

Final Accounts for Sole Traders with Adjustments

Adjustment can be done separately or directly in final accounts if required or according to the need. There are mainly five adjustments in O' level syllabus, those are as follows:

1) Prepaid Expense

(Paid in advance / before time). Prepaid is an asset and recorded in Balance Sheet under current assets).

GENERAL ENTRY

Other Receivable (Rent/insurance/Salaries)	XXX	
Expense A/c		XXX

2) Accrued Expense

(Amount that we owe/work done but payment is not made yet. Accrued is our liability and recorded in Balance sheet under current liabilities).

GENERAL ENTRY

Insurance/Wages/Maintenance Expense	XXX	
Other Payable Insurance/Wages		XXX

3) Depreciation Expense

(Decrease in value of a Non-Current asset. Depreciation is our expense and recorded in Income Statement under operating expenses)

GENERAL ENTRY

Income Statement	XXX	
Provision for depreciation		XXX

4) Bad & Doubtful Debts

(Bad & Doubtful debts are an expense and recorded in P&L under operating expenses).

GENERAL ENTRIES

Income Statement (Expense)	XXX	
Trade Receivable		XXX

(Above entry is for bad / Irrecoverable debts)

Income Statement (Expense)	XXX	
Provision for doubtful debts		XXX
(Above entry is for increase in doubtful debts)		

Provision for doubtful debts	XXX	
Income Statement (Income)		XXX
(Above entry is for decrease in doubtful debts)		

5) Drawings

(Cash / Cheque / Goods or any other asset taken for personal use by the owner)

GENERAL ENTRY

Drawing	XXX	
Cash / Bank / Purchases / Equipment		XXX

Advantages of Sole Traders

- You have full control over daily and strategic decision making
- There's far less red tape and regulations than a Limited Company
- Starting your business is quick and easy
- All financial data is kept private
- No annual accounts to prepare as sole traders add income and expenses to their tax return

Disadvantages of Sole Traders

- You have full personal liability for any debts
- It may be difficult to bid and accept larger contracts
- It's difficult to scale a business on your own
- You can't leverage buying power due to your small size
- You have to buy-in knowledge and expertise if you don't have it yourself

ARD Traders
Income Statement for the year ended 31 Dec, 2020

	\$	\$
Sales	XXX	
Less: Return inward / Sales Returns	(XXX)	XX
Less: COST OF SALES		
Opening Inventory	XXX	
Add: Purchases	XXX	
Add: Carriage Inwards	XX	
Add: Custom duty	XX	
Less: Return outward / Purchases return	(XX)	
Less: Closing Inventory	(XXX)	
Cost of Sales		(XXX)
Gross Profit		XXX
Add: OTHER INCOME		
Discount received	XXX	
Commission received	XXX	
Reduction in Provision for Doubtful Debts	XXX	
Gain on Disposal of NCA	XXX	XXX
Less: EXPENSES		
Salaries and wages	XXX	
Rent expenses	XXX	
Insurance expense	XXX	
Heating and Lighting	XXX	
Sundry expenses	XXX	
Depreciation expense	XXX	
Increase in Provision for Doubtful debts	XXX	
Discount allowed	XXX	
Carriage outward / Carriage on sales	XXX	
Bad debt expense	XXX	
Financial cost (interest expense)	XXX	
Repair and maintenance	XXX	(XXX)
Profit / (Loss) for the year		XX/(XX)

Carriage on purchases / Transportation Inward / freight charges

ARD Traders
Statement of Financial Position as at 31 December 2020

Assets	\$	\$	\$
Non-Current Assets	Cost	Accumulated Depreciation	NBV
Land	XXX	-	XX
Building	XXX	(XX)	XX
Equipment	XXX	(XX)	XX
			XXX
Current Assets			
Inventory		XXX	
Trade Receivables / Debtors	XXX		
Less: Provision for doubtful debts	(XXX)	XXX	
Other Receivables			
Expense (Prepaid)		XXX	
Income (Accrued)		XXX	
Bank		XXX	
Cash		XXX	XXX
Total Assets			XXX
Capital and Liabilities			
Opening Capital		XXX	
Add Profit for the year / Less (Loss) for the year		XX/(XX)	
Less: Drawings		(XXX)	XXX
Non Current Liabilities			
10% Bank Loan 2025			XXX
Current Liabilities			
Trade payables / Creditors		XXX	
Bank O/D (Over Draft)		XXX	
Other Payables			
Expense (Accrued)		XXX	
Income (Prepaid)		XXX	XXX
Total Capital and Liabilities			XXX

Financial Statements for Service Sector

The City School
Income Statement for the year ended 31 Dec 2020

Income		
Fees Income (w)	XXX	
Gain on disposal of Asset	XXX	
Photo Copy Income	XXX	
Income from Canteen	XXX	
Rent from Auditoriums	XXX	XXX
Less: Expenditure		
Staff Salaries	XXX	
Loss on disposal of asset	XXX	
Depreciation of Furniture and Fixtures	XXX	
Interest on loan	XXX	
Administration Expenses	XXX	
Maintenance	XXX	
Utilities	XXX	(XXX)
Profit / (Loss) for the year		XX / (XX)

Fees Income Account

	\$		\$
A Balance b/d	XXX	P Balance b/d	XXX
Income Statement	XXX	Bank / Cash	XXX
		Bad Debts	XXX
P Balance c/d	XXX	A Balance c/d	XXX
	<u>XXX</u>		<u>XXX</u>

Financial Statements for Service Business

Q1 The following trial balance was extracted from the books of Lyceum School at the end of business on 28 February 2015.

