

**Tutorial 11 – Finalised Financial Statements and Closing Entries****Additional exercise**

- Trial balance: turn into SPL, SOFP
- Additional information: figure out adjustment, adjusted figure.

**Section A:****Question 1**

Excelsior Trading extracted the following balances from the business ledgers as at **31 August 2021**:

	Dr RM	Cr RM
Furniture & Fittings (A)	50,000	
Office Equipment (A)	40,000	
Accumulated depreciation: office equipment		8,000
Motor Vehicles (A)	70,000	
Accumulated depreciation: motor vehicles		25,200
Drawings	19,100	
Capital		140,000
Loan (L)		25,000
Inventory as at 1 September 2020	29,300	
Purchases (E) and Sales (I)	89,100	177,300
Returns	3,800	2,600
Carriage	4,500	
Wages and salaries (E)	36,000	
Discounts	2,300	1,300
	(E)	(I)
Rent (-800) (I)		4,800
Interest (E)	1,800	
Insurance (-1200) (E)	3,600	
Utilities (+800) (E)	5,000	
Bad debts (+1600) (E)	1,900	
Trade receivables -1600 (A) and payables (L)	46,600	31,300
Allowance for doubtful debts		1,500

Bank (A)	11,000	
Cash (A)	3,000	
	<u>417,000</u>	<u>417,000</u>

**Additional information:**

- Closing inventory was valued at cost **RM25,100** (choose the lower) but the market value was RM32,900
- Insurance premium was paid for the year ended 31 December 2021 (prepaid insurance for 4 months - sept, oct, nov, dec CA).  
 $(3600/12) * 4 = 1200 (-)$
- Received rent for the six months ended 30 September 2021 (rent received in advance CL)  
 $(4800/6) = 800$ , minus one month (-800)
- An additional amount due from Encik Malik of RM1,600 is to be written off as bad debts. Allowance for doubtful debts is to be provided at 5% on outstanding trade receivables.  
 $+ 1600 \text{ bad debts, TR} - 1600$   
 $45000 * 0.05 = 2250$  (increase 750 in AFDD)  
doubtful debts = 750
- One third of the wages and salaries was paid to warehouse employees. One fifth of the carriage expenses was to deliver goods to warehouse  
 $\frac{1}{3} * 36000 = 12000$  (wages)  
salary =  $36000 - 12000 = 24000$   
 $\frac{1}{5} * 4500 = 900$  (carriage inwards)  
 $4500 - 900 = 3600$  (carriage outwards)
- Received utilities bill RM800 for August 2021, but no payment has been made  
 $+ 800 - \text{accrual utilities CL}$
- Depreciation is to be provided as follows:  
Furniture & fittings : 20% per annum at cost  
 $50000 * 0.2 = 10000$   
Office equipment : 20% per annum using straight-line method  
 $40000 * 0.2 = 8000$   
Motor vehicles : 20% per annum using reducing-balance method  
 $(70000 - 25200) * 0.2 = 8960$

**Required:**

- (a) Prepare the Statement of Profit or Loss for Excelsior Trading for the year ended 31 August 2021.

**Statement of Profit or Loss for Excelsior Trading for the year ended 31 August 2021**

	RM	RM	RM
Sales		177300	
Less: return inwards		-3800	
Net Sales			173500

**Less: Cost of Good Sold**

Opening inventories		29300	
Purchase	89100		
Less: Return Outwards	-2600		
Add: Carriage Inwards	900		
Add: Wages	12000	99400	
		128700	
Less: Closing Inventories		-25100	-103600
Gross Profit			<b>69900</b>

**Add: Income**

Rent received (4800-800)		4000	
Discount Received		1300	
			<b>5300</b>

**Less: Expenditure**

Salary (36000 - 12000)		24000	
Discount allowed		2300	
Carriage Outwards (4500 - 900)		3600	
Interest		1800	
Insurance (3600 - 1200)		2400	
Utilities (5000 + 800)		5800	
Bad debts (1900 + 1600)		3500	
Doubtful debts (2250 - 1500)		750	
Depn: Furniture&fittings (50000 * 0.2)		10000	
Depn: Office Equipment (40000*0.2)		8000	
Depn: Motor Vehicles ((70000 - 25200)*0.2)		8960	<b>71110</b>
Net Profit			<b>4090</b>

- (b) Prepare the Statement of Financial Position as at that date.

