAS 21 The Effects of Changes in Foreign Exchange Rates  
IAS 23 Borrowing Costs  
IAS 24 Related Party Disclosures  
IAS 26 Accounting and Reporting by Retirement Benefit Plans  
IAS 27 Separate Financial Statements  
IAS 28 Investments in Associates and Joint Ventures  
IAS 29 Financial Reporting in Hyperinflationary Economies

IAS 32 Financial Instruments: Presentation

IAS 33 Earnings per Share

IAS 34 Interim Financial Reporting

IAS 36 Impairment of Assets

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

IAS 38 Intangible Assets

IAS 39 Financial Instruments: Recognition and Measurement

IAS 40 Investment Property

IAS 41 Agriculture

**LIST OF BAS**

<b>BAS No.</b>	<b>BAS Title</b>	<b>BAS Effective Date</b>
1	Presentation of Financial Statements	on or after 1 Jan 2010
2	Inventories	on or after 1 January 2007
7	Statement of Cash Flows	on or after 1 January 1999
8	Accounting Policies, Changes in Accounting Estimates and Errors	on or after 1 January 2007
10	Events after the Reporting Period	on or after 1 January 1999
11	Construction Contracts	on or after 1 January 1999
12	Income Taxes	on or after 1 January 1999
16	Property, Plant & Equipment	on or after 1 January 2007
17	Leases	on or after 1 January 2007
18	Revenue	on or after 1 January 2007
19	Employee Benefits	on or after 1 January 2013
20	Accounting of Government Grants and Disclosure of Government Assistance	on or after 1 January 1999
21	The Effects of Changes in Foreign Exchange Rates	on or after 1 January 2007
23	Borrowing Costs	on or after 1 January 2010

24	Related Party Disclosures	on or after 1 January 2007
26	Accounting and Reporting by Retirement Benefit Plans	on or after 1 January 2007
27	Separate Financial Statements	on or after 1 January 2013
28	Investments in Associates and Joint Ventures	on or after 1 January 2013
IAS 29	Financial Reporting in Hyperinflationary Economies	on or after 1 January 2015
31	Interest in Joint Ventures	on or after 1 January 2007
32	Financial Instruments: Presentation	on or after 1 January 2010
33	Earnings per Share	on or after 1 January 2007
34	Interim Financial Reporting	on or after 1 January 1999
36	Impairment of Assets	on or after 1st January 2005
37	Provisions, Contingent Liabilities and Contingent Assets	on or after 1 January 2007
38	Intangible Assets	on or after 1 January 2005
39	Financial Instruments: Recognition and Measurement	on or after 1 January 2010
40	Investment Property	on or after 1 January 2007
41	Agriculture	on or after 1 January 2007

Adoption Status of International Financial Reporting Standards (IFRS) by ICAB as Bangladesh Financial Reporting Standards (BFRS) as on 1 January 2013.

### **LIST OF BFRS**

<b>IFRS / BFRS</b>	<b>Title</b>	<b>Effective Date on or after</b>
BFRS 1	First-time adoption of International financial Reporting Standards	1 January 2009
BFRS 2	Share-based Payment	1 January 2007
BFRS 3	Business Combinations	1 January 2010
BFRS 4	Insurance Contracts	1 January 2010
BFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2007

BFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
BFRS 7	Financial Instruments: Disclosures	1 January 2010
BFRS 8	Operating Segments	1 January 2010
IFRS 9	Financial Instruments	NA (Not yet adopted but under review process)
BFRS 10	Consolidated Financial Statements	1 January 2013
BFRS 11	Joint Arrangements	1 January 2013
BFRS 12	Disclosure of Interests in other Entities	1 January 2013
BFRS 13	Fair Value Measurement	1 January 2013

### **IAS-1: Presentation of Financial Statements**

IAS 1 sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

It requires an entity to present a complete set of financial statements at least annually, with comparative amounts for the preceding year (including comparative amounts in the notes). A complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit and loss and other comprehensive income for the period. Other comprehensive income is those items of income and expense that are not recognized in profit or loss in accordance with IFRS Standards. IAS 1 allows an entity to present a single combined statement of profit and loss and other comprehensive income or two separate statements;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information; and

IAS 1 also deals with going concern issues, offsetting and changes in presentation or classification.

