

**BANGLADESH INTERNATIONAL SCHOOL, ENGLISH SECTION**

**GRADE: NINE**

# Accounting

**Topic: Financial Statement of  
sole traders**

Department of Commerce | BISES

## Sole Trader Income Statement for the Year ended....

	\$	\$
Sales (Revenue)		XXXX
Less Returns Inwards		(XX)
<b>Net Sales</b>		<b>XXXX</b>
 <b>Less Cost of Sales</b>		
Opening Inventory	XXX	
Add Purchases	xxxx	
Less Returns Outwards	(xx)	
Add Carriage Inwards	XXX	
	XXXX	
Less Closing Inventory	(XX)	
Less Inventory Drawings	(XX)	(XXXX)
<i>Less Damaged Inventory</i>		
<b>Gross Profit</b>		<b>XXXX</b>
 <b>Add Other Revenue</b>		
Rent Received (+ current year owing - Last year owing)		XXXX
Commission Received		XXXX
Discount Received		XXXX
Bad Debts Recovered		XXXX
Profit on Disposal of non Current Assets		XXXX
Decrease in Provision for Doubtful Debts		XXXX
		XXXX
 <b>Less Expenses</b>		
Rent Paid (+ Current Year Owing - Last Year Owing)	XXX	
Wages	XXX	
Discount Allowed	XXX	
Carriage Outwards	XXX	
Provision for Doubtful Debts (Increase or Create)	XXX	
Insurance (+ last year pre-paid - current year pre-paid)	XXX	
Depreciation (current year) of all Non current assets	XXX	
Bad debts	XXX	
Repairs and Maintenance	XXX	
Salaries	XXX	
Stationery paid (+ opening Stationery - closing stationery)	XXX	
Bank Charges	XXX	
Loss on Disposal of Non Current Assets	XXX	
Office Expenses	XXX	
Overdraft Interest	XXX	
Commission Paid	XXX	
Advertisement	XXX	
Interest on Bank Loan	XXX	XXXX
 <b>Profit (Loss) for the year</b>		 <b>XXXXX</b>

## Statement of Financial Position as at (Balance sheet) ..... (Sole traders)

		\$	\$	\$
<b>Non-Current Assets:</b>		<b>Cost</b>	<b>Pro. for Depreciation</b>	<b>Net Book Value</b>
Land	}	XXXX		XXXX
Premises				
Buildings	}	XXXX	XXXX	XXXX
Fixtures and Fittings		XXXX	XXXX	XXXX
Machinery		XXXX	XXXX	XXXX
Motor vehicles		XXXX	XXXX	XXXX
Furniture		XXXX	XXXX	XXXX
Equipment		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
<b>Total Non-Current Assets</b>		<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
<b>Current Assets:</b>				
Closing Inventory			XXXX	
Trade receivables		XXXX		
Less: Provision for D.D		(xxx)	XXXX	
<b>Other receivables :-</b>				
Pre paid expense		XXXX		
Accrued income		<u>XXXX</u>	XXXX	
Bank			XXXX	
Cash			XXXX	
Petty cash			XXXX	
<b>Total Current Assets</b>				<u>XXXX</u>
<b>Total Assets</b>				<u>XXXXXX</u>
<b>Capital :</b>				
Opening Capital			XXXX	
Add(Less): Profit(Loss) For the year			XXXX	
Less: Drawings (Cash +Goods)			(xxx)	
<b>Closing Capital</b>				<u>XXXX</u>
<b>Non –Current Liabilities :</b>				
Bank Loans				XXXX
<b>Current Liabilities:</b>				
Trade payables			XXXX	
<b>Other payables :-</b>				
Accrued Expenses		XXXX		
Prepaid Income		<u>XXXX</u>	XXXX	
Bank overdraft			XXXX	XXXX
<b>Total Capital + Liabilities</b>				<u>XXXXXX</u>

I  
T  
O  
B  
C  
P

OC + NP – D  
OC – NL – D

T  
O  
B

(b) Financial Statements (Final Accounts) of a Sole Trader – Service business

Sole Trader (Name)			
Income Statement (Profit and Loss Account)			
for the year ended .....			
	\$	\$	\$
Fees received			XXXX
Commission received			XXXX
Rent received			XXXX
Discount received			XXXX
*Profit on disposal of non-current (fixed) assets			XXXX
**Reduction in provision for doubtful debts			<u>XXXX</u>
			XXXX
Less Expenses			
Wages and salaries		XXXX	
Office expenses		XXXX	
Rent and rates		XXXX	
Insurance		XXXX	
Office expenses		XXXX	
Motor vehicle expenses		XXXX	
Selling expenses		XXXX	
Loan interest		XXXX	
Bad debts			
*Loss on disposal of fixed assets		XXXX	
**Provision for doubtful debts		XXXX	
Depreciation of fixtures and fittings		XXXX	
Depreciation of office equipment		XXXX	
Depreciation of motor vehicles		<u>XXXX</u>	
***Profit for the year (Net profit)			<u>XXXX</u>
			<u>XXXX</u>

\* If only one asset was sold during the year only one of these items will appear

\*\* If the provision reduces the surplus amount is added to the gross profit: if the provision increases the amount required is included in the expenses

\*\*\* If the expenses exceed the gross profit plus other income the resulting figure is described as a loss for the year (net loss)

The balance sheet of a sole trader in the service sector is presented in the same format as the balance sheet of a sole trader involved in a trading business.

