

FINANCIAL ACCOUNTING 1

FINANCIAL STATEMENT WITH YEAR END ADJUSTMENTS



NOR FATHIMAH BINTI FATHIL
HASMIDA BINTI MOHAMAD HASSAN



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NOR FATHIMAH BINTI FATHIL
HASMIDA BINTI MOHAMAD HASSAN

Editor

Nor Fathimah Binti Fathil

Hasmida Binti Mohamad Hassan

Writer

Nor Fathimah Binti Fathil

Hasmida Binti Mohamad Hassan

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Preface

This e-Book is produced covering 2 topics for the course of DPA10013 - Financial Accounting 1. Those topics are Topic 5 - Year End Adjustments and Topic 6 - Financial Statements with Year End Adjustments. DPA10013 course is a compulsory course for students in semester 1 of the Diploma in Accounting programme at Commerce Department, Malaysia Polytechnic's.

This e-Book includes brief notes, example questions, and tutorial questions with answers to help students learn and review concepts. If they want to be proficient in both topics, students need to understand the concepts of accounting and do a lot of reinforcement exercises.

This e-Book is also intended for accounting students who need a basic understanding of financial statements in business. Its content is simple to comprehend and ideal for students enrolled in financial accounting courses, particularly at the diploma level.

“A journey of a thousand miles begins with a single step.” – Lao Tzu

Acknowledgement

Thank God that by His will we were able to prepare an e-Book for the topic of End of Year Adjustment and Financial Statements with End of Year Adjustment according to the planning period that has been set. This e-Book was produced to achieve the Key Performance Indicators (KPIs) of Polytechnic Tuanku Sultanah Bahiyah for 2021, where we represent the Accounting program in the Department of Commerce.

Without support and assistance of many parties, this e-Book would not have been able to be completed according to its stipulations. As such, many thanks to all the individuals involved in designing and producing this eBook especially the Head of the Commerce Department.

Our sincere gratitude goes to Ms. Nur Farrah Azwa Binti Jasni, a late member of our group who contributed many ideas and passion to the write-up of this book before it was converted into an e-Book. May the souls of the departed always be showered with the blessings of Allah SWT.

Hopefully, this e-Book can benefit various parties, especially students. Any flaws are graciously accepted, and we eagerly await feedback on how to improve this e-Book in the future. Thank you very much.

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FINANCIAL STATEMENTS WITH YEAR END ADJUSTMENTS

LEARNING OUTCOMES

At the end of this chapter, you should be able to:

- Describe the accrual basis and cash basis accounting.
- Define accruals and prepayments for expenses and revenues.
- Define bad debts, allowance for doubtful debts and bad debts recovered.
- Define the depreciation of plant, property and equipment.
- Describe types and importance of financial reporting in the business: MFRS 101 (MPERS: Section 3)
- Describe the format of financial statements.
- Prepare the financial statements with adjustments.

1.1

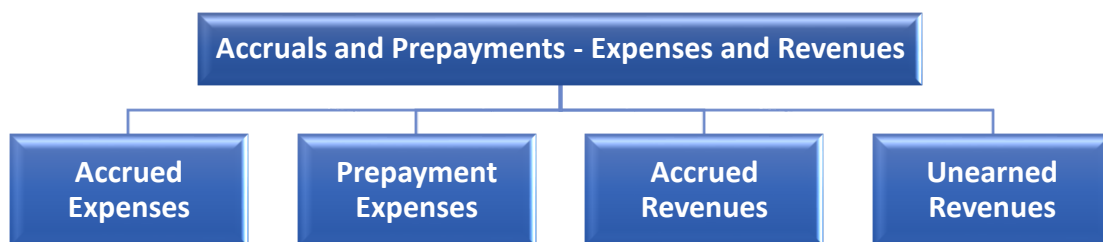
ACCRUAL BASIS ACCOUNTING AND CASH BASIS ACCOUNTING

Accrual Basis Accounting	Cash Basis Accounting
❖ Records the impact of a business event as it occurs.	❖ Records only transactions in which cash is received or paid.
❖ Revenue recorded when earned, not only when cash received.	❖ Revenue recorded only when cash received.
❖ Expense recorded when incurred, not only when cash paid.	❖ Expense recorded only when cash paid.

1.2

ACCRUALS AND PREPAYMENTS FOR EXPENSES AND REVENUES

- ❖ Accruals – expenses that have been incurred or revenues that have been earned but have not yet been paid or received in the current year.
- ❖ Prepayments (prepaid) – expenses or revenues that have been paid or received in advance of the current period.
- ❖ Adjustments are needed to ensure that the revenue recognition and matching principles are followed.
- ❖ The use adjusting entries makes it possible to report on the Statement of Financial Position the proper net profit (or loss) for the period.

a) **Accrued Expenses**

- ❖ Companies will incur expenses but won't have to pay for them until the next month. (Expenses owed / outstanding expenses)
- ❖ The amount paid for the period is less than the expense incurred for the period.
- ❖ Those which have been used up in the current year but have not yet been paid for. (Due but not paid yet)
- ❖ Expenses incurred but not yet paid in cash or recorded.
- ❖ Should appear as **Current Liability**.

Journal Entries	
To record the expenses paid	Dr. Expenses Cr. Bank or Cash
To record the adjusting entry	Dr. Expenses Cr. Accrued expenses
To transfer the expenses incurred to SOCI (Closing Entries)	Dr. Statement of Comp. Income Cr. Expenses

Example 1.2.1:

The wages bill for Kamal Trading is RM 200 per month. At the end of accounting period dated 31 December 2020, a total of RM 1,800 had been paid for the year and wages for 3 months of RM 600 were owing.

Answer (Example 1.2.1):

Date	Particulars	Debit (RM)	Credit (RM)
31 Dec	Dr. Rent expenses	600	
	Cr. Accrued rent expenses		100
31 Dec	Dr. Statement of Comp. Income	1,800	
	Cr. Rent expenses		1,800

b) Prepayment Expenses

- ❖ Prepaid expenses are goods or services that have been paid for by a company but have not been consumed yet. (Prepaid expenses or expenses paid in advance)
- ❖ Those to be used in the following period but have been paid for in advance. (Paid but not due yet)
- ❖ Expenses paid in cash before they are used or consumed.
- ❖ Should appear as **Current Asset**.

Journal Entries	
To record the expenses paid	Dr. Expenses Cr. Bank or Cash
To record the adjusting entry	Dr. Prepaid expenses Cr. Expenses
To transfer the expenses incurred to SOCI (Closing Entries)	Dr. Statement of Comp. Income Cr. Expenses

Example 1.2.2:

Zamer Trading Company pays a 12 month rent expenses of RM 240 on 1 January 2020. The accounting period is 31 July 2020. So, the company necessary to recognize only 7 months (RM 140) as the actual rent expenses incurred up to 31 July and the remaining RM 100, which is the next 5 month's rent expenses yet to be benefitted by the company will be transferred to the prepaid rent account. Prepaid rent in this case is treated as a current asset.

Answer (Example 1.2.2):

Date	Particulars	Debit (RM)	Credit (RM)
31 July	Dr. Prepaid rent Cr. Rent expenses	100	100
31 July	Dr. Statement of Comp. Income Cr. Rent expenses	140	140

The effect of the adjusting entries has been to reduce the balance in the expense account to RM 140 (7 month's rent), which is the actual amount of expenses incurred in the period ended 31 July 2020 and to raise an asset account, prepaid rent, by RM 100 representing the cost of the rent for the next period.

c) Accrued Revenues

- ❖ Those which have been earned in the current period but have not yet been received. (Revenues owed or outstanding revenues)
- ❖ Revenues earned but not yet received in cash or recorded.
- ❖ Should appear as a **Current Asset**.

Journal Entries	
To record the cash received	Dr. Bank or Cash Cr. Revenues
To record the adjusting entry	Dr. Accrued revenues Cr. Revenues
To transfer the revenues earned to SOCI (Closing Entries)	Dr. Revenues Cr. Statement of Comp. Income

Example 1.2.3:

At the end of June 2020, Halim Trading will have received interest for 6 months (RM 600) but have earned interest for 9 months (RM 900). Therefore, there is 3 months' interest earned (RM 300) for the period, but not yet received.

Answer (Example 1.2.3):

Date	Particulars	Debit (RM)	Credit (RM)
30 June	Dr. Accrued interest received Cr. Interest received	300	300
30 June	Dr. Interest received Cr. Statement of Comp. Income	600	600

d) Unearned Revenues

- ❖ These consist of income received from customers, but no goods or services have been provided to them. (Revenues received in advance)
- ❖ The company owes the customers a good or service and must record the liability in the current period until the goods or services are provided.
- ❖ Those to be earned in the following period but have been received in advance. (Received but not due yet)
- ❖ Revenues received in cash before revenue has been earned.
- ❖ Should appear as a **Current Liability**.

Journal Entries	
To record the payment received	Dr. Bank or Cash Cr. Revenues
To record the adjusting entry	Dr. Revenues Cr. Unearned revenues
To transfer the revenues earned to SOCI (Closing Entries)	Dr. Revenues Cr. Statement of Comp. Income

Example 1.2.4:

CDE Trading rented out part of its office on 1 October 2020 for RM 250 per month which is receivable at the end of each month. At the end of accounting period 31 Dec 2020, rentals received are totaled RM 1,250.

