

- 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 sheet with 20 rows of dotted lines for tracing and writing.