### **Basic Elements of Financial Statements:**

**Assets:** Probable future economic events obtained or controlled by a particular entity as a result of past transactions or events.

**Liabilities:** Probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

**Owner's Equity:** Residual interest in the assets of an entity that remains after deducting its liabilities.

**Revenues:** Inflows or other enhancements of assets of an entity or settlement of its liabilities during a period from delivering or producing goods, rendering services, or other activities that constitute an entity's major, ongoing operations.

**Expenses:** Outflows or other using up of assets or incurrence of liabilities during a period from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing, major or central operations.

**Gains:** Increases in net equity from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity during a period except those that result from revenues or investments by owners.

**Losses:** Decreases in equity from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity during a period except those that result from expenses or distributions to owners.

## **Forms of Financial Statements**

### **Single-Step Income Statement for Service Company**

- Subtract total expenses from total revenues
- Two reasons for using the single-step format:
  - 1) Company does not realize any type of profit until total revenues exceed total expenses.
  - 2) Format is simpler and easier to read.

Particulars	Taka	Taka
Revenues	*****	

Less: Expenses	*****	*****
Net Income		

### **Multiple-Step Income Statement**

- Shows several steps in determining net income.
- Two steps relate to principal operating activities.
- Distinguishes between **operating** and **non-operating activities**.

### **Multi Step Income Statement for Merchandiser**

**Name of the organization (Merchandiser)**

**Income Statement**

**For the year ended 31<sup>st</sup> December, 2010**

Particulars	TK.	TK.	TK.	TK.
Sales			*****	
Less: Sales return & allowance		*****		
Less: Sales discount		*****	*****	
Net Sales				*****
Less: Cost of goods sold:				
Opening inventory			*****	
Add: Purchase		*****		
Less: Purchase return	*****			
Less: Purchase discount	*****	*****		
Net Purchase			*****	
Cost of goods available for sale			*****	
Less: Ending inventory			*****	
Cost of goods sold				*****
Gross Profit				*****
Less: Operating Expenses:				
Administrative expenses:				
Office salaries		*****		
Rent expense		*****		
Office expense		*****		
Supplies expense		*****		
Depreciation expense		*****		
Insurance expense		*****		
Utilities expense		*****	*****	
Selling expenses:				
Store/sales salaries		*****		
Advertising expense		*****		
Freight-out		*****		
Sales commission		*****		
Depreciation expense		*****		
Doubtful expense		*****	*****	
Total operating expense				*****
Operating income				*****
Add: Non-Operating income:				
Interest revenue			*****	
Gain on sale of fixed asset			*****	*****

Less: Non-operating expense			*****	
Interest expense			*****	(*****)
Loss on sale of fixed asset				*****
Income before tax				*****
Less: Income tax				*****
Net Income				*****

### **Format for publicly limited companies**

Name of the Company  
Statement of Changes in Owners' Equity  
For the year ended 31<sup>st</sup> December, 2010

Name of accounts	Common stock	Additional paid-in capital	Retained earnings	Reserves and surplus	Total
Opening balance	*****	*****	*****	*****	*****
Issue of common stock	*****				*****
Net income during the year			*****		*****
Transfer to general reserve			(*****)	*****	(*****)
Proposed dividend			*****		*****
Dividend paid			*****		*****
Currency translation difference					
Total	*****	*****	*****	*****	*****

### **Classified Balance Sheet (Service Company):**

Name of the Company  
Balance Sheet  
As at 31<sup>st</sup> December, 2017

	Tk.	Tk.	TK.	TK.
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash			*****	
Marketable securities			*****	
Notes Receivable			*****	
Accounts Receivable		*****		
Less: Doubtful accounts	*****			
Less: allowance for doubtful expense	*****	*****	*****	
Supplies			*****	
Inventory [ending]			*****	
Prepaid expenses			*****	
Total Current Assets				*****
<b>Long Term Investment:</b>				
Investment in Real Estate				*****
<b>Property, Plant and Equipment:</b>				