Answer (Example 1.2.4):

Date	Particulars	Debit (RM)	Credit (RM)
31 Dec	Dr. Rent revenues	500	
	Cr. Unearned rent revenues		500
31 Dec	Dr. Rent revenues	750	
	Cr. Statement of Comp. Income		750

Example 1.2.5:

The following information is extracted from the books of TDC on December 2020:

Item	Debit (RM)	Credit (RM)
Electricity	600	
Rent	1,000	
Discount Received		1,200
Commissions Received		1,800

Additional information:

- i) The electricity incurred for the period was RM 800.
- ii) RM 300 from rent represented part payment for the following year.
- iii) At the end of the year, company owed RM 400 discount received.
- iv) One sixth of the cheque received for commission relates to the following year.

You are required to prepare:

- a) General Journal
- b) Statement of Comprehensive Income
- c) Statement of Financial Position.

Answer (Example 1.2.5):**a) General Journal**

Date	Details	Debit (RM)	Credit (RM)
31 Dec 2020	Dr. Electricity Expenses Cr. Accrued Electricity	200	200
	Dr. Statement of Comp. Income Cr. Electricity Expenses	800	800
	Dr. Prepaid Rent Cr. Rent Expenses	300	300
	Dr. Statement of Comp. Income Cr. Rent Expenses	700	700
	Dr. Accrued Discount Received Cr. Discount Received	400	400
	Dr. Discount Received Cr. Statement of Comp. Income	1,600	1,600
	Dr. Commission Received Cr. Prepaid Commission Rec.	300	300
	Dr. Commission Received Cr. Statement of Comp. Income	1,500	1,500

b) Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Revenues:	RM
Discount Received $(1,200 + 400)$	1,600
Commission Received $[1,800 - (1/6 * 1,800)]$	1,500
(-) Expenses:	
Electricity Expenses	800
Rent Expenses $(1,000 - 300)$	700

c) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020	
Current Assets:	RM
Prepaid Rent	300
Accrued Discount Received	400
Current Liabilities:	
Accrued Electricity $(800 - 600)$	200
Prepaid Commission Received $(1/6 * 1,800)$	300

1.3**BAD DEBT, BAD DEBTS RECOVERED & ALLOWANCE FOR DOUBTFUL DEBTS****a) Bad Debt**

- ❖ Debts which are unable to collect.
- ❖ Reasons why bad debts happened:
 - The debtor was passed away
 - The debtor was declared bankruptcy
 - The debtor was unable to find (runaway)
 - The debtor was mentally incapacitated
- ❖ Bad debts written off is an expense.

Journal Entries	
When the bad debts are written off	Dr. Bad Debts account Cr. Debtor's account
To transfer the bad debts to SOCI	Dr. Statement of Comp. Income Cr. Bad Debts account

Example 1.3.1:

Redzuan, a customer on credit, cannot afford to settle his debt of RM 3,800 on 4 July 2020. His debt is written off as a bad debt in the year ending 31 December 2020.

Answer (Example 1.3.1):**Journal entries:**

Date	Details	Dr (RM)	Cr (RM)
4 July	Dr. Bad Debts Cr. Debtors	3,800	3,800
31 Dec	Dr. Statement of Comprehensive Income Cr. Bad Debts	3,800	3,800

b) Bad Debts Recovered

- ❖ Repayment from the debtors who is previously recognized as bad debts.
- ❖ An income for the company.

Journal Entries	
Reopen the debtors account to record the bad debts recovered	Dr. Debtors Cr. Bad debts recovered
Record the amount received from the debtors	Dr. Cash / Bank Cr. Debtors
Transfer the bad debts recovered to the SOCI	Dr. Bad debts recovered Cr. Statement of Comp. Income

Example 1.3.2:

On 31 May 2020, Hashim who had disappeared, suddenly reappears and settles his debts of RM 900 which had been written off on 18 October 2019.

Answer (Example 1.3.2):**Journal entries:**

Date	Details	Dr (RM)	Cr (RM)
31 May	Dr. Debtors Cr. Bad debts recovered account	900	900
31 May	Dr. Cash / Bank Cr. Debtors	900	900
31 May	Dr. Bad debts recovered Cr. Statement of Comp. Income	900	900

c) **Allowance for Doubtful Debts (ADD)**

- ❖ A provision made on the total debtors where part of the debts is uncollectible.
- ❖ Consists of a loss @ an expenses incurred in the company.
- ❖ Allowance for doubtful debts = % x (Debtors – Bad debts written off).

Journal Entries	
<ul style="list-style-type: none"> When the allowance for doubtful debts is created for the first time (with the amount created) 	Dr. Statement of Comp. Income Cr. Allowance for doubtful debts
<ul style="list-style-type: none"> To increase the allowance for doubtful debts that had been created before (with the increase in amount) 	Dr. Statement of Comp. Income Cr. Allowance for doubtful debts
<ul style="list-style-type: none"> To reduce the allowance for doubtful debts that had been created before (with the decrease in amount) 	Dr. Allowance for doubtful debts Cr. Statement of Comp. Income

Statement of Financial Position as at xxxx (Extract)		
Current assets	RM	RM
Debtors	XX	
(-) Allowance for doubtful debts	<u>(XX)</u>	XX

Example 1.3.3:

Trial Balance		
	RM	RM
Debtors	5,000	
Bad Debts	800	
Bad Debts Recovery		500

Additional Information :

- i) Bad debts RM 200.
- ii) Provision for Doubtful Debts 5%.
- iii) Bad debts recovery RM 150.

You are required to prepare:

- a) Statement of Comprehensive Income
- b) Statement of Financial Position.

Answer (Example 1.3.3):**a) Statement of Comprehensive Income**

Statement of Comprehensive Income	
Revenues:	RM
Bad Debts Recovery $(500 + 150)$	650
(-) Expenses:	
Bad Debts $(800 + 200)$	1,000
PDD $[5\% \times (5,000 - 200)]$ (new PDD)	240

b) Statement of Financial Position

Statement of Financial Position		
Current Assets:	RM	RM
Debtors $(5,000 - 200)$	4,800	
(-) PDD $[5\% \times (5,000 - 200)]$	<u>(240)</u>	4,560

Example 1.3.4:

Trial Balance		
	RM	RM
Debtors	5,000	
Bad Debts	500	
Provision for doubtful debts		200

Additional Information :

- i) Bad debts RM 300.
- ii) Provision for Doubtful Debts 5%.

You are required to prepare:

- a) Statement of Comprehensive Income
- b) Statement of Financial Position.

Answer (Example 1.3.4):**a) Statement of Comprehensive Income**

Statement of Comprehensive Income	
Expenses:	RM
Bad Debts (500 + 300)	800
PDD $[5\% \times (5,000 - 300)] = 235$; (235 - 200) (increase in PDD)	35

b) Statement of Financial Position

Statement of Financial Position		
Current Assets:	RM	RM
Debtors (5,000 - 300)	4,700	
(-) PDD $[5\% \times (5,000 - 300)] = 235$	<u>(235)</u>	4,465

Example 1.3.5:

Trial Balance		
	RM	RM
Debtors	5,000	
Provision for Doubtful Debts		300

Additional Information :

- i) Bad debts RM 200.
- ii) Provision for Doubtful Debts 5%.

You are required to prepare:

- a) Statement of Comprehensive Income
- b) Statement of Financial Position.

Answer (Example 1.3.5):**a) Statement of Comprehensive Income**

Statement of Comprehensive Income	
Revenues:	RM
PDD $[5\% \times (5,000 - 200)] = 240$; $(300 - 240)$ (decrease in PDD)	60
Expenses:	
Bad Debts	200

b) Statement of Financial Position

Statement of Financial Position		
Current Assets:	RM	RM
Debtors $(5,000 - 200)$	4,800	
(-) PDD $[5\% \times (5,000 - 200)] = 240$	<u>(240)</u>	4,560

1.4**DEPRECIATION OF PLANT, PROPERTY AND EQUIPMENT****a) Depreciation**

- ❖ Process of allocating the cost of a plant asset over its useful life in a systematic and rational manner.

b) Accumulated Depreciation

The sum of depreciation expense of the plant asset.

Adjusting Entries:	
Dr.	Depreciation Expenses account
Cr.	Provision for Depreciation account
Dr.	Statement of Comprehensive Income
Cr.	Depreciation Expenses account

2 Methods:**i) Straight Line Method (at cost)**

$$= \frac{\text{Cost of Assets} - \text{Salvage Value}}{\text{Useful Life}} @$$

$$= \% \text{ Provision for Depreciation} \times \text{Cost of Assets}$$

ii) Reducing Balance Method (at book value)

$$= \% \text{ Provision for Depreciation} \times \text{Net Book Value of Asset}$$

- Net Book Value = Cost of Assets – Accumulated Depreciation

Example 1.4.1:

On December 1, 2020, F&F & Co. purchased equipment for RM 26,000 by cash. The equipment has an estimated useful life of 4 years and expects to sell the equipment at the end of its life for RM 8,000 cash.

$$\text{Depreciation Expenses} = \frac{\text{RM } 26,000 - \text{RM } 8,000}{4 \text{ years}} = \text{RM } 4,500$$

You are required to prepare:

- General Journal
- Statement of Comprehensive Income
- Statement of Financial Position.

