**2021 Chong Ling (Private) High School Paper 2 Question 1**

SkyKing Ltd. incorporated two years ago with an authorised capital of RM1,000,000 which divided equally into Ordinary Shares and 10% Preferred Shares. The following Trial Balance was extracted as at 31 August 2020: -

|  |  |  |
| --- | --- | --- |
|  | **RM** | **RM** |
| Plant and Machinery at cost | 197,000 |  |
| Motor Vehicles | 85,000 |  |
| Building at cost | 430,500 |  |
| Accumulated Depreciation: - |  |  |
| Plant and Machinery |  | 103,000 |
| Motor Vehicles |  | 17,000 |
| Issued and Paid-up share capital: |  |  |
| - 400,000 Ordinary Share of RM1 each |  | 400,000 |
| - 150,000 10% Preferred Share of RM1 each |  | 150,000 |
| Inventory on 1 September 2019 | 20,200 |  |
| Wages and Salaries | 30,000 |  |
| General Expenses | 8,350 |  |
| 10% Loan Notes (issued on 1 December 2019) |  | 20,000 |
| Loan Notes Interest | 1,000 |  |
| Trade Receivables and Payables | 9,000 | 12,000 |
| Insurance | 9,000 |  |
| Carriage Expenses | 6,000 |  |
| Purchases and Sales | 145,000 | 220,000 |
| Investments (Quoted) at cost (market value RM13,000) | 6,000 |  |
| Fixed Deposit | 8,000 |  |
| Allowance for Doubtful Debts |  | 200 |
| Retained profit as at 1 September 2019 |  | 23,500 |
| Interim Dividend paid: |  |  |
| - Ordinary Share Capital | 4,000 |  |
| - 10% Preferred Share Capital | 15,000 |  |
| General Reserve |  | 16,000 |
| Bank |  | 12,350 |
|  | 974,050 | 974,050 |

**Additional Information:**

1. Inventory on 31 August 2020 was RM50,000.
2. One of the machinery costs RM35,000 which bought on 1 March 2018 with useful life of 7 years was disposed for RM20,000 on 28 February 2020. This transaction was not recorded in the books.
3. Depreciation of tangible non-current assets (except for Building) on a straight line basic should be calculated at the following rates: -

Plant and Machinery 10% (remaining units); Motor Vehicles 5%.

1. During the year, a credit customer was declared bankrupt. Thus the balance he owed RM800 was immediately written off as bad. The directors estimated that, a credit customer who was facing financial problem was to be uncollectible in the next accounting year. The balance owed by this customer was RM1,000.
2. During the year, the directors issued the remaining Ordinary Shares at a price of RM1.40 to public. All the shares were fully subscribed and paid for.
3. The wages and salaries account had included RM15,000 which was remuneration to directors.
4. Monthly general expenses were RM750.
5. Unexpired Insurance was RM1,000.
6. RM8,000 and RM5,000 will be transfer to the General Reserve and Staff Welfare Fund respectively.
7. The directors proposed a final dividend of RM0.05 per share to the ordinary shareholders at the end of financial year.

**You are required to prepare:**

1. Income Statement for the year ended 31 August 2020.
2. Statement of Changes in Equity for the year ended 31 August 2020.
3. Statement of Financial Position as at 31 August 2020.