**Statement of Financial Position as at 31 August 2021**

	RM	RM	RM
<b><u>Non current-asset</u></b>			
Furniture & Fittings	50000		
Less: Accum Depn: Furniture &Fittings	-10000	40000	
Office Equipment	40000		
Less: Accum Depn: Office Equipment	-16000	24000	
Motor Vehicles	70000		
Less: Accum Depn: Motor Vehicles	-34160	35840	99840
<b><u>Current Asset</u></b>			
Inventories		25100	
Trade Receivables (46600 - 1600)	45000		
Less: AFDD	-2250	42750	
Bank		11000	
Cash		3000	
Prepaid insurance		1200	83050
			<b>182890</b>

**Equity**

Capital as at 1 August	140000		
Add: Net Profit	4090		
Less: Drawings	-19100		
Capital as at 31 August			124990

**Current Liabilities**

Loan	25000		
Trade Payables	31300		
Rent received in advance	800		
Accrual utilities	800	57900	
			<b>182890</b>

**Question 2:**

Slow & Steady Enterprise is operated by Mr. Alan Cool. He provided the following Trial Balance for the year ended 30 June 2021:

	<u>Dr</u> RM	<u>Cr</u> RM
Inventory, 1 July 2020	160,000	
8% Long term loan		200,000
Water and electricity	4,300	
Bank overdraft		6,000
Capital		1,000,000
Carriage inwards	1,800	
Purchases (-6000) and Sales	956,000	1,254,600
Cash	8,800	
Allowance for doubtful debts, 1 July 2020		1,000
Custom duty	3,000	
Trade receivables and payables	136,000	68,000
Bad debts	3,700	
Carriage outwards	3,000	
Drawings (+6000)	12,000	
Freehold premises	800,000	
Motor vehicles	100,000	
Plant and machinery	300,000	
Accumulated depreciation: motor vehicles		12,000
Accumulated depreciation: plant & machinery		24,000
General expenses +480	2,200	
Interest on loan +12500	3,500	
Discounts	600	800
Advertisement	16,000	
Returns	4,500	3,000
Salaries	60,000	
Commission received + 1000		6,000
	<u>2,575,400</u>	<u>2,575,400</u>

Additional information:

- Closing inventory** was valued at **RM185,000**.
- General expenses accrued were RM480 as at year end. **accrued expenses, CL, +480**
- Alan had been taking goods from the business for his family use during the year amounting to RM500 per month (**500 x 12 = 6000**). No recording had yet been done. **Drawings 500, Purchase 6000**
- Commission received outstanding (owing by customer) was RM1,000 as at year end. **Commission receivables, CA, 1000**
- Allowance for doubtful debts is to be provided at 2% on trade receivables outstanding.  
 $136000 * 0.02 = 2720$   
**increase in AFDD (2720 - 1000 = 1720)**  
**doubtful debts = 1720**
- Interest on loan has been overlooked by the book-keeper, only partly settled.  $(200000 * 0.08) - 3500 = 12500$  **(have to paid, accrual interest)**
- Depreciation charges  
 Motor vehicles (20% on reducing balance) -  $(1000000 - 12000) * 0.2 = 17600$   
 Plant and machinery (15% on cost) -  $300000 * 0.15 = 45000$

Notes:

When you are attempting this question, try to read carefully the Cr or Dr of each particular as you might mislook and make the SPF and SFP become not accurate.