Answer (Example 1.4.1):**a) General Journal**

Dr.	Depreciation Expenses	RM 4,500	
	Cr.	Provision for Depreciation	RM 4,500

b) Statement of Comprehensive Income

Statement of Comprehensive Income	
Expenses:	RM
Depreciation Expenses – Equipment	4,500

c) Statement of Comprehensive Income

Statement of Financial Position	
Fixed Assets:	RM
Equipment	26,000
(-) Provision for Depreciation	<u>(4,500)</u>
	21,500

Example 1.4.2:

Trial Balance		
	RM	RM
Vehicle	80,000	
Provision for Depreciation – Vehicle		5,000
Furniture	50,000	
Provision for Depreciation – Furniture		10,000

Additional Information :

- i) Provision of depreciation Vehicle 10 % per annum **at cost**.
- ii) Provision of depreciation Furniture 10 % per annum **at book value**.

You are required to prepare:

- a) Statement of Comprehensive Income
- b) Statement of Financial Position.

Answer (Example 1.4.2):**a) Statement of Comprehensive Income**

Statement of Comprehensive Income	
Expenses:	RM
Depreciation – Vehicle $(10\% \times \text{RM } 80,000)$	8,000
Depreciation – Furniture $(10\% \times (\text{RM } 50,000 - \text{RM } 10,000))$	<u>4,000</u>
	12,000

b) Statement of Financial Position

Statement of Financial Position		
Fixed Assets:	RM	RM
Vehicle	80,000	
(-) Provision for Depreciation $(5,000 + 8,000)$	<u>(13,000)</u>	67,000
	50,000	

(-) Provision for Depreciation $(10,000 + 4,000)$	<u>(14,000)</u>	<u>36,000</u>
		103,000

1.5**REVENUE EXPENDITURE AND CAPITAL EXPENDITURE**

Revenue Expenditure	Capital Expenditure
<ul style="list-style-type: none"> • Payment for acquisition of current assets which for the purpose of resale in coming period. 	<ul style="list-style-type: none"> • Payment made for acquisition of assets for several years of useful lives.
<ul style="list-style-type: none"> • Examples: purchases of current assets, paid salary, rent, depreciation of equipment. 	<ul style="list-style-type: none"> • Examples: acquisition of machinery, renovation on the premises, installation cost of plant & machinery
<ul style="list-style-type: none"> • Will be recognized into statement of comprehensive income as expenses. 	<ul style="list-style-type: none"> • Cost of assets will be providing depreciation according to its useful lives.
<ul style="list-style-type: none"> • Only use in once because it does not have any value after been used. 	<ul style="list-style-type: none"> • Can be continuously usage of the non-current assets for more than 1 accounting period.



"The difference between ordinary and extraordinary is that little extra"

1.6**TYPES AND IMPORTANCE OF FINANCIAL REPORTING IN THE BUSINESS: MFRS 101 (MPERS: SECTION 3) - PRESENTATION OF**

MFRS 101 (Presentation of Financial Statements) – prescribes the basis for presentation of general-purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

MPERS: Section 3 (Financial Statement Presentation) – explains fair presentation of financial statements, what compliance with the MPERS requires, and what is a complete set of financial statements.

Fair Presentation

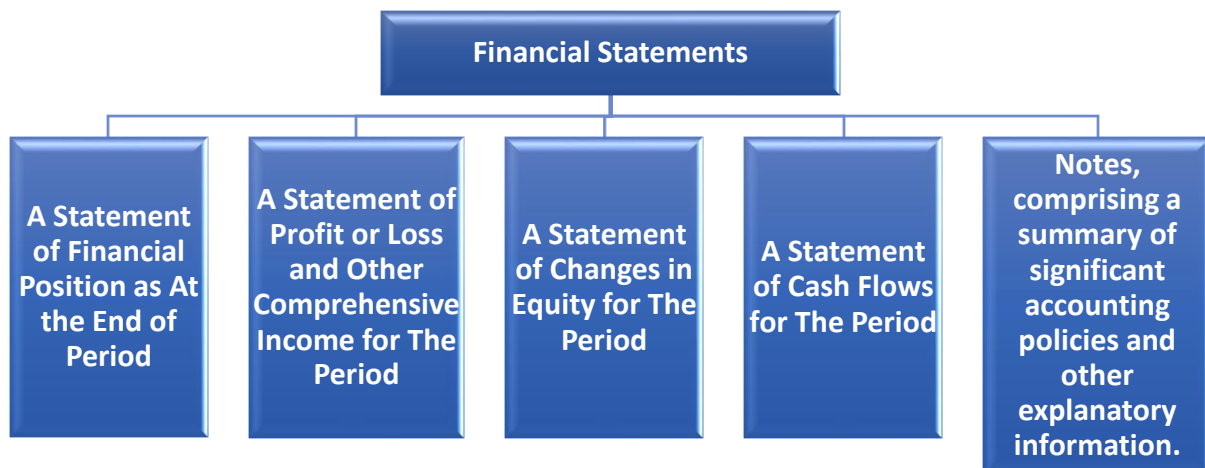
- 3.1 Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses.

Compliance with the MPERS

- 3.3 An entity whose financial statements comply with the MPERS shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with the MPERS unless they comply with all the requirements of this Standard.

Objective of Financial Statements:

- a) To provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions.
- b) Show the results of the management's stewardship of the resources entrusted to it.

A Complete Set of Financial Statements Comprises (MFRS 101):**a) A Statement of Financial Position as at the End of Period**

- ❖ It reports the assets belonging to the company, its liabilities and owners' equity of a business at year end.
- ❖ It is a requirement by the standards to present comparative data, balances of all assets, liabilities and equities for the current year and the year before.
- ❖ **Assets:** any property or anything of value belongs to the company.
- ❖ **Liability:** a debt or payable.
- ❖ **Equity:** the value that remains after having deducted the liabilities from the assets.
- ❖ The statement is prepared to ensure that the total asset of the business equals the total liabilities and the owner's equity of the business.
- ❖ Show that the accounting equation is in balance.
- ❖ **Assets = Liabilities + Equity.**

Purposes:

Enables users to assess the financial health of the entity.

Identified the underlying trends in the financial position of the entity

Users can identify potential problems, predict the amount, timing, and volatility of the entity's future earnings.

❖ Classifications of Statement of Financial Position:



- i) **Non-Current Assets** – Tangible assets which have a useful life of more than one year. Examples:
 - Land and buildings
 - Machinery
 - Fixtures and Fittings
 - Office Equipment
 - Motor Vehicles

- ii) **Currents Assets** – Cash or other resources that are reasonable expected to be realized in cash or sold / consumed in the business within one year. Examples:
 - Inventory / stock
 - Account receivables (debtors)
 - Prepayment expenses
 - Cash in hand
 - Cash at bank
 - Accrued revenues

- iii) **Non-Current Liabilities** – obligations or debts that are expected to be paid after one year. Examples:
 - Long term loan
 - Mortgage
 - Debentures

- iv) **Current Liabilities** – obligations or debts that are expected to be repaid within a year. Examples:
 - Account payables (creditors)

- Short term loan
- Accrued expenses
- Unearned revenues
- Bank overdraft

v) **Owner's Equity**

- Capital
- Drawings

b) **A Statement of Profit or Loss and Other Comprehensive Income for The Period**

- ❖ Shows the financial performance of the company.
- ❖ Net profit earned or loss obtained.
- ❖ SOCI presents the revenues and expenses and resulting net profit or net loss of a business for a specific period.
- ❖ **Revenues – Expenses = Net Profit / Net Loss**
- ❖ The revenues which earned by the company from its operation throughout the year.
- ❖ The expenses or loss involved.
- ❖ This statement has two sections showing these items:
 - Profit or loss
 - Total other comprehensive income
- ❖ Other comprehensive income discloses all gains or losses that are not qualified to be presented in the profit or loss section and are of non-owners' equity in nature.

Purposes:

Provide users with the basis for measuring an entity's performance over a financial accounting period.

Enables users to assess the financial health of the entity.

Identified the underlying trends in the financial position of the entity.

Users can identify potential problems, predict the amount, timing, and volatility of the entity's future earnings.

c) A Statement of Changes in Equity for the Period

- ❖ All items that should be shown are only of owners' equity in nature.
- ❖ Reflects all changes in the owner's equity between the beginning and the end of the reporting period, arising from transactions between the business entity and the owner, and the transfer of profit or loss to indicate the increase or decrease in the value of the owner investment in the business.
- ❖ It also represents the total amount of income and expenses including gains and losses generated by the activities in the entity during the period.

Purposes:

Provide users with the basis for measuring an entity's performance over a financial accounting period.

Enables users to assess the financial health of the entity.

Identified the underlying trends in the financial position of the entity.

Users can identify potential problems, predict the amount, timing, and volatility of the entity's future earnings.

d) A Statement of Cash Flows for the Period

- ❖ Reports the business's cash transactions through a particular accounting period. It's reflecting a business's liquidity from its operating, investment and financing activities and is therefore helpful in determining the short-term business's ability to pay bills, payroll, and other intermediate expenses.
- ❖ Show how the opening balance of cash and cash equivalents at the end of an accounting period.

Purposes:

Provides the basis for users to assess the ability of an entity to generate cash and cash equivalents and the needs of the entity to utilize them.

Provides information that enables users to evaluate the changes in net assets of the entity.

Identity about the entity's liquidity and solvency which are important for the entity to survive and grow.

Useful guide for investors, lenders or creditors who want to judge a company's financial stability and ability to repay debts soon.

Help users in making economic decisions.

e) Notes, comprising a summary of significant accounting policies and other explanatory information.

- ❖ MFRS 101 requires that notes to financial statements of an entity should serve these THREE (3) main functions:
 - (a) Present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117 – 124.

