

ACCOUNTING

FINANCIAL STATEMENT: FURTHER CONSIDERATIONS

GRADE: EIGHT

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Income statement: further considerations

Carriage inwards: It is the transportation cost incurred for bringing goods in to the business. It is a direct expense, therefore it is added with purchase while calculating cost of sales.

Carriage outwards: It is the transportation cost incurred while business is sending goods to the customers. It is treated indirect expense, therefore it is deducted from gross profit.

Exercise 1:

The following trial balance was extracted from the books of B. Jacson on 30th April 2018.

	Debit(\$)	Credit (\$)
Revenue (Sales)		18600
Purchases	11556	
Inventory at 1 May, 2017	3776	
Carriage outwards	326	
Carriage inwards	234	
Return inwards	440	
Return outwards		355
Salaries and wages	2447	
Motor expenses	664	
Rent	576	
Other expenses	1202	
Motor vehicles	2400	
Fixtures and fittings	600	
Trade receivables	4577	
Trade payables		3045
Bank	3876	
Cash	120	
Drawings	2050	
Capital		12844
Total	34844	34844

Inventory at 30th April 2018 was \$ 4998

REQUIRED

- a. Income statement for the year ended 30 April 2018
- b. Statement of Financial position as at 30 April 2018

Exercise- 2:

The following trial balance was extracted from the books of Samir at 31 May 2018.

Samir
Trial Balance at 31 May 2018

	Debit(\$)	Credit (\$)
Revenue (Sales)		95 700
Return inwards	1 000	
Purchases	65 000	
Return outwards		500
Carriage inwards	1 500	
Inventory at 1 June 2017	7 100	
Discount received		400
Discount allowed	900	
Wages	11 200	
General expenses	2 800	
Property tax	600	
Loan interest	500	
Premises	80 000	
Fixtures and equipment	13 900	
Trade receivables	7 500	
Trade payables		7 800
Bank	3 300	
Cash	100	
Bank loan		10 000
Capital		90 000
Drawings	9 000	
Total	204 400	204 400

Adjustment:

1. The inventory at 31 May 2018 was valued at \$ 7600
2. During the year ended 31 May 2018 Samir took goods costing \$ 300 for his personal use.

REQUIRED

- a. Income statement for the year ended 31 May 2018
- b. Statement of Financial position as at 31 May 2018