E.g

Bank in Cr = Bank Overdraft (CL)

Bank in Dr = Bank (CA)

**Required:**

Prepare the following for Slow & Steady Enterprise:

## a) Statement of Profit or Loss for the year ended 30 June 2021;

Statement of Profit or Loss for the year ended 30 June 2021

	RM	RM	RM
Sales		1254600	
Less: Return Inwards		<u>-4500</u>	
Net Sales			1250100
<b><u>Less: Cost of Good Sold</u></b>			
Opening inventory		160000	
Purchase (956000 - 6000)	950000		
Less: Return outwards	-3000		
Add: Carriage Inwards	1800		
Add: Custom Duty	<u>3000</u>	951800	
Less: Closing Inventory		<u>-185000</u>	926800
Gross Profit			323300
<b><u>Add: Income</u></b>			
Discount Received		800	
Commission Received (6000+1000)		<u>7000</u>	7800
<b><u>Less: Expenditure</u></b>			
Water and Electricity		4300	
Depn: Motor Vehicles		17600	
Depn: Plant and machinery		45000	
Bad debts		3700	
Doubtful debts		1720	
Carriage outwards		3000	
General expenses (2200+480)		2680	
Interest on loan (3500+12500)		16000	
Discount allowed		600	
Advertisement		16000	
Salaries		<u>60000</u>	170600
Net Profit			160500

## b) Statement of Financial Position as at 30 June 2021.

Statement of Financial Position as at 30 June 2021

	RM	RM	RM
<b><u>Non-current asset</u></b>			
Freehold premises		800000	
Motor Vehicles	100000		
Less: Accum Dpen: Motor Vehicles	<u>-29600</u>	70400	
Plant & Machinery	300000		
Less: Accum Dpen: Plant & Machinery	<u>-69000</u>	<u>231000</u>	1101400
<b><u>Current Asset</u></b>			
Closing inventory		185000	
Cash		8800	
Commission receivables		1000	
Trade receivables	136000		
Less: AFDD	<u>-2720</u>	<u>133280</u>	328080
			1429480
<b><u>Equity</u></b>			
Capital as at 1 June 2021		1000000	
Add: Net Profit		160500	
Less: Drawings		<u>-18000</u>	
Capital as at 30 June 2021			1142500
<b><u>Non-current liabilities</u></b>			
8% Long term loan		200000	200000
<b><u>Current liabilities</u></b>			
Trade Payables		68000	
Bank Overdraft		6000	
Accrued expenses		480	
Accrued interest		<u>12500</u>	86980
			1429480

**Section B: Extra exercise questions (for students' own practice)****Question 1**

Charles X is a stationery retailer. The following are the balances extracted from his ledger accounts as at 30 June 2021:

	RM		RM
Inventory @ 1 July 2020 (Dr)	5,300	Purchases (Dr)	41,120 -1265
Repairs and maintenance (Dr)	900	Sales (Cr)	51,420
Salaries and wages (Dr)	2,300 +150	Returns inwards (Dr)	1,730
Premises at cost (Dr)	70,000	Returns outwards (Cr)	2,200
Accumulated depreciation : Premises (Cr)	14,000	Utilities (Dr)	650 -120
		Drawings (Dr)	2,100 +1265 +1050
Motor vehicles (Dr)	56,000	Discount allowed (Dr)	650
Accumulated depreciation : Motor vehicles (Cr)	15,540	Discount received (Cr)	2,270
Insurance on goods purchased (Dr)	150	Advertising (Dr)	610
Trade receivables (gross) (Dr)	3,170 -700	Duty on imports (Dr)	520
Trade payables (Cr)	2,560	Capital (Cr)	82,350
Allowance for doubtful debts (Cr)	290 -43	Bad debts (Dr)	400 +700
Commission received (Cr)	3,200	Rent (Dr)	1,050
6% Long term bank loan (Cr)	16,000	Bank overdraft (Cr)	1,200
Carriage inwards (Dr)	660 -220	Cash in hand (Dr)	3,000 -1050
		Carriage outwards (Dr)	720 +220

Additional information:

- Inventory at the end of the accounting year was RM7,035 (Closing inv).
- Salaries and wages outstanding were RM150 (CL) and utilities paid in advance were RM120 (CA).
- Non-current assets are to be depreciated as follows:
  - Premises at 10% per annum using straight line method  
 $70000 * 0.1 = 7000$
  - Motor vehicles at 15% per annum using reducing balance method  
 $(56000 - 15540) * 0.15 = 6069$
- Bad debts to be written off amounted to RM700 and the owner has decided to provide an allowance for doubtful debts at 10% of total trade receivables.  
 $(3170 - 700) * 0.1 = 247$  (decrease 43 in AFDD)  
decrease in doubtful debts, income = 43  
+ bad debts 700
- Bank loan interest for the year is still outstanding as at year end  
 $16000 * 0.06 = 960$
- Drawings made by Charles for personal use but not recorded in the books were as follows:
  - Goods for resale amounting to RM1,265  
+ 1265 Drawings, - 1265 from Purchase
  - Cash valued at RM1,050  
+ 1050 Drawings, - 1050 Cash
- An error was found in which one third of the carriage inwards should be regarded as carriage outwards  
 $\frac{1}{3} * 660 = 220$  (carriage outwards)

**Required:**

- (a) Prepare the Trial Balance (before making the adjustments in the additional information) as at 30 June 2021;

Particular	Dr	Cr
Inventory @ 1 July 2020	5300	
Repairs and maintenance	900	
Salaries and wages	2300	
Premises at cost	70000	
Accumulated depreciation: Premise		14000
Motor vehicles	56000	
Accumulated depreciation: Motor Vehicles		15540
Insurance on goods purchased	150	
Trade receivables	3170	
Trade payables		2560
Allowance for doubtful debts		290
Commission received		3200
6% Long term bank loan		16000
Carriage inwards	660	
Purchases	41120	
Sales		51420
Returns inwards	1730	
Returns outwards		2200
Utilities	650	
Drawings	2100	
Discount allowed	650	
Discount received		2270
Advertising	610	
Duty on imports	520	
Capital		82350
Bad debts	400	
Rent	1050	
Bank overdraft		1200
Cash in hand	3000	
Carriage outwards	720	
	191030	191030

- (b) Prepare Statement of Profit or Loss (after making the adjustments in the additional information) for the year ended 30 June 2021; and

**Statement of Profit or Loss for the year ended 30 June 2021**

	RM	RM	RM
Sales		51420	
Less: Return Inwards		-1730	
Net Sales			49690
<b>Less: COGS</b>			
Opening inventory		5300	
Purchase	39855		
Less: Return Outwards	-2200		
Add: Carriage Inwards	440		
Add: Insurance on good purchases	150		
Add: Duty on imports	520	38765	
Less: Closing inventory		-7035	
			37030
Gross Profit			12660
<b>Add: Income</b>			
Commission received		3200	
Decrease in AFDD		43	
Discount received		2270	5513
			18173
<b>Less: Expenditure</b>			
Repairs and maintenance		900	
Depn: Premises		7000	
Depn: Motor Vehicles		6069	
Salary and wages		2450	
Utilities		530	
Discount allowed		650	
Advertising		610	
Bad debts		1100	
Rent		1050	
Interest on Bank Loan		960	
Carriage Outwards		940	22259
<b>Net Loss</b>			-4086

## (c) Statement of Financial Position as at 30 June 2021.

<u>Statement of Financial Position as at 30 June</u>			
	RM	RM	RM
<b><u>Non current asset</u></b>			
Premises	70000		
Accump Depn: Premises	-21000	49000	
Motor Vehicles	56000		
Accump Depn: Motor Vehicles	-21609	34391	83391
			83391
<b><u>Current asset</u></b>			
Closing inventory		7035	
Trade Receivables	2470		
Less: AFDD	-247	2223	
Cash in hand		1950	
Prepaid utilities		120	11328
			94719
<b><u>Equity</u></b>			
Capital as at 1 June	82350		
Less: Net Loss	-4086		
Less: Drawings	-4415		
Capital as at 30 June			73849
<b><u>Non current liabilities</u></b>			
6% long term bank loan		16000	
<b><u>Current liabilities</u></b>			
Trade Payables		2560	
Bank overdraft		1200	
Accrual interest on loan		960	
Accrual salaries and wages		150	20870
			94719