- (b) Disclose the information required by MFRSs that is not presented elsewhere in the financial statements; and
 - (c) Provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.
- ❖ An entity shall present notes in a systematic manner. An entity shall cross-reference each item in the statements of financial position and of comprehensive income, in the separate income statement (if presented), and in the statements of changes in equity and of cash flows to any related information in the notes.
- ❖ An entity normally presents notes in the following order, to assist users to understand the financial statements and to compare them with financial statements of other entities:
 - (a) Statement of compliance with MFRS (see paragraph 16).
 - (b) Summary of significant accounting policies applied (see paragraph 117).
 - (c) Supporting information for items presented in the statements of financial position and of comprehensive income, in the separate income statement (if presented), and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and
 - (d) Other disclosures, including:
 - (i) Contingent liabilities (see MFRS 137) and unrecognized contractual commitments, and
 - (ii) Non-financial disclosures, e.g., the entity's financial risk management objectives and policies (see MFRS 7).
- ❖ An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

1.7 FORMAT OF FINANCIAL STATEMENTS

a) Statement of Comprehensive Income

Business Name			
Statement of Comprehensive Income for the year ended XX-XX-XXXX			
	RM	RM	RM
Sales			X
(-) Return inwards (Sales return)			(X)
			<u>X</u>
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening inventory / stocks		X	
Purchases	X		
(-) Return outwards (Purchases return)	(X)		
	<u>X</u>		
(+) Import duties	X		
Insurance on purchases	X		
Freight inwards (Carriage inwards)	X	X	
	<u>X</u>	<u>X</u>	
Cost of goods available for sale		X	
(-) Closing inventory / stocks		(X)	
COGS		<u>(X)</u>	
Gross Profit / (Gross Loss)			<u>X</u>
<u>(+) Revenues</u>			
Discount received		X	
Interest received		X	
Commission received		X	
Rent received		X	X
		<u>X</u>	<u>X</u>
<u>(-) Expenses</u>			
Rent		X	
Salaries		X	
Freight outwards / Carriage outwards		X	
Water & Electrical bill		X	
General expenses		X	
Discount allowed		X	
Advertising		X	
Insurances		X	
Transportation expenses		X	(X)
Net Profit / (Net Loss)			<u><u>XX</u></u>

b) Statement of Financial Position

Business Name		
Statement of Financial Position as at XX-XX-XXXX		
	RM	RM
<u>Fixed Assets</u>		
Land	X	
Premises / Building	X	
Machine	X	
Office equipment	X	
Motor vehicle	X	
Furniture	X	
Fixtures & Fittings	X	X
<u>Current Assets</u>		
Closing inventory / stocks	X	
Debtors	X	
Bank	X	
Cash	X	X
		XX
<u>Owner's Equity</u>		
Capital	X	
(+) Net profit / (-) Net loss	X	
(-) Drawings	(X)	X
<u>Long Term Liabilities</u>		
Mortgage	X	
Loan	X	X
<u>Current Liabilities</u>		
Bank overdraft	X	
Creditors	X	X
		XX

Business Name			
Statement of Financial Position as at XX-XX-XXXX			
	RM	RM	RM
<u>Fixed Assets</u>			
Land		X	
Premises / Building		X	
Machine		X	
Office equipment		X	
Motor vehicle		X	
Furniture		X	
Fixtures & Fittings		X	X
<u>Current Assets</u>			
Closing inventory / stocks	X		
Debtors	X		
Bank	X		
Cash	X	X	
<u>(-) Current Liabilities</u>			
Bank overdraft	X		
Creditors	X	(X)	
Working Capital			X
			XX
<u>Owner's Equity</u>			
Capital		X	
(+) Net profit / (-) Net loss		X	
(-) Drawings		(X)	X
<u>Long Term Liabilities</u>			
Mortgage		X	
Loan		X	X
			XX

1.8**PREPARING THE FINANCIAL STATEMENTS WITH ADJUSTMENTS****a) Statement of Comprehensive Income**

- ❖ Accruals will be added to the expenses and revenues accounts, thus have the effect of increasing their balance.
- ❖ Prepayments are deducted from the expenses and revenues accounts, thus reduce their balance.

Business Name**Statement of Comprehensive Income for the year XX-XX-XXXX (Extract)**

	RM	RM
Gross Profit / (Gross Loss)		X
<u>(+) Revenues</u>		
Discount received	X	
Interest received	X	
Commission received	X	
Rent received	X	
Bad debts recovered	X	
Allowance for doubtful debts	X	X
		X
<u>(-) Expenses</u>		
Rent	X	
Salaries	X	
Discount allowed	X	
Insurances	X	
Bad debts	X	
Depreciation – Furniture	X	
Depreciation – Motor vehicle	X	(X)
Net Profit / (Net Loss)		XX

b) Statement of Financial Position

- ❖ Accruals and prepayments will be shown under current assets and current liabilities.

Business Name			
Statement of Financial Position as at XX-XX-XXXX (Extract)			
	RM	RM	RM
<u>Fixed Assets</u>			
Machine	X		
(-) Accumulated depreciation	(X)	X	
Office equipment	X		
(-) Accumulated depreciation	(X)	X	
Furniture	X		
(-) Accumulated depreciation	(X)	X	X
<u>Current Assets</u>			
Debtors	X		
(-) Allowance for doubtful debts	(X)	X	
Prepaid expenses		X	
Accrued revenues		X	X
			XX
<u>Current Liabilities</u>			
Accrued expenses		X	
Unearned revenues		X	X
<u>Owner's Equity</u>			
Capital		X	
(+) Net profit / (-) Net loss		X	
(-) Drawings		(X)	X
<u>Long Term Liabilities</u>			
Mortgage		X	
Loan		X	X
			XX

Example 1.8.1:

The following is a list of balances extracted from the book of Perdana Trading as at 31 December 2020.

Accounts	Debit (RM)	Credit (RM)
Purchases & Sales	58,000	81,000
Returns	360	225
Capital (1 January 2018)		80,000
Debtors & Creditors	35,000	40,000
Cash	34,000	
Bank		22,000
Drawings	2,000	
Discounts	850	910
Insurance on purchases	880	
Carriage inwards	970	
Carriage outwards	1,400	
Import Duty	2,200	
Salary	15,000	
Commission received		6,200
Furniture	32,000	
Vehicle	80,000	
Inventories (1 January 2020)	4,200	
Loan		35,000
General expenses	1,840	
Rent	1,300	
Interest		4,665
Total	250,000	250,000

Inventories as at 31 December 2020 is RM 6,600.

You are required to prepare:

- Statement of Comprehensive Income for the year ended 31 December 2020.
- Statement of Financial Position as at 31 December 2020.
- Statement of Financial Position as at 31 December 2020 and show Working Capital.

Answer (Example 1.8.1):**a) Statement of Comprehensive Income**

Perdana Trading			
Statement of Comprehensive Income for the year ended 31 December 2020			
	RM	RM	RM
Sales			81,000
(-) Return inwards (Sales return)			(360)
			80,640
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening inventories		4,200	
Purchases	58,000		
(-) Return outwards (Purchases return)	(225)		
	<u>57,775</u>		
(+) Import duties	2,200		
Insurance on purchases	880		
Freight inwards (Carriage inwards)	970	61,825	
		<u>66,025</u>	
Cost of goods available for sale			
(-) Closing inventories		(6,600)	
COGS			<u>(59,425)</u>
Gross Profit / (Gross Loss)			21,215
<u>(+) Revenues</u>			
Discount received		910	
Interest received		4,665	
Commission received		6,200	11,775
			<u>32,990</u>

(-) Expenses

Rent	1,300	
Salaries	15,000	
Freight outwards / Carriage outwards	1,400	
General expenses	1,840	
Discount allowed	850	(20,390)
Net Profit		12,600

b) Statement of Financial Position**Perdana Trading****Statement of Financial Position as at 31 December 2020**

	RM	RM
<u>Fixed Assets</u>		
Motor vehicle	80,000	
Furniture	32,000	112,000
<u>Current Assets</u>		
Closing inventories	6,600	
Debtors	35,000	
Cash	34,000	75,600
		187,600
<u>Owner's Equity</u>		
Capital	80,000	
(+) Net profit	12,600	
(-) Drawings	(2,000)	90,600
<u>Long Term Liabilities</u>		
Loan		35,000
<u>Current Liabilities</u>		
Bank overdraft	22,000	
Creditors	40,000	62,000
		187,600

c) **Statement of Financial Position (*show Working Capital*)**

Perdana Trading			
Statement of Financial Position as at 31 December 2020			
		RM	RM
<u>Fixed Assets</u>			
Motor vehicle		80,000	
Furniture		32,000	112,000
<u>Current Assets</u>			
Closing inventories	6,600		
Debtors	35,000		
Cash	34,000	75,600	
<u>(-) Current Liabilities</u>			
Bank overdraft	22,000		
Creditors	40,000	(62,000)	
Working Capital			13,600
			125,600
<u>Owner's Equity</u>			
Capital		80,000	
(+) Net profit		12,600	
(-) Drawings		(2,000)	90,600
<u>Long Term Liabilities</u>			
Loan			35,000
			125,600

Example 1.8.2:

The following Trial Balance is extracted from the books of Sofea Enterprise as at 30 June 2021.