Building		*****		
Less: accumulated depreciation		*****	*****	
Furniture		*****		
Less: Accumulated depreciation		*****	*****	
Equipment		*****		
Less: Accumulated Depreciation		*****	*****	*****
<b>Intangible assets:</b>				
Goodwill			*****	
Trademarks			*****	
Copyright			*****	
Patents			*****	*****
Total assets				*****
<b>Liabilities and Owners' Equity</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable			*****	
Tax payable			*****	
Dividend payable			*****	
Expenses payable			*****	
Unearned revenue			*****	*****
<b>Long-Term Liabilities:</b>				
Bonds Payable			*****	
Mortgage Payable			*****	
Loan payable			*****	*****
<b>Owners' Equity:</b>				
<b>Common Stock</b>			*****	
<b>Retained Earnings</b>			*****	
Ending Owners' Equity				*****
Total of liabilities and owners' equity				*****

**Classified Balance Sheet (Merchandiser Company):**

Name of the Company

Balance Sheet

As at 31<sup>st</sup> December, 2010

	Tk.	Tk.	TK.	TK.
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash			*****	
Marketable securities			*****	
Notes Receivable			*****	
Accounts Receivable		*****		
Less: Doubtful accounts	*****			
Less: allowance for doubtful expense	*****	*****	*****	
Supplies			*****	
Inventory [ending]			*****	
Prepaid expenses			*****	
Total Current Assets				*****

<b>Long Term Investment:</b>				
Investment in Real Estate				*****
<b>Property, Plant and Equipment:</b>				
Building		*****		
Less: accumulated depreciation		*****	*****	
Furniture		*****		
Less: Accumulated depreciation		*****	*****	
Equipment		*****		
Less: Accumulated Depreciation		*****	*****	*****
<b>Intangible assets:</b>				
Goodwill			*****	
Trademarks			*****	
Copyright			*****	
Patents			*****	*****
Total assets				*****
<b>Liabilities and Owners' Equity</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable			*****	
Tax payable			*****	
Dividend payable			*****	
Expenses payable			*****	
Unearned revenue			*****	*****
<b>Long-Term Liabilities:</b>				
Bonds Payable			*****	
Mortgage Payable			*****	
Loan payable			*****	*****
<b>Stockholders' Equity:</b>				
Common stock			*****	
Additional paid-in capital			*****	
Retained earnings			*****	
Reserves and surplus			*****	*****
Total of liabilities and owners' equity				*****

### Multi Step Income Statement for Manufacturing Company

Name of the Company (Manufacturer)

Income Statement

For the year ended 31<sup>st</sup> December, 2017

Particulars	TK.	TK.	TK.	TK.
<b>Sales</b>			*****	
Less: Sales return & allowance		*****		
Less: Sales discount		*****	*****	
Net Sales				*****
<b>Less: Cost of goods sold:</b>				
Opening raw materials inventory			*****	
Add: Purchase of raw materials		*****		
Less: Purchase return	*****			

Less: Purchase discount	*****	*****	*****	
Net Purchase			*****	
Cost of materials available			*****	
Less: Ending raw materials			*****	
Cost of materials used			*****	*****
(+) Direct labor				*****
(+) Manufacturing Overhead				
Indirect materials		*****		
Indirect Labor		*****		
Supplies, factory		*****		
Insurance, factory		*****		
Rent, factory		*****		
Depreciation factory building		*****	*****	
Total manufacturing overhead			*****	
Total manufacturing cost			*****	
(+) Beginning work in process			*****	
Total work in process			*****	
(-) Ending work in process			*****	
Cost of goods manufactured			*****	
(+) Beginning finished goods			*****	
Cost of goods available for sales			*****	
(-) Ending finished goods				*****
Cost of goods sold				*****
Gross Profit				
<b>Less: Operating Expenses:</b>				
Administrative expenses:				
Office salaries		*****		
Rent expense		*****		
Office expense		*****		
Supplies expense		*****		
Depreciation expense		*****		
Insurance expense		*****	*****	
Utilities expense		*****		
Selling expenses:				
Store/sales salaries		*****		
Advertising expense		*****		
Freight-out		*****		
Sales commission		*****		
Depreciation expense		*****	*****	
Doubtful expense		*****		*****
Total operating expense				*****
Operating income				
<b>Add: Non-Operating income:</b>				
Interest revenue		*****	*****	
Gain on sale of fixed asset		*****		
<b>Less: Non-operating expense</b>				
Interest expense		*****	(*****)	*****
Loss on sale of fixed asset		*****		*****
Income before tax				*****
<b>Less: Income tax</b>				*****

Net Income				
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### **Classified Balance Sheet (Merchandiser Company):**

