

- 1 Bayliss Limited is a retailer of ladies' fashion material. The following trial balance has been extracted from the books of account at 31 December 2015:

| | Dr \$ | Cr \$ |
|---|------------------|------------------|
| 5% debentures (2017) | | 80 000 |
| Administrative expenses | 205 000 | |
| Cash and cash equivalents | | 32 000 |
| Distribution costs | 197 000 | |
| Dividends paid | 10 000 | |
| General reserve | | 21 000 |
| Interest paid | 13 000 | |
| Inventory at 1 January 2015 | 98 000 | |
| Non-current assets at cost/valuation | | |
| Land and buildings | 185 000 | |
| Plant and machinery | 204 000 | |
| Provision for depreciation | | |
| Buildings | | 23 000 |
| Plant and machinery | | 94 000 |
| Ordinary shares of \$0.50 each fully paid | | 140 000 |
| Other payables | | 7 000 |
| Other receivables | 3 000 | |
| Purchases | 480 000 | |
| Retained earnings | | 61 000 |
| Revenue | | 984 000 |
| Share premium | | 3 000 |
| Trade payables | | 59 000 |
| Trade receivables | 109 000 | |
| | <u>1 504 000</u> | <u>1 504 000</u> |

Additional information

- Inventory at 31 December 2015 is valued at a cost of \$105 000.
- Land is included in the trial balance at a value of \$135 000. It is to be revalued to \$150 000 at 31 December 2015.
- Depreciation for the year ended 31 December 2015 is to be provided as follows:
Buildings – 2% per annum using the straight-line method
Plant and machinery – 10% per annum using the reducing balance method.

All annual depreciation is to be charged to administrative expenses.
- Trade receivables includes a debt of \$9 000 which is to be written off to administrative expenses at 31 December 2015.
- The directors wish to make provision for doubtful debts of 3% of trade receivables. The adjustment should be charged to administrative expenses.
- On 31 December 2015, Bayliss Limited made a bonus issue of shares on the basis of one ordinary share for every twenty ordinary shares held. The company policy is to leave reserves in their most flexible form. No entries have been made in the books of account in respect of the bonus issue.
- Debenture interest has been paid to 30 September 2015.

REQUIRED

(a) Prepare the income statement for Bayliss Limited for the year ended 31 December 2015.

Handwriting practice lines consisting of multiple sets of three horizontal dashed lines for tracing and writing practice.