Sofea Enterprise
Trial Balance as at 30 June 2021

Particulars	Debit (RM)	Credit (RM)
Capital		155,000
Building	100,000	
Office equipment	45,000	
Provision for depreciation – Office equipment		5,000
Bank	35,000	
Purchases and Sales	94,200	159,000
Return inwards and Return outwards	5,400	3,500
Bad debts	5,500	
Opening stocks – 1 July 2014	45,000	
Carriage outwards	7,000	
Insurance	6,000	
Salary	33,000	
Loan		60,000
Debtors and Creditors	44,000	52,000
Allowance for doubtful debts		4,000
Discount allowed & Discount received	2,400	1,500
Motor expenses	2,500	
Cash	15,000	
Total	440,000	440,000

Additional Information:

- i) Stock as at 30 June 2021 is RM 23,000.
- ii) Insurance is paid in advance of RM 1,250.
- iii) The outstanding salary which amounted to RM 2,000.

- iv) Allowance for doubtful debt needs to be adjusted at 10%.
- v) Depreciation needs to be created for building at 10 % on cost and for office equipment at 5 % on book value.

You are required to prepare:

- a) Statement of Comprehensive Income for the year ended 30 June 2021.
- b) Statement of Financial Position as at 30 June 2021.

Answer (Example 1.8.2):

a) Statement of Comprehensive Income

Sofea Enterprise			
Statement of Comprehensive Income for the year ended 30 June 2021			
	RM	RM	RM
Sales			159,000
(-) Return inwards			(5,400)
			1,300,000
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening stocks		45,000	
Purchases	94,200		
(-) Return outwards	(3,500)		
		90,700	
Cost of goods available for sale		135,700	
(-) Closing stocks		(23,000)	
COGS			(112,700)
Gross Profit / (Gross Loss)			40,900
<u>(+) Revenues</u>			
Discount received			1,500
			42,400

(-) Expenses

Bad debts	5,500	
Carriage outwards	7,000	
Insurance (6,000 – 1,250)	4,750	
Salary (33,000 + 2,000)	35,000	
Depreciation – Building (10% x 100,000)	10,000	
Depreciation – Office equipment [5% x (45,000 – 5,000)]	2,000	
Allowance for Doubtful Debts (ADD) (10% x 44,000 = 4,400); (4,400 – 4,000)	400	
Motor expenses	2,500	
Discount allowed	2,400	(69,550)
(Net Loss)		(27,150)

b) Statement of Financial Position**Sofea Enterprise****Statement of Financial Position as at 30 June 2021**

	RM	RM	RM
<u>Fixed Assets</u>			
Building		100,000	
(-) Provision for depreciation		(10,000)	90,000
Office equipment		45,000	
(-) Provision for depreciation (2,000 + 7,000)		(7,000)	138,000
			128,000
<u>Current Assets</u>			
Closing stocks		23,000	
Debtors	44,000		
(-) ADD (10% x 44,000)	(4,400)	39,600	
Bank		35,000	

Cash	15,000	
Prepaid insurance	1,250	113,850
		<hr/>
		241,850
		<hr/>
<u>Owner's Equity</u>		
Capital	155,000	
(-) Net loss	(27,150)	127,850
	<hr/>	
<u>Long Term Liabilities</u>		
Loan		60,000
		<hr/>
<u>Current Liabilities</u>		
Creditors	52,000	
Accrued salary	2,000	54,000
	<hr/>	
		241,850
		<hr/>

TUTORIAL EXERCISES

Question 1

What are the differences in the Accrual Basis and the Cash Basis of accounting?

Accrual Basis Accounting	Cash Basis Accounting
•	•
•	•
•	•

Question 2

Show the adjusting entry for Accrual and Prepayments Accounts in Statement of Financial Position. Tick (/) the correct answer.

Adjusting Entry	Current Assets	Current Liabilities
Prepaid Expenses		
Accrued Expenses		
Prepaid Revenues		
Accrued Revenues		

Question 3

Choose the appropriate answer below.

Accrual Basis Accounting	Expenses incurred but not yet paid in cash or recorded.
Cash Basis Accounting	Revenues received in cash and recorded as liabilities before they are earned.
Prepaid Expenses	Records the impact of a business event as it occurs.
Prepaid Revenues	Records only transactions in which cash is received or paid.
Accrued Revenues	Revenues earned but not yet received in cash or recorded.
Accrued Expenses	Expenses paid in cash and recorded as assets until they are used or consumed.

Question 4

The following information is obtained from the book of Sentosa Enterprise for the year ended 31 December 2020.

Particulars	RM
Salaries	10,000
Wages	20,000
Rent Received	6,600
Commission Received	2,000
Interest on Investment	6,000

Additional Information:

- i) Salaries amounting to RM 2,000 are outstanding.
- ii) Wages include RM 1,500 paid in advance.
- iii) Interest on Investment include RM 1,200 for the months of January, February and March, 2016.
- iv) Rent for the month of December amounting to RM 600 is not yet received.

You are required to:

- a) Show the relevant entries in the Statement of Comprehensive Income.
- b) Show the relevant entries in the Financial Position.

Question 5

What are bad debts expenses?

Give adjusting entry required to write off a bad debt.

Question 6

What is bad debts recovery?

Question 7

Extract form Trial balance of Haliza Company at 31 December 2020.

	Debit (RM)	Credit (RM)
Debtors	35,000	
Bad Debts	450	
Cash	4,200	

Additional information:

- i) Haliza Company has been informed that debtors include a bad debt of RM 300.
- ii) Bad debts recovery of RM 650 was received by cash.

You are required to:

- a) Show the relevant entries in the Statement of Comprehensive Income.
- b) Show the relevant entries in the Financial Position.

Question 8

Extract form Trial balance of Azlan Company at 31 December 2020.

	Debit (RM)	Credit (RM)
Debtors	60,000	
Bad Debts	1,250	
Bad Debts Recovery		750

Additional information:

- i) Debtors include a certain bad debt of RM 800.
- ii) Azlan Company wants to create a provision for doubtful debts 10% of debtors.
- iii) Bad debts of RM 340 were recovered.

You are required to:

- a) Show the relevant entries in the Statement of Comprehensive Income.
- b) Show the relevant entries in the Financial Position.

Question 9

Extract form Trial balance of Teratak Bonda at 31 December 2020.

	Debit (RM)	Credit (RM)
Debtors	80,000	
Bad Debts	4,000	
Provision for Doubtful Debts		5,920

Additional information:

- i) Teratak Bonda wants to create a provision for doubtful debts 10% of debtors.

You are required to:

- a) Show the relevant entries in the Statement of Comprehensive Income.
- b) Show the relevant entries in the Financial Position.

Question 10

Extract form Trial balance of Gemersik Company at 31 December 2020.

	Debit (RM)	Credit (RM)
Debtors	47,000	
Bad Debts	1,200	
Provision for Doubtful Debts		8,000

Additional information:

- i) Debtors include a certain bad debt of RM 850.
- ii) Gemersik Company wants to create a provision for doubtful debts is 10% of debtors.

You are required to:

- a) Show the relevant entries in the Statement of Comprehensive Income.
- b) Show the relevant entries in the Financial Position.

Question 11

Explain the concept of depreciation expenses.

Question 12

Give **TWO (2)** types of depreciation methods:

Question 13

This is an extract from Jamal Company on 31 December 2020.

	Debit (RM)	Credit (RM)
Equipment at cost	60,000	
Building at cost	200,000	

Additional information:

- i) Depreciation for equipment – 20% using reducing balance.
- ii) Depreciation for building – 10% on cost.

You are required to:

- a) Show the relevant expenses in the Statement of Comprehensive Income.
- b) Show the relevant fixed assets in the Financial Position.

Question 14

The following are an extract from trial balance of Billion Company on 31 December 2020.

	Debit (RM)	Credit (RM)
Equipment at cost	60,000	
Building at cost	200,000	
Accumulated Depreciation: Equipment		12,000
Building		20,000

Additional information:

- i) Depreciation for equipment – 20% using reducing balance.
- ii) Depreciation for building – 10% on cost.

You are required to:

- a) Show the relevant expenses in the Statement of Comprehensive Income.
- b) Show the relevant fixed assets in the Financial Position.

Question 15

The following are an extract from trial balance of Sweet 18 Company on 31 December 2020.

Accounts	Debit (RM)	Credit (RM)
Rent	13,000	
Furniture	30,000	
Provision for Depreciation - Furniture		4,000
Salary	18,000	
Service Revenues		14,000

Adjustment's data:

- i) Accrued service revenue RM 2,000.
- ii) Prepaid rent RM 3,000.
- iii) Depreciation on furniture using straight line method. The estimated useful life of the furniture is 6 years.
- iv) Accrued salary expenses RM 5,000.

You are required to:

- a) Journalize the adjusting entries.
- b) Prepare the Statement of Comprehensive Income and Statement of Financial Position.

Question 16

Complete the equation below.

1. Sales – Returned Inwards = _____
2. Purchases – Returned Outwards = _____
3. _____ + _____ = Cost of Goods Available for Sales
4. _____ – Closing Inventories = Cost of Goods Sold
5. Gross Profits = _____ – _____

6. Net Profits = _____ + _____ – _____
7. Closing capital = _____ + Net profits / – Net Loss – Drawing (if any)
8. Working capital = _____ – _____

Question 17

Calculate the Gross Profit or Gross Loss of each the following:

No.	Cost of Goods Sold	Sales	Gross Profit / (Gross Loss)
1.	RM 115,240	RM 254,100	
2.	RM 21,400	RM 17,500	
3.	RM 87,020	RM 62,800	
4.	RM 104,300	RM 170,000	
5.	RM 245,900	RM 302,500	
6.	RM 69,320	RM 81,460	
7.	RM 201,220	RM 184,600	
8.	RM 54,775	RM 64,120	

Question 18

The following Trial Balance is extracted from the books of Infiniti Enterprise as at 31 December 2020.