Name of the Company

Balance Sheet

As at 31<sup>st</sup> December, 2010

	Tk.	Tk.	TK.	TK.
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash			*****	
Marketable securities			*****	
Notes Receivable			*****	
Accounts Receivable		*****		
Less: Doubtful accounts	*****			
Less: allowance for doubtful expense	*****	*****	*****	
Supplies			*****	
<b>Inventory:</b>				
Raw materials		*****		
Work in process		*****		
Finished goods		*****	*****	
Prepaid expenses			*****	
Total Current Assets				*****
<b>Long Term Investment:</b>				
Investment in Real Estate				*****
<b>Property, Plant and Equipment:</b>				
Building		*****		
Less: accumulated depreciation		*****	*****	
Furniture		*****		
Less: Accumulated depreciation		*****	*****	
Equipment		*****		
Less: Accumulated Depreciation		*****	*****	*****
<b>Intangible assets:</b>				
Goodwill			*****	
Trademarks			*****	
Copyright			*****	
Patents			*****	*****
Total assets				*****
<b>Liabilities and Owners' Equity</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts payable			*****	
Tax payable			*****	
Dividend payable			*****	
Expenses payable			*****	
Unearned revenue			*****	*****
<b>Long-Term Liabilities:</b>				
Bonds Payable			*****	

Mortgage Payable			*****	
Loan payable			*****	*****
<b>Stockholders' Equity:</b>				
Common stock			*****	
Additional paid-in capital			*****	
Retained earnings			*****	
Reserves and surplus			*****	*****
Total of liabilities and owners' equity				*****

### **Financial Statement for Service Company**

#### **(1) Financial Statement from unadjusted Trial Balance:**

##### **Problem-01:**

The following particulars are extracted from the books' of Rahul Telecom Company relating to the year ended December 31, 2009.

#### **Rahul Telecom Company**

#### **Trial Balance December 31, 2017**

Account Titles	Debit-Tk.	Credit-Tk.
Cash	30,000	
Accounts Receivable	16,500	
Supplies	13,500	
Prepaid Insurance	9,000	
Office Equipment	30,000	
Prepaid Advertising	6,000	
Accumulated Depreciation-Office Equipment		3,000
Accounts Payable		4,500
Capital (1.1.2017)		50,000
Retained Earnings (1.1.2017)		4,000
Utilities expense	6,000	
Service Revenue		105,000
Miscellaneous Expense	36,000	
Rent Expense	13,500	
Salaries Expense	6,000	
<b>Total</b>	<b><u>166,500</u></b>	<b><u>166,500</u></b>

#### **Additional information:**

1. Telephone bill for December is unpaid Tk.1, 950.
2. Unpaid salaries are Tk.600.
3. Unrecorded service Tk. 10,500.
4. Depreciation expenses for the year on the office equipment is Tk.2, 550.
5. Supplies on hand on December 31, 2017 Tk.9, 000.

#### **Required:**

- a. Prepare a single-step income statement.
- b.. An owner's equity statement; and
- c. A classified balance sheet in report form.

### **Solution**

#### **Requirement a.**

Rahul Telecom Company  
Income Statement  
For the Year Ended December 31, 2017

Particulars	Amount-	Amount-
<b>Revenues:</b>	Tk.	Tk.
Service Revenue	105,000	
Add: Service Revenue (unrecorded)	<u>10,500</u>	115,500
<b>Less: Operating Expenses:</b>		
Salaries Expense 6,000		
Add: Salaries Expense (accrued) <u>600</u>	6,600	
Rent Expense	13,500	
Miscellaneous Expense	36,000	
Telephone Bill Expense	1,950	
Depreciation Expense-Office Equipment	2,550	
Utilities expenses	6,000	
Supplies 13,500		
Less: Supplies on Hand <u>9,000</u>	<u>4,500</u>	
Total Operating Expense		71,100
Net Operating Income		<u>44,400</u>

#### **Requirement b.**

Rahul Telecom Company  
Owner's Equity Statement  
December 31, 2017

Particulars	Capital	Additional paid-in-	Retained Earning	Reserve and	Total
Beginning Balance	50,000	capital	4,000	surplus	54,000
Net Income			44,400		44,400
Ending Balance	<u>50,000</u>		<u>48,400</u>		<u>98,400</u>