**Question 2:**

The following Trial Balance was extracted from the books of Seahorse Trading, a sole proprietor business, at **30 June 2021**:

	<u>Dr</u> RM	<u>Cr</u> RM
Owner's equity as at 1 July 2020		86,631
Drawings + 1250	8,500	
Inventories as at 1 July 2020	54,387	
Bank - 1250	153,246	
6% Bank loan repayable in 8 years		80,000
Trade receivables and payables	45,329	58,128
Motor vehicles at cost	60,000	
Accumulated depreciation-motor vehicles		6,000
Office equipment at cost	25,858	
Accumulated depreciation-office equipment		4,858
Sales and Purchases	386,768	600,235
Returns	4,586	3,854
Discounts allowed and Discount received	15,844	18,129
Bad debts	7,287	
Allowance for doubtful debts as at 1 July 2020 (+229)		678
Rent	18,000	
Insurance – motor vehicles	1,452	
– inventories	3,626	
Carriage outwards	7,295	
Salaries and wages	45,853	
Printing and stationery	12,587	
Utilities (-450)	7,895	
	858,513	858,513

Additional information:

- Inventories as at 30 June 2021 were RM47,342 (closing inv).
- Non-current assets are to be depreciated as follows:  
Motor vehicles : 20% per annum on cost



$$60000 * 0.2 = 12000$$

Office equipment : 10% per annum on net book value

$$(25,858 - 4858) * 0.1 = 2100$$

3. On 30 June 2021, the owner withdrew cash of RM1,250 for household expenses. No entry has been made in the books.  
+ Drawings 1250, - 1250 from bank
4. Utilities in the Trial Balance include an electricity bill covering the period 16 June to 15 July 2021 amounting to RM900.  
\*  $900 / 2 = 450$  (prepaid utilities, CA)
5. Allowance for doubtful debts RM907 is to be provided at the year end.  
increase in AFDD = (+229)  
Doubtful debt = 229 Dr
6. The bank loan was taken on /started from **1 October 2020** and no interest was paid during the accounting year.  
OCT 2020 - JUNE 2021 = 9/12 months  
 $80,000 * 0.06 * (9/12) = 3600$   
accrual loan interest = 3600, CL

**Required:**

- (a) Prepare the Statement of Profit or Loss of Omega Shoes for the year ended 30 June 2021; and

Statement of Profit or Loss of Omega Shoes for the year ended 30 June 2021

	RM	RM	RM
sales		600235	
less: return inwards		-4586	
net sales			595649
<u>less: cogs</u>			
opening inventory		54387	
purchase	386768		
add: insurance on inventories	3626		
less: return outwards	-3854	386540	
less: closing inventory		-47342	393585
gross profit			202064
<u>add: income</u>			
Discount received		18129	18129
<u>less: expenditure</u>			
depn: motor vehicles		12000	
depn: office equipment		2100	
discount allowed		15844	
bad debts		7287	
doubtful debts		229	
insurance for motor vehicles		1452	
loan interest on bank		3600	
rent		18000	
carriage outwards		7295	
salaries and wages		45853	
printing and stationery		12587	
utilities		7445	133692
net profit			86501



(b) Prepare the Statement of Financial Position as at that date.