Infiniti Enterprise
Trial Balance as at 31 December 2020

Accounts	Debit (RM)	Credit (RM)
Capital		155,000
Return inwards & Return outwards	5,400	3,400
Salary	33,055	

Debtors & Creditors	44,000	52,000
Cash	9,500	
Carriage outwards	3,000	
Building	100,000	
Opening stocks	45,690	
Loan		60,000
Discount allowed & Discount received	2,330	5,430
Office equipment	45,000	
Bank	35,000	
Purchases & Sales	96,000	159,350
Carriage inwards	5,000	
Insurance	10,500	
Motor expenses	705	
Total	435,180	435,180

Stocks as at 31 December 2020 is RM 23,000.

You are required to prepare:

- Statement of Comprehensive Income for the year ended 31 December 2020.
- Statement of Financial Position as at 31 December 2020.

Question 19

Saliha opened a business. Below is the information about trial balance as at 31 December 2020.

Saliha Enterprise

Trial Balance as at 31 December 2020

Accounts	Debit (RM)	Credit (RM)
Cash	5,100	
Debtors	11,000	
Inventories (1 January 2020)	32,000	

Fixtures & Fittings	7,300	
Furniture & Equipment	120,000	
Creditors		34,000
Capital		60,000
Dividend		46,000
Sales		283,600
Returns inwards	1,300	
Discount allowed	2,600	
Purchased	173,000	
Returns outwards		2,400
Discount received		3,200
Carriage inwards	3,600	
Salary	42,000	
Rent	23,000	
Advertising	4,500	
Insurance	4,800	
Import duty	2,000	
Interest		3,000
Total	432,200	432,200

Inventories at 31 December 2020 was valued at RM 27,000.

You are required to prepare:

- Statement of Comprehensive Income for the year ended 31 December 2020.
- Statement of Financial Position as at 31 December 2020.

Question 20

You are employed by Nur Sinar & Co. as an accountant. One of the firm's bookkeepers has extracted the trial balance below:

Nur Sinar & Co.
Trial Balance as at 30 June 2021

Item	Debit (RM)	Credit (RM)
Cash	1,300	
Bank	8,500	
Inventory at 1 July 2020	47,600	
Motor vehicles	32,000	
Fixtures and Fittings	34,600	
Sales		1,300,000
Purchases	960,000	
Discount received		2,700
Discount allowed	2,300	
Drawings	77,300	
Repair expenses	193,000	
Capital at 1 July 2020		140,600
Debtors and Creditors	153,000	63,400
Salary	22,500	
Loan		93,200
Rent received		15,000
Carriage inwards	12,200	
Investment	70,600	
Total	1,614,900	1,614,900

Inventory at 30 June 2021 was valued at RM 27,000.

You are required to prepare:

- a) Statement of Comprehensive Income for the year ended 30 June 2021.
- b) Statement of Financial Position as at 30 June 2021.

Question 21

The following trial balance is extracted from the books of I-Con Company on 31 December 2020.

Ezey Mart
Trial Balance as at 31 December 2020

Particulars	Debit (RM)	Credit (RM)
Capital		391,054
Vehicles	75,000	
Freehold premises at cost	360,000	
Land at cost	150,000	
General expenses	20,000	
Discounts	527	3,225
Stocks (1 January 2020)	36,200	
Cash in hand	7,500	
Bank – overdraft		52,350
Purchases & Sales	84,590	268,450
Drawings	4,400	
Debtors & Creditors	64,000	66,000
Insurance expenses	4,125	
Mortgage on premises		105,000
Investment	55,000	
Rent revenue		18,000
Wages and salaries expenses	36,000	
Carriage expenses	1,837	
Duty on purchases	1,400	
Advertising expenses	2,500	
Interest on mortgage	2,000	
Returns	500	1,500
Total	905,579	905,579

Stocks on 31 December 2020 was RM 750.

You are required to prepare:

- a) Statement of Comprehensive Income for the year ended 31 December 2020.
- b) Statement of Financial Position as at 31 December 2020.

Question 22

The following trial balance is extracted from the books of Smart Trading on 31 December 2020.

Smart Trading
Trial Balance as at 31 December 2020

Particulars	Debit (RM)	Credit (RM)
Drawings and Capital	8,700	25,470
Stocks on 1 January 2020	5,900	
Purchases and Sales	5,000	21,000
Returns	2,500	1,700
Discounts	4,000	5,250
Commission		5,600
Salaries	7,800	
Debtors and Creditors	9,000	12,500
Carriage inwards	580	
Furniture and Fittings	16,000	
Motor van	30,000	
Cash at bank	11,165	
Rent		8,800
Loan		21,000
Interest	675	
Total	101,320	101,320

Additional Information:

- i) Stocks on 31 December 2020 amounted to RM 2,750.
- ii) Unearned commission is RM 500.
- iii) Rent for the month of December amounting to RM 880 is not yet received.

- iv) Interest on loan includes RM 135 for the months of January until March 2021.
- v) Accrued salaries is RM 200.

You are required to prepare:

- a) Statement of Comprehensive Income for the year ended 31 December 2020.
- b) Statement of Financial Position as at 31 December 2020.

Question 23

Encik Khairul and Puan Dahlia opened a business. Below is Trial Balance as at 31 December 2020 for Kristal Trading.

Kristal Trading
Trial Balance as at 31 December 2020

Particulars	Debit (RM)	Credit (RM)
Cash & Capital	28,100	102,000
Opening inventories	16,000	
Purchases & Sales	195,000	250,000
Returns		7,900
Debtors & Creditors	57,000	43,000
Allowance for doubtful debts		3,600
Vehicle	100,000	
Furniture	26,000	
Bad debts recovered		1,200
Import duties	4,600	
Carriage outwards	5,200	
Salaries	14,100	
Discount allowed & Discount received	4,700	5,200
Bank loan		60,000
Bad debts	6,400	
Rent	18,900	20,600
Insurance	17,500	
Total	493,500	493,500

Additional Information:

- i) Inventories on 31 December 2020 were RM 21,500.
- ii) Accrued rent expenses RM 1,100 and prepaid insurance RM 2,500.
- iii) Discount received was accrued RM 560.
- iv) Bad debts RM 800 to be written off. Allowance for doubtful debts was 10% on net debtors.
- v) Vehicle and furniture are depreciated by 5% on cost.

You are required to prepare:

- a) Statement of Comprehensive Income for the year ended 31 December 2020.
- b) Statement of Financial Position as at 31 December 2020.

Question 24

On 30 September 2021, Pian Enterprise, owned by Miss Pina, had the following list of balances from the books of the business:

D'Zafran Trading
Trial Balance as at 30 September 2021

Particulars	Debit (RM)	Credit (RM)
Capital		309,400
Drawings	8,000	
Cash at bank	32,000	
Carriage inwards	2,000	
Carriage outwards	3,000	
Debtors & Creditors	225,000	125,000
Land & Buildings	500,000	
Insurance expenses	30,000	
Vehicle	200,000	
Provision for depreciation of vehicles		40,000
Salaries expenses	81,000	
Interest received		20,000
Water & Electricity expenses	10,000	

Purchases & Sales	345,000	800,000
Sales & Purchases returns	8,000	5,000
Mortgage		200,000
Stocks (1 October 2020)	56,000	
Allowance for doubtful debts		600
Total	1,500,000	1,500,000

Additional Information:

- i) The closing stocks of goods was estimated to be RM 50,000.
- ii) Accrued carriage outwards are RM 800. Prepaid salaries are RM 3,000.
- iii) Interest received for the month of January until December 2021.
- iv) A debtor for RM 1,000 was found to be bad. The allowance for doubtful debts was to be adjusted to 5% of outstanding debtors.
- v) Depreciation expenses for vehicles were to be calculated at 10% on cost.

You are required to prepare:

- a) Statement of Comprehensive Income for the year ended 30 September 2021.
- b) Statement of Financial Position as at 30 September 2021.

Question 25

The following Trial Balance is extracted from the books of Fantastic Enterprise as at 31 August 2021.

Fantastic Enterprise
Trial Balance as at 31 August 2021

Accounts	Debit (RM)	Credit (RM)
Cash on hand	8,000	
Cash at bank	13,000	
Debtors & Creditors	15,000	26,000
Shop premises	240,000	
Mortgage on premises		60,000
Capital		95,000

Stocks at 1 September 2020	12,000	
Purchases & Sales	300,000	600,000
Advertising expenses	9,000	
Interest on mortgage	28,000	
Insurance on premises	24,000	
Electricity expenses	16,000	
Discounts allowed & Discounts received	5,000	3,000
Salaries expenses	58,000	
General and administrative expenses	16,000	
Office equipment	28,000	
Provision depreciation – Office equipment		5,000
Furniture	17,000	
Total	789,000	789,000

The following adjustments must be made on 31 August 2021:

- i) The closing stocks was valued at RM 4,000.
- ii) General and administrative expenses of RM 3,000 were paid in advance.
- iii) Advertising expenses of RM 5,000 was not yet paid.
- iv) Discount received was accrued amounting to RM 1,000.
- v) Bad debts RM 650 to be written off. Allowance for doubtful debts was 10% on net debtors.
- vi) Depreciation for office equipment was to be calculated at 10% on book and for furniture at 10% on cost.