**Rahul Telecom Company**  
**Balance sheet**  
**As at December 31, 2009**

Items	Taka	Taka
<b>Assets</b>		
<b>Current Assets</b>		
Cash	30,000	
Accounts Receivable		
16,500		
Add: Accounts Receivable (Unrecorded)	27,000	
Supplies on Hand	9,000	
Prepaid Insurance	9,000	
Prepaid Advertising	6,000	
Total Current Assets		81,000
<b>Long-term Investment</b>		Nil
<b>Property, Plant and Equipment</b>		
Office Equipment	30,000	
Less: Accumulated Depreciation (3,000+2,550)	5,550	
Total Property, Plant and Equipment		24,450
<b>Intangible Assets</b>		Nil
<b>Total Assets</b>		<b>105,450</b>
<b>Liabilities and Owner's Equity</b>		
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Account Payable	4,500	
Telephone Bill Payable (accrued)	1,950	
Salaries Payable (accrued)	600	
Total Current Liabilities		7,050
<b>Long-Term Liabilities</b>	Nil	Nil
Total Liabilities		7,050
<b>Owner's Equity</b>		
Capital	50,000	
Retained Earnings	48,400	

Total Owners' Equity		98,400
<b>Total Liabilities and Owner's Equity</b>		<b><u>105,450</u></b>

**(2) Financial Statement from adjusted Trial Balance:**

**Problem-02:**

The following adjusted trial balance of Oporupa Beauty Parlor Ltd., as of December 31, 2017

**Oporupa Beauty Parlor Ltd.**

**Adjusted Trial Balance**

**As on December 31, 2017**

Account Titles	Debit-Tk.	Credit-Tk.
Cash	44,000	
Accounts receivable	16,400	
Supplies	7,200	
Supplies expense	10,800	
Equipment	6,00,000	
Accumulated Depreciation-Equipment		1,20,000
Unearned Membership Fees		64,000
Notes Payable		80,000
Capital		2,33,000
Fees Received		4,40,000
Salaries expense	1,55,200	
Salaries payable		3,200
Interest expense	20,000	
Interest payable		5,000
Fees Receivable	48,000	
Depreciation Expense	60,000	
Retained Earnings (1.1.2017)		16,400
<b>Total</b>	<b>9,61,600</b>	<b>9,61,600</b>

**Required:**

- Prepare income statement and statement of owner's equity for the year ended December 31. and
- A balance sheet as on December 31, 2017. (report form)

**Solution:**

**Requirement a.**

***Oporupa Beauty Parlor Ltd.***

**Income Statement**



**For the Year Ended December 31, 2017**

Particulars	Amount- Tk	Amount- Tk
<b>Revenues</b>		
Fees Received		440,000
<b>Less: Operating Expenses</b>		
Salaries Expense	155,200	
(152,000 + 3,200) Expense	10,800	
Depreciation Expense	60,000	2,26,000
<b>Operating Income</b>		2,14,000
<b>Less: Non-operating expenses</b>		
Interest Expense	20,000	20,000
<b>Net Income</b>		<u>194,000</u>

**Oporupa Beauty Parlor Ltd.**  
Owner's Equity Statement  
December 31, 2017

Particulars	Capital	Additional paid-in- capital	Retained Earning	Reserve and surplus	Total
Beginning Balance	2,33,000		16,400		2,49,400
Net Income			1,94,000		1,94,000
Ending Balance	<u>2,33,000</u>		<u>2,10,400</u>		<u>4,43,400</u>

**Requirement b.**

**Oporupa Beauty Parlor Ltd.**  
**Balance Sheet**  
**As on December 31, 2017**

Items	Taka	Taka
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	44,000	
Accounts Receivable	16,400	
Supplies	7,200	
Fees Receivable	<u>48,000</u>	
Total Current Assets		1,15,600
<b>Long-Term Investment</b>		Nil
<b>Property, Plant and Equipment:</b>		
Equipment	600,000	
Less: Accumulated Depreciation	<u>120,000</u>	
Total Property, Plant and Equipment		480,000
<b>Total Assets</b>		<b><u>5,95,600</u></b>
<b>Liabilities and Owner's Equity</b>		