### Exercise

#### 1. (28.8)

The following trial balance was extracted from the books of R Giggs at the close of business on 28<sup>th</sup> February 2018.

	Debit	Credit
Purchase and sales	92,800	157,165
Bank	4,100	
Cash	324	
Capital account 1 March 2017		11,400
Drawings	17,100	
Office furniture	2,900	
Rent	3,400	
Wages and salaries	31,400	
Discounts	820	160
Trade receivable and trade payable	12,316	5,245
Inventory on 1 March	4,120	
Allowance for doubtful debts 1 March 2017		405
Delivery Van	3,750	
Van running Cost	615	
Bad debts written off	730	
	<u>174,375</u>	<u>174,375</u>

#### Notes/Adjustments

- a) Inventory 28 February 2018 \$ 2,400
- b) Wages and salaries accrued at 28 February 2018 \$340
- c) Rent prepaid at 28 February 2018 \$ 230
- d) Van running cost at 28 February 2018 \$ 72
- e) Increase the allowance for D.D by \$91
- f) Provide for depreciation as follows: office furniture \$ 380, Delivery Van \$ 1,250

#### REQUIRED:

- I. Draw up the income statement for the year ending 28 February 2018
- II. Statement of Financial position as at 28 February 2018

2.(28.11) The following trial balance of John Brown , store owner , prepare an income statement for the year ending 31 December 2013 and a statement of Financial Position as At that date taking in to the adjustment shown below .

	Debit	Credit
Revenue		400,000
Purchase	350000	
Return inwards	5000	
Return wards		6200
Bank	3000	
Capiytal		179000
Drawings	18000	
Shop fittings at cost	40000	
Rates	6000	
Wages and salaries	30000	
Telephone	1000	
Trade receivables an d Payables	9800	7000
Inventory at 1 January 2013	100000	
Provision for D.D		800
Van at Cost	30000	
Irrecoverable debts (Bad debts)	200	
	<u>593000</u>	<u>593000</u>

#### Notes/Adjustments

- a. Closing inventory at 31<sup>st</sup> December \$ 120000
- b. Accrued wages \$ 5000
- c. Rates prepaid \$ 500
- d. The provision for D.D to be increased to 10% of accounts receivables
- e. Telephone accounts outstanding \$220
- f. Depreciate shop fittings at 10% per annum, and Van at 20% per annum on cost

Asim has an advertising agency. His financial year ends on 31 January.

He provided the following information on 31 January 2018.

	\$
Capital at 1 February 2017	120 000
Drawings	8 500
Office equipment at valuation at 1 February 2017	6 180
Motor vehicle at cost	15 000
Provision for depreciation of motor vehicle	5 400
Fees received from clients	28 350
Wages of assistant	19 000
General expenses	1 358
Motor expenses	970
Rates and insurance	2 280
Rent received from tenant	5 600

#### Additional information

- 1 At 31 January 2018
  - \$2400 was outstanding from clients for fees.
  - Motor expenses outstanding amounted to \$110.
  - A provision for doubtful debts of 2% of the amount owed by clients should be created.
- 2 The rates and insurance paid were for a period of 15 months from 1 February 2017.
- 3 Part of the premises were let to a tenant on 1 February 2017 at an annual rent of \$4800.
- 4 One quarter of the motor expenses are for Asim's personal use of the motor vehicle.
- 5 The motor vehicle is to be depreciated at 20% per annum using the reducing (diminishing) balance method.
- 6 The office equipment was valued at \$5500 on 31 January 2018.  
No office equipment was purchased or sold during the year.

Amrit runs a secretarial agency. His financial year ends on 31 July. He prepared the following trial balance on 31 July 2019.

	\$	\$
Fees from clients		58 800
Premises (at cost)	90 000	
Office equipment (at cost)	16 000	
Provision for depreciation of office equipment		3 200
Capital		85 000
Drawings	11 500	
5% Loan (repayable 1 February 2020)		15 000
Trade receivables	4 650	
Provision for doubtful debts		100
Bad debts	80	
Insurance	2 100	
Wages	38 000	
Operating expenses	6 500	
Rent receivable		3 000
Bank		3 730
	<u>168 830</u>	<u>168 830</u>

The following information is available.

- 1 The insurance covers a period of 14 months to 30 September 2019.
- 2 At 31 July 2019 wages, \$1500, were accrued and one year's loan interest was outstanding.
- 3 A debt of \$150 should be written off as irrecoverable.
- 4 The provision for doubtful debts should be maintained at 3% of the remaining trade receivables.
- 5 The office equipment is to be depreciated at 20% per annum using the reducing (diminishing) balance method.