You are required to prepare:

- a) Statement of Comprehensive Income for the year ended 31 August 2021.
- b) Statement of Financial Position as at 31 August 2021.

ANSWERS

Question 1

What are the differences in the Accrual Basis and the Cash Basis of accounting?

Accrual Basis Accounting	Cash Basis Accounting
<ul style="list-style-type: none"> Records the impact of a business event as it occurs. 	<ul style="list-style-type: none"> Records only transactions in which cash is received or paid.
<ul style="list-style-type: none"> Revenue recorded when earned, not only when cash received. 	<ul style="list-style-type: none"> Revenue recorded only when cash received.
<ul style="list-style-type: none"> Expenses recorded when incurred, not only when cash paid. 	<ul style="list-style-type: none"> Expenses recorded only when cash paid.

Question 2

Show the adjusting entry for Accrual and Prepayments Accounts in Statement of Financial Position. Tick (/) the correct answer.

Adjusting Entry	Current Assets	Current Liabilities
Prepaid Expenses	/	
Accrued Expenses		/
Prepaid Revenues		/
Accrued Revenues	/	

Question 3

Choose the appropriate answer below.

Accrual Basis Accounting	Expenses incurred but not yet paid in cash or recorded.
Cash Basis Accounting	Revenues received in cash and recorded as liabilities before they are earned.
Prepaid Expenses	Records the impact of a business event as it occurs.
Prepaid Revenues	Records only transactions in which cash is received or paid.
Accrued Revenues	Revenues earned but not yet received in cash or recorded.
Accrued Expenses	Expenses paid in cash and recorded as assets until they are used or consumed.

Question 4**a) Statement of Comprehensive Income**

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Revenues:	RM
Rent Received $(6,600 + 600)$	7,200
Commission Received $(6,000 - 1,200)$	4,800
Commission Received	2,000
(-) Expenses:	
Salaries $(10,000 + 2,000)$	12,000
Wages $(20,000 - 1,500)$	18,500

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020	
Current Assets:	RM
Prepaid wages	1,500
Accrued Rent Received	600
Current Liabilities:	
Accrued salaries	2,000
Unearned Interest	1,200

Question**5**

Bad debts: Debts which are unable to collect.

Adjusting entry to write off a bad debt:

Journal Entries	
When the bad debts are written off	Dr. Bad Debts account Cr. Debtor's account
To transfer the bad debts to SOCI	Dr. Statement of Comp. Income Cr. Bad Debts account

Question**6**

Bad debts recovery: Repayment from the debtors who is previously recognized as bad debts.
It is an income for the company.

Question 7

a) Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Revenues:	RM
Bad debt recovery	650
(-) Expenses:	
Bad debt $(450 + 300)$	750

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020	
Current Assets:	RM
Debtors $(35,000 - 300)$	34,700
Cash $(4,200 + 650)$	4,850

Question 8

a) Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Revenues:	RM
Bad debt recovery $(750 + 340)$	1,090
(-) Expenses:	
Bad debt $(1,250 + 800)$	1,050
Doubtful debt $[10\% \times (60,000 - 800)]$	5,920

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020		
Current Assets:	RM	RM
Debtors (60,000 – 800)	59,200	
Provision doubtful debts	(5,920)	53,280

Question 9

a) Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Expenses:	RM
Bad debts	4,000
Doubtful debt $(10\% \times 80,000) = 8,000$ vs 5,920 <i>Increase RM2,080</i>	2,080

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020		
Current Assets:	RM	RM
Debtors	80,000	
Provision doubtful debts	(8,000)	72,000

Question 10

a) Statement of Comprehensive Income

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Expenses:	RM
Bad debts $(1,200 + 850)$	2,050
Doubtful debt $[(10\% \times (47,000 - 850))] = 4,615$ vs 8,000 <i>Decrease RM 2,080</i>	3,385

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020		
Current Assets:	RM	RM
Debtors	47,000	
Provision doubtful debts	(4,615)	42,385

Question 11

Depreciation expenses: Process of allocating the cost of a plant asset over its useful life in a systematic and rational manner.

Question 12

TWO (2) types of depreciation methods:

- a) Straight Line Method (at cost)
- b) Reducing Balance Method (at book value)

Question 13**a) Statement of Comprehensive Income**

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Expenses:	RM
Depreciation – Equipment ($20\% \times 60,000$)	12,000
Depreciation – Building ($10\% \times 200,000$)	20,000

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020		
Non-Current Assets:	RM	RM
Equipment	60,000	
(-) Accumulated Depreciation	(12,000)	48,000

Building	200,000	
(-) Accumulated Depreciation	(20,000)	180,000

Question 14**a) Statement of Comprehensive Income**

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Expenses:	RM
Depreciation – Equipment $[20\% \times (60,000 - 12,000)]$	9,600
Depreciation – Building $(10\% \times 200,000)$	20,000

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020		
Non-Current Assets:	RM	RM
Equipment	60,000	
(-) Accumulated Depreciation	(21,600)	38,400
Building	200,000	
(-) Accumulated Depreciation	(40,000)	160,000

Question 15**a) Statement of Comprehensive Income**

Statement of Comprehensive Income for the year ended 31 Dec 2020	
Revenue	RM
Services Revenue $(14,000 + 2,000)$	16,000
Expenses:	
Rent $(13,000 - 3,000)$	10,000

Salary (18,000 + 5,000)	23,000
Depreciation – Furniture (30,000 / 6 years)	5,000

b) Statement of Financial Position

Statement of Financial Position as at 31 Dec 2020		
Non-Current Assets:	RM	RM
Furniture	30,000	
(-) Accumulated Depreciation	(10,000)	20,000
Current Assets:		
Accrued service revenue		2,000
Prepaid rent		3,000
Current Liability:		
Accrued salary		5,000

Question 16

Complete the equation below.

1. Sales – Returned Inwards = **Net Sales**
2. Purchases – Returned Outwards = **Net Purchases**
3. **Opening Inventories** + **Purchases Expenses** = Cost of Goods Available for Sales
4. **Cost of Goods Available for Sales** – Closing Inventories = Cost of Goods Sold
5. Gross Profits = **Net Sales** – **Cost of Goods Sold**
6. Net Profits = **Gross Profit** + **Revenues** – **Expenses**
7. Closing capital = **Beginning Capital** + Net profits / – Net Loss – Drawing (if any)
8. Working capital = **Current Assets** – **Current Liabilities**

Question 17

Calculate the Gross Profit or Gross Loss of each the following:

No.	Cost of Goods Sold	Sales	Gross Profit / (Gross Loss)
1	RM 115,240	RM 254,100	RM 138,860
2.	RM 21,400	RM 17,500	– (RM 3,900)
3.	RM 87,020	RM 62,800	– (RM 24,220)
4.	RM 104,300	RM 170,000	RM 65,700
5.	RM 245,900	RM 302,500	RM 56,600
6.	RM 69,320	RM 81,460	RM 12,140
7.	RM 201,220	RM 184,600	– (RM 16,620)
8.	RM 54,775	RM 64,120	RM 9,345

Question 18**a) Statement of Comprehensive Income**

Infiniti Enterprise			
Statement of Comprehensive Income for the year ended 31 December 2020			
	RM	RM	RM
Sales			159,350
(-) Return inwards			(5,400)
			153,950
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening stocks		45,690	
Purchases	96,000		
(-) Return outwards	(3,400)		
	<u>92,600</u>		
(+) Carriage inwards	5,000	97,600	
Cost of goods available for sale		<u>143,290</u>	
(-) Closing stocks		(23,000)	
COGS			<u>(120,290)</u>
Gross Profit			33,660

(+) Revenues

Discount received		5,430
		39,090

(-) Expenses

Salary	33,055	
Discount allowed	2,330	
Insurance	10,500	
Motor expenses	705	
Carriage outwards	3,000	(49,590)
(Net Loss)		(10,500)

b) Statement of Financial Position**Infiniti Enterprise****Statement of Financial Position as at 31 December 2020**

	RM	RM
<u>Fixed Assets</u>		
Building	100,000	
Office equipment	45,000	145,000
<u>Current Assets</u>		
Closing stocks	23,000	
Cash	9,500	
Bank	35,000	
Debtors	44,000	111,500
		256,500
<u>Owner's Equity</u>		
Capital	155,000	
(-) Net loss	(10,500)	144,500
<u>Long Term Liabilities</u>		
Loan		60,000
<u>Current Liabilities</u>		
Creditors		52,000
		256,500

Question 19

a) Statement of Comprehensive Income

Saliha Enterprise

Statement of Comprehensive Income for the year ended 31 December 2020

	RM	RM	RM
Sales			283,600
(-) Returns inwards			(1,300)
			282,300
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening inventory		32,000	
Purchases	173,000		
(-) Returns outwards	(2,400)		
	170,600		
(+) Carriage inwards	3,600		
Import duty	2,000	176,200	
Cost of goods available for sale		208,200	
(-) Closing inventory		(27,000)	
COGS			(181,200)
Gross Profit			101,100
<u>(+) Revenues</u>			
Discount received		3,200	
Interest received		3,000	
Dividend received		46,000	52,200
			153,300
<u>(-) Expenses</u>			
Discount allowed		2,600	
Insurance		4,800	
Advertising		4,500	
Rent		23,000	
Salary		42,000	(76,900)
Net Profit			76,400

b) Statement of Financial Position**Saliha Enterprise****Statement of Financial Position as at 31 December 2020**