<b>Current Liabilities:</b>		
Interest Payable	5,000	
Unearned Fees	64,000	
Salaries Payable	<u>3,200</u>	
Total Current Liabilities		72,200
<b>Long-Term Liabilities:</b>		
Notes Payable		<u>80,000</u>
Total Liabilities		1,52,200
<b>Owner's Equity:</b>		
Capital	2,33,00	
Retained Earnings	<u>0</u>	
Total Owners' Equity		4,43,400
<b>Total Liabilities and Owner's Equity</b>		<b><u>5,95,600</u></b>

### Financial Statement for Merchandising Company:

#### (1) Financial Statement from unadjusted Trial Balance:

**Problem-03:** The following is the Trial Balance of Jessore Traders Ltd. as on December 31, 2017 at the end of the accounting period

#### **Jessore Traders Ltd.**

#### **Trial Balance**

**December 31, 2017**

Account Titles	Debit-Tk.	Credit-Tk.
Cash	50,000	
Accounts Receivable	76,000	
Merchandise Inventory	180,000	
Land	184,000	
Building	394,000	
Accumulated Depreciation-Building		108,000
Equipment	167,000	
Accumulated Depreciation-Equipment		84,800
Notes Payable (40% due in 2018)		100,000
Accounts Payable		75,000
Common stock		5,15,600
Sales		1,808,200
Sales Discounts	9,200	
Cost of Goods Sold	1,419,800	
Sales Salaries	139,600	
Utilities Expense	38,800	
Repair Expense	11,800	
Gas and Oil Expense	14,400	
Insurance Expense	7,000	
<b>Total</b>	<b><u>2,691,600</u></b>	<b><u>2,691,600</u></b>

**Adjustments:**

1. Depreciation is Tk.20,000 on building and Tk.16,000 on equipment (both are administrative expense)
2. Interest Tk.18, 000 is unpaid on notes payable on December 31.
3. Merchandize inventory is actually on hand is Tk.198, 400.
4. Salaries are 75% selling and 25% administrative.
5. Utilities expense, repair expense and insurance expense are 100% administrative.
6. Gas and oil expense is a selling expense.

**Required**

- a. A multiple step income statement.
- b. Owner's equity statement; and
- c. A Classified balance sheet.

**Solution****Requirement a.**

**Jessore Traders Ltd.**  
**Income Statement**  
**For the Year Ended December 31, 2017**

<b>Particulars</b>	<b>Amount- Tk.</b>	<b>Amount- Tk</b>	<b>Amount- Tk</b>
<b>Sales</b>		<b>1,808,200</b>	
Less: Sales Discount		<u>9,200</u>	
Net Sales			1,799,000
<b>Less: Cost of Goods Sold</b>			
Cost of Goods Sold		1,419,800	
Less: Value Decrease of Merchandizing Inventory		<u>18,400</u>	<u>1401,400</u>
<b>Gross Profit</b>			397,600
Less: Operating Expenses			
<b>Selling and Distribution Expenses:</b>			
Sales Salaries (75%)	104,700		
Gas and Oil Expense	14,400		
Total Selling and Distribution Expenses		119,100	
<b>General and Administration Expenses:</b>			
Salaries Expense (25%)	34,900		
Utilities Expense	38,800		
Repair Expense	11,800		
Insurance Expense	7,000		
Depreciation Expenses:			
Building	20,000		
Equipment	<u>16,000</u>		
Total General and Administration Expenses		<u>128,500</u>	
Total Operating Expense			<u>247,600</u>
Income from Operating Activities			150,000
Non-operating Income and Expenses:			

Non- operating Income		Nil	
Interest Expense on Notes Payable		(18,000)	<u>(18,000)</u>
<b>Net Income</b>			<b><u>132,000</u></b>

**Requirement b.**

**Jessore Traders Ltd.  
Owner's Equity Statement  
For the Year Ended December 31, 2017**

Particulars	Common Stock	Additional paid-in-capital	Retained Earnings	Reserve and surplus	Total
Beginning Balance	5,15,600				5,15,600
Net Income			1,32,000		1,32,000
Ending Balance	<u>5,15,600</u>		<u>1,32,000</u>		<u>6,47,600</u>

