EK Ltd is a trading company with an Authorized Capital of 500,000 10% Preference Shares of RM1 each and 400,000 Ordinary Shares of RM1 each. All these shares have been issued and are fully paid.

The following balances were extracted from the books of the company at the close of business on 31 December 1985.

|  |  |
| --- | --- |
|  | **RM** |
| Inventory at 1.1.85 | 19,000 |
| Sales | 756,000 |
| Purchases | 384,000 |
| Administration Expenses | 137,000 |
| Sales Returns | 34,000 |
| Purchases Returns | 29,000 |
| Carriage Outwards | 17,000 |
| Carriage Inwards | 21,000 |
| Selling Expenses | 55,000 |
| Discounts Received | 11,000 |
| Discounts Allowed | 19,000 |
| Preference Dividend for half-year to 30 June 1985 paid | 25,000 |
| Directors’ Fees | 20,000 |
| Interest received on investments | 12,000 |
| Unappropriated Profit at 1.1.85 | 26,000 |

**NOTES:** (1) Provide RM7,000 for Depreciation of Furniture.

(2) A General Reserve of RM20,000 is to be created

(3) Provide for a dividend of RM0.08 per Ordinary Share.

(4) Inventory at 31.12.85 - RM23,000

**REQUIRED:**

Prepare an Income Statement for the year ended 31 December 1985.