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Fees Income		137094
Cash at bank	4100	
Cash in hand	324	
Capital account 1 March 2014		11400
Drawings	17100	
Office furniture	2900	
Rent	3400	
Wages and salaries	91400	
Concession to Students	5000	
School van	35925	
Van running costs	615	
Fee Defaulters written off	730	
Canteen Receipts		8000
Income from sponsorships		5000
	<u>161,494</u>	<u>161,494</u>

Notes:

- (a) Wages and salaries accrued at 28 February 2015 \$340.
- (b) Rent prepaid at 28 February 2015 \$230.
- (c) Van running costs owing at 28 February 2015 \$72.
- (d) Provide for depreciation as follows: Office furniture \$380; School van \$1,250.
- (e) Fee Income Accrued at 28 Feb 2015 \$5000
- (f) Fee received in advance at 28 Feb was \$6500

Required:

Draw up the Income Statement for the year ending 28 February 2015 together with a balance sheet as on 28 February 2015 for Lyceum School





Q2 Shobi is a soletrader. The following balances were extracted from the books on 30 September 2018.

	\$
10-year leasehold premises (at cost)	120 000
Motor vehicles (at cost)	40 000
Fixtures and fittings (at cost)	19 000
Provisions for depreciation at 1 October 2017:	
10-year leasehold premises	72 000
Motor vehicles	10 000
Fixtures and fittings	7 600
Revenue	265 000
Purchases	135 000
Returns outwards	8 200
Carriage inwards	3 100
Wages and salaries	41 000
Motor vehicle expenses	6 800
Rent payable	15 000
Rent receivable	8 500
Capital	40 000
Drawings	11 900
6% Bank loan (repayable 2020)	50 000
Bank interest paid	3 000
Inventory at 1 October 2017	26 000
Heat, light and power	5 050
Advertising	9 000
General expenses	17 700
Disposal	1 800 Credit
Bank	13 350 Debit
Trade payables	23 050
Trade receivables	23 250
Provision for doubtful debts	3 000

Additional information at 30 September 2018

- 1 Inventory was valued at \$19 500.
- 2 Shobi had taken \$4 700 goods for his own use. No entries had been recorded in the books.
- 3 The rent payable included a payment of \$9 000 for the six months ended 30 November 2018.
- 4 General expenses accrued were \$2 600 and wages and salaries accrued were \$1 700.
- 5 Rent receivable of \$150 was outstanding.
- 6 On 26 September 2018 a motor vehicle costing \$12 000 was purchased by cheque. No entries had been recorded in the books.
- 7 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
 - (i) an appropriate amount for the 10-year leasehold premises
 - (ii) motor vehicles at the rate of 25% per annum using the diminishing (reducing) balance method
 - (iii) fixtures and fittings at the rate of 10% per annum on cost.
- 8 Trade receivables of \$750 are irrecoverable. The provision for doubtful debts is to be maintained at 4%.

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(b) Prepare the statement of financial position at 30 September 2018.

Shobi
Statement of Financial Position at 30 September 2018.

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Q3 Khayla is a sole trader. The following balances were extracted from the books on 30 April 2017.

	\$
Revenue	447 000
Purchases	204 400
Returns inwards	8 650
Wages and salaries	105 600
Motor vehicle expenses	19 200
General expenses	31 100
Rent receivable	8 500
Rent payable	24 000
Motor vehicles (cost)	40 000
Computers (cost)	55 000
Fixtures and fittings (cost)	15 000
Provisions for depreciation:	
Motor vehicles	12 000
Computers	17 000
Fixtures and fittings	4 000
5% Bank loan (repayable 30 June 2022)	80 000
Bank interest paid	2 500
Inventory at 1 May 2016	29 350
Heat and light	10 700
Cash and bank	15 400 Debit
Trade payables	36 750
Trade receivables	44 700
Provision for doubtful debts	1 400
Capital	30 000
Drawings	31 050

Additional information at 30 April 2017

1. Inventory was valued at \$32 450.
2. On 16 April 2017 goods had been purchased for \$7 500 cash. The transaction had not been recorded in the books.
3. General expenses were accrued, \$3 500, and prepaid, \$1 800.
4. Rent receivable of \$4 500 was owing.
5. The rent payable included a payment of \$12 000 for the six months ended 30 June 2017.

6. Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
- (i) motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method
 - (ii) computers at the rate of 25% per annum using the diminishing (reducing) balance method
 - (iii) fixtures and fittings at the rate of 10% per annum, using the straight-line method.
7. Trade receivables of \$2700 are irrecoverable. The provision for doubtful debts is to be maintained at 5% on the remaining trade receivables.

REQUIRED

- (a) Prepare the income statement for the year ended 30 April 2017.

Khayla
Income Statement for the year ended 30 April 2017

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Handwriting practice sheet for the Arabic letter 'Alif' (ا). The page features a large red 'Alif' character with a grey stroke order guide. The background is filled with horizontal dotted lines for writing practice. On the right side, there are two vertical columns, each starting with a small 'Alif' character at the top, intended for independent practice.

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