**Requirement c.**

**Jessore Traders  
Balance Sheet  
As at December 31, 2009**

	Amount-Tk.	Amount-Tk.	Amount-Tk.
<b>Assets</b>			
<b>Current assets:</b>			
Cash		50,000	
Accounts Receivable		76,000	
Merchandise Inventory		<u>198,400</u>	
Total Current Assets			324,400
<b>Property, Plant and Equipment:</b>			
Land		184,000	
Building	394,000		
Less: Acc. Dep.-Land (108,000+20,000)	<u>128,000</u>	266,000	
Equipment	167,000		
Less: Acc. Dep.- Equipment (84,800+16,000)	<u>100,800</u>	<u>66,200</u>	
Total Property, Plant and Equipment			<u>516,200</u>
<b>Total Assets</b>			<b><u>840,600</u></b>
<b>Liabilities and Owner's Equity</b>			

<b>Current Liabilities:</b>			
Notes Payable in 2018	40,000		
Accounts Payable	75,000		
Interest Payable	<u>18,000</u>		
Total Current Liabilities		133,000	
<b>Long-Term Liabilities:</b>			
Notes Payable (100,000-40,000)		<u>60,000</u>	
Total Liabilities			193,000
<b>Owner's Equity:</b>			
Common Stock			5,15,600
Retained Earnings			1,32,000
Total Liabilities and Owner's Equity			<u>840,600</u>

**(2) Financial Statement from adjusted Trial Balance:**

**Problem-04:** The following is the adjusted trial balance of the Unique Business Link Ltd. on December 31, 2017 the end of its calendar year. The Business Link was organized on January 01, 2017.

**Unique Business Link Ltd.  
Adjusted Trial Balance  
December 31, 2017**

<b>Account Titles</b>	<b>Dr.- Tk,</b>	<b>Cr.- Tk.</b>
Cash	13,100	
Accounts Receivable	5,800	
Investment	15,650	
Plant and Machinery	23,000	
Accounts Payable		10,000
Accumulated Depreciation- Plant and Machinery		8,550
10% Loan on Mortgage		10,500
Common Stock		28,900

Sales Revenues		34,500
Purchase Discounts		1,100
Sales Discounts	2,100	
Purchases	16,500	
Bad Debts Expenses	1,250	
Advertising Expenses	2,225	
Transportation-In	800	
Repair Expense	1,400	
Sales Salaries Expense	2,400	
Ending Merchandise inventory	7,000	
Interest expense	1050	
Interest payable		1050
Loss on fire	800	
Prepaid advertising expense	2,225	
Amount receivable from insurance company	800	

**Required:**

- Prepare an Income Statement (multiple-step).
- A Statement of Owner's Equity; and
- A classified Balance Sheet.

**Solution**

**Requirement a.**

**Unique Business Link Ltd.  
Income Statement (multiple-step)  
For the Year Ended December 31, 2017**

<b><i>Particulars</i></b>	<b>Amount- Tk.</b>	<b>Amount- Tk.</b>	<b>Amount- Tk.</b>
<b>Revenues</b>			
Sales Revenue		35,900	
Less: Sales Discount		<u>2,100</u>	
Net Sales			33,800
<b>Less: Cost of Goods Sold</b>			
Beginning Inventory		10,500	
Add: Purchase	16,500		
Less: Purchase Discount	<u>1,100</u>		
	15,400		
Add: Transportation-In	<u>800</u>		
Net Purchases		<u>16,200</u>	
Cost of Goods Available for Sale		26,700	
Less: Ending Inventory		<u>7,000</u>	
Cost of Goods Sold			<u>19,700</u>
<b>Gross Profit</b>			14,100
<b>Less: Operating Expenses</b>			
<b>Selling and Distribution Expenses:</b>			
Sales Salaries Expenses	2,400		

Advertising Expenses	2,225		
Bad Debts Expenses	<u>1,250</u>		
Total Selling and Distribution Expenses		5,875	
<b>General and Administrative Expenses:</b>			
Repair Expense		4,000	
Total Operating Expenses			<u>7,275</u>
Income from Operations			6,825
<b>Non-Operating Income/Expenses:</b>			
Interest Expenses		(1,050)	
Loss on Fire		(800)	<u>(1,950)</u>
<b>Net Income</b>			<b><u>4,975</u></b>

Requirement b.