**Statement of Financial Position as at 30 June 2021**

	RM	RM	RM
<b><u>Non-current asset</u></b>			
Motor Vehicles	60000		
Accump depreciation: motor vehicles	-18000	42000	
Office Equipment	25858		
Accump depreciation:office equipment	-6958	18900	60900
<b><u>Current asset</u></b>			
closing inventories		47342	
bank		151996	
prepaid utilities		450	
trade receivables	45329		
less: AFDD	-907	44422	244210
			305110
<b><u>Equity</u></b>			
Capital as at 1 June		86631	
add: net profit		86501	
less: drawings		-9750	
Capital as at 30 June			163382
<b><u>Non-current liabilities</u></b>			
6% Bank loan		80000	80000
<b><u>current liabilities</u></b>			
Trade payables		58128	
accruel loan interest		3600	61728
			305110

**Question 3:**

The following Trial Balance was extracted from the books of Mr Fujiyama as at 31 December 2021:

	<u>Debit</u>	<u>Credit</u>
	RM	RM
Sales and Purchases	68,080	215,580
Returns	220	380
Inventories as at 1 January 2021	18,400	
Rent received + 1000		9,000
Building at cost	520,000	
Advertising expenses	27,600	
Trade receivables and Trade Payables	168,000	100,000
Salaries and wages	68,000	
Motor vehicles at cost	100,000	
Insurance -2000	24,000	
Sundry expenses	15,000	
Accumulated depreciation: Motor vehicles		40,000
Accumulated depreciation: Buildings		64,000
Electricity and water + 590	7,100	
Allowance for doubtful debts + 500		1,200
Discounts	3,000	7,000
Printing and stationery	2,496	
Cash in hand	136,000	
Bank overdraft		736
Capital		720,000
	<u>1,157,896</u>	<u>1,157,896</u>

Additional information:

1. Rent received in arrears (拖欠租金) as at 31 December 2021 was RM1,000. **CA - accrual rent received**
2. Insurance includes RM2,000 paid for January and February 2022. **prepaid insurance (-) 2000 CA**
3. Depreciation charges are to be provided as follows:
  - Motor vehicles at 10% per annum on net book value  
 **$60000 * 0.1 = 6000$**
  - Buildings at the rate of 1% per annum on cost  
 **$520,000 * 0.01 = 5200$**
4. Electricity charges outstanding for the year amounted to RM590. **(CL)**
5. Allowance for doubtful debts is to be increased by RM500. **doubtful debt = 500**
6. Inventories as of 31 December 2021 was RM**6,520 (closing inv)**.

**Required:**

Prepare the Statement of Profit or Loss for the year ended 31 December 2021

**Statement of Profit or Loss for the year ended 31 December 2021**

	RM	RM	RM
Sales		215580	
less: return inwards		-220	
Net Sales			215360
<b><u>less: COGS</u></b>			
opening inventory		18400	
purchase	68080		
less: return outwards	-380	67700	
less: closing inventories		-6520	79580
Net Profit			135780
<b><u>add: income</u></b>			
rent received		10000	
discount received		7000	
			17000
<b><u>less: expenditure</u></b>			
depn: motor vehicles		6000	
depn: buildings		5200	
advertising		27600	
salaries and wages		68000	
insurance		22000	
sundry expenses		15000	
electricity and water		7690	
discount allowed		3000	
doubtful debt		500	
printing and stationery		2496	157486
Net Loss			-4706

Prepare the Statement of Financial Position as at that date.

**Statement of Financial Position as at 31 December 2021**

	RM	RM	RM
<b><u>Non-current asset</u></b>			
Buildings	520000		
Accump Depn: Buildings	-69200	450800	
Motor Vehicles	100000		
Accump Depn: Motor Vehicles	-46000	54000	
			504800
<b><u>Current asset</u></b>			
closing inventories		6520	
accrual rent received		1000	
prepaid insuracne		2000	
trade receivables	168000		
less:AFDD	-1700	166300	
Cash in hand		136000	311820
			816620
<b><u>Equity</u></b>			
Capital as at 1 Dec		720000	
Less: Net Loss		-4706	
Capital as at 31 Dec			715294
<b><u>Current Liabilities</u></b>			
Trade Payables		100000	
Bank overdraft		736	
accrual electricity		590	101326
			816620