**Unique Business Link Ltd.  
Owner's Equity Statement  
For the Year Ended December, 2017**

Particulars	Common Stock	Additional paid-in-capital	Retained Earnings	Reserve and surplus	Total
Beginning Balance	28,900				28,900
Net Income			4,975		4,975
Ending Balance	<u>28,900</u>		<u>4,975</u>		<u>33,875</u>

Requirement c

**Unique Business Link Ltd.  
Balance Sheet (classified)  
As on December 31, 2008**

	Amount-Tk.	Amount-Tk.	Amount-Tk.
<b>Assets</b>			
<b>Current Assets:</b>			
Cash		13,100	
Accounts Receivable		5,800	
Merchandise Inventory		5,400	
Prepaid Advertising		2,225	
Amount Receivable from Insurance		<u>800</u>	

<b>Company</b>			
Total Current Assets			25,325
<b>Investment and Fund:</b>			
Investment			15,650
<b>Property, Plant and Equipment:</b>			
Plant and Machinery		23,000	
Lees: Accumulated Depreciation		<u>8,550</u>	14,450
<b>Intangible Assets</b>			<u>Nil</u>
<b>Total Assets</b>			<b>55,425</b>
<b>Liabilities and Owner's Equity</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts Payable		10,000	
Interest Payable		<u>1050</u>	
Total Current Liabilities			11,050
<b>Long- Term Liabilities:</b>			
10% loan on Mortgage			<u>10,500</u>
Total Liabilities			21,550
<b>Owner's Equity:</b>			
Common stock			28,900
Retained earnings			<u>4,975</u>
<b>Liabilities and Owner's Equity</b>			<b>55,425</b>

### Preparation of Income Statement (Manufacturing Company)

#### **Problem-1:**

Based on the following information, prepare an income statement for the Sony Ltd. For the year ended 31<sup>st</sup> December, 2017.

Sales	Taka 5,00,000
Sales return	10,000
Finished goods inventory (beginning)	30,000
Finished goods inventory (ending)	25,000
Materials purchase	1,00,000
Raw materials inventory, beginning	10,000
Raw materials inventory, ending	20,000
Direct labor	75,000
Utilities, factory	8,000
Insurance, factory	10,000
Depreciation, factory building	5,000
Indirect materials	15,000
Work in process (beginning)	25,000



Work in process (ending)	35,000
Selling expenses	10,000
Sales salaries	25,000
Sales commissions	5,000
General and administrative expenses	10,000

### **Preparation of Income Statement (Manufacturing Company)**

#### **Problem-2:**

Based on the following information, prepare a balance sheet for the Rangs Ltd. as at 31<sup>st</sup> December, 2017.

Accounts receivable	Taka 60,000
Plant and Equipment	1,00,000
Accumulated depreciation-Plant and Equipment	10,000
Cash	80,000
Finished goods inventory (ending)	15,000
Notes payable (5 years note)	55,000
Accounts payable	15,000
Bond payable	60,000
Retained earnings	80,000
Common stock	1,20,000
Payroll payable	20,000
Materials inventory (ending)	20,000
Work in process inventory (ending)	15,000
Furniture and equipment	80,000
Accumulated depreciation-Furniture and Equipment	10,000

### **Preparation of Financial Statement (Manufacturing Company)**

#### **Problem-3**

The adjusted trial balance of R and K Widget Company is as follows-

R and K Widget Company  
Adjusted Trial Balance  
As at 31<sup>st</sup> December, 2017

	Debit (Tk)	Credit (Tk)
Cash	11,700	
Accounts receivable	400	
Materials inventory	2,600	
Work in process inventory	1,800	
Finished goods inventory	1,200	
Plant and equipment	5,000	
Accumulated depreciation, plant and equipment		500
Accounts payable		8,600
Common stock		6,000

Retained earnings		11,000
Sales		40,000
Direct factory labor	13,600	
Materials purchases	11,900	
Depreciation, plant and equipment	2,000	
Freight-in materials	1,100	
Insurance and taxes, plant and equipment	200	
Indirect factory labor	5,800	
Rent, administrative building	5,500	
Salaries, General and administrative	2,300	
Office supplies, general and administrative	1,000	
	<u>66,100</u>	<u>66,100</u>

Additional information:

Materials inventory (ending)	taka 2,800
Work in process (ending)	3,200
Finished goods (ending)	2,100

**Required:**

From the above adjusted trial balance, prepare

- (i) A cost of goods manufactured statement
- (ii) An income statement
- (iii) A balance sheet