	RM	RM
<u>Fixed Assets</u>		
Fixtures and fittings	7,300	
Furniture and equipment	120,000	127,300
<u>Current Assets</u>		
Closing inventory	27,000	
Cash	5,100	
Debtors	11,000	43,100
		170,400
<u>Owner's Equity</u>		
Capital	60,000	
(+) Net profit	76,400	136,400
<u>Current Liabilities</u>		
Creditors		34,000
		170,400

Question 20
a) Statement of Comprehensive Income
Nur Sinar & Co.
Statement of Comprehensive Income for the year ended 31 December 2020

	RM	RM	RM
Sales			1,300,000
			1,300,000
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening inventory		47,600	
Purchases	960,000		
(+) Carriage inwards	12,200	972,200	
Cost of goods available for sale		1,019,800	
(-) Closing inventory		(27,000)	
COGS			(992,800)
Gross Profit / (Gross Loss)			307,200
<u>(+) Revenues</u>			
Discount received		2,700	
Rent received		15,000	17,700
			324,900
<u>(-) Expenses</u>			
Discount allowed		2,300	
Repair		19,300	
Salary		22,500	(217,800)
Net Profit			107,100

b) Statement of Financial Position**Nur Sinar & Co.****Statement of Financial Position as at 31 December 2020**

	RM	RM
<u>Fixed Assets</u>		
Motor vehicle	32,000	
Fixtures & Fittings	34,600	
Investments	70,600	137,200
<u>Current Assets</u>		
Closing inventory	27,000	
Cash	1,300	
Bank	8,500	
Debtors	153,000	789,800
		327,000
<u>Owner's Equity</u>		
Capital	140,600	
(+) Net profit	107,100	
(-) Drawings	(77,300)	170,400
<u>Long Term Liabilities</u>		
Loan		93,200
<u>Current Liabilities</u>		
Creditors		63,400
		327,000

Question 21

a) Statement of Comprehensive Income

Ezey Mart			
Statement of Comprehensive Income for the year ended 31 December 2020			
	RM	RM	RM
Sales			268,450
(-) Return inwards			(500)
			267,950
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening inventory		36,200	
Purchases	84,590		
(-) Return outwards	(1,500)		
	<u>83,090</u>		
(+) Duty on purchases	1,400	84,490	
Cost of goods available for sale		<u>120,690</u>	
(-) Closing inventory		(750)	
COGS			<u>(119,940)</u>
Gross Profit			148,010
<u>(+) Revenues</u>			
Rent revenues		18,000	
Discount received		3,225	21,225
			169,235
<u>(-) Expenses</u>			
General expenses		20,000	
Discount allowed		527	
Insurance expenses		4,125	
Wages and salaries expenses		36,000	
Carriage expenses		1,837	
Advertising expenses		2,500	
Interest on mortgage		2,000	(66,989)
Net Profit			102,246

b) Statement of Financial Position**Ezey Mart****Statement of Financial Position as at 31 December 2020**

	RM	RM
<u>Fixed Assets</u>		
Vehicles	75,000	
Freehold premises	360,000	
Land	150,000	
Investments	55,000	640,000
<u>Current Assets</u>		
Closing inventory	750	
Cash	7,500	
Debtors	64,000	72,250
		712,250
<u>Owner's Equity</u>		
Capital	391,054	
(+) Net profit	102,246	
(-) Drawings	(4,400)	488,900
<u>Long Term Liabilities</u>		
Mortgage on premises		105,000
<u>Current Liabilities</u>		
Bank overdraft	52,350	
Creditors	66,000	118,350
		712,250

Question 22

a) Statement of Comprehensive Income

Smart Trading			
Statement of Comprehensive Income for the year ended 31 December 2020			
	RM	RM	RM
Sales			21,000
(-) Sales return			(2,500)
			18,500
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening stocks		5,900	
Purchases	5,000		
(-) Purchases return	(1,700)		
	<u>3,300</u>		
(+) Carriage inwards	580	3,880	
		<u>9,780</u>	
Cost of goods available for sale			
(-) Closing inventory		(2,750)	
		<u>(7,030)</u>	
COGS			(7,030)
Gross Profit			11,470
<u>(+) Revenues</u>			
Discount received		5,250	
Commission received (5,600 – 500)		5,100	
Rent received (8,800 + 880)		9,680	20,030
			31,500
<u>(-) Expenses</u>			
Salaries (7,800 + 200)		8,000	
Interest on loan (675 – 135)		540	
Discount allowed		4,000	(12,540)
Net Profit			18,960

b) Statement of Financial Position**Smart Trading****Statement of Financial Position as at 31 December 2020**

	RM	RM
<u>Fixed Assets</u>		
Furniture and Fittings	16,000	
Motor van	30,000	46,000
<u>Current Assets</u>		
Closing inventory	2,750	
Bank	11,165	
Debtors	9,000	
Accrued rent received	880	
Prepaid interest loan	135	23,930
		69,930
<u>Owner's Equity</u>		
Capital	25,470	
(+) Net profit	18,960	
(-) Drawings	(8,700)	35,730
<u>Long Term Liabilities</u>		
Loan		21,000
<u>Current Liabilities</u>		
Creditors	12,500	
Unearned commission received	500	
Accrued salary	200	13,200
		69,930

Question 23

a) Statement of Comprehensive Income

Kristal Trading			
Statement of Comprehensive Income for the year ended 31 December 2020			
	RM	RM	RM
Sales			250,000
			250,000
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening inventories		16,000	
Purchases	195,000		
(-) Purchases return	(7,900)		
	<u>187,100</u>		
(+) Import duties	4,600	191,700	
Cost of goods available for sale		<u>207,700</u>	
(-) Closing inventory		(21,500)	
COGS			<u>(186,200)</u>
Gross Profit			63,800
<u>(+) Revenues</u>			
Bad debts recovered		1,200	
Discount received		5,760	
Rent received (5,200 + 560)		20,600	27,560
			<u>91,360</u>
<u>(-) Expenses</u>			
Bad debts (6,400 + 800)		7,200	
Allowance for doubtful debts [10% x (57,000 – 800)] = 5,620; (5,620 – 3,600)		2,020	
Carriage outwards		5,200	
Salaries		14,100	
Rent expenses (18,900 + 1,100)		20,000	
Insurance (17,500 – 2,500)		15,000	
Discount allowed		4,700	
Depreciation – Vehicle (5% x 100,000)		5,000	
Depreciation – Furniture (5% x 26,000)		1,300	(74,520)
Net Profit			<u>16,840</u>

b) Statement of Financial Position**Kristal Trading****Statement of Financial Position as at 31 December 2020**

	RM	RM	RM
<u>Fixed Assets</u>			
Vehicles	100,000		
(-) Provision for depreciation	(5,000)	95,000	
Furniture	26,000		
(-) Provision for depreciation	(1,300)	24,700	119,700
<u>Current Assets</u>			
Closing inventories		21,500	
Debtors (57,000 – 800)	56,200		
(-) ADD [10% x (57,000 – 800)]	(5,620)	50,580	
Cash		28,100	
Prepaid insurance		2,500	
Accrued discount received		560	103,240
			222,940
<u>Owner's Equity</u>			
Capital		102,000	
(+) Net profit		16,840	118,840
<u>Long Term Liabilities</u>			
Bank loan			60,000
<u>Current Liabilities</u>			
Creditors		43,000	
Accrued rent expenses		1,100	44,100
			222,940

Question 24

a) Statement of Comprehensive Income

D'Zafran Trading			
Statement of Comprehensive Income for the year ended 31 December 2018			
	RM	RM	RM
Sales			800,000
(-) Sales return			(8,000)
			<u>792,000</u>
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening stocks		56,000	
Purchases	345,000		
(-) Purchases return	(5,000)		
	<u>340,000</u>		
(+) Carriage inwards	2,000	342,000	
Cost of goods available for sale		<u>398,000</u>	
(-) Closing stocks		(50,000)	
COGS			<u>(348,000)</u>
Gross Profit			444,000
<u>(+) Revenues</u>			
Interest received (20,000/12 x 9)			<u>15,000</u>
			459,000
<u>(-) Expenses</u>			
Carriage outwards (3,000 + 800)		3,800	
Insurance expenses		30,000	
Salaries expenses (81,000 – 3,000)		78,000	
Water & electricity expenses		10,000	
Bad debts		1,000	
ADD [5% x (225,000 – 1,000)]; (11,200 – 600)		10,600	
Depreciation vehicle (10% x 200,000)		20,000	(153,400)
Net Profit			<u>305,600</u>

b) Statement of Financial Position

D'Zafran Trading			
Statement of Financial Position as at 31 December 2018			
	RM	RM	RM
<u>Fixed Assets</u>			
Land & Buildings			500,000
Vehicle		200,000	
(-) Provision for depreciation (40,000 + 20,000)		(60,000)	140,000
			640,000
<u>Current Assets</u>			
Closing stocks		50,000	
Debtors (225,000 – 1,000)	224,000		
(-) ADD [5% x (225,000 – 1,000)]	(11,200)	212,800	
Bank		32,000	
Prepaid salaries		3,000	297,800
			937,800
<u>Owner's Equity</u>			
Capital		309,400	
(+) Net profit		305,600	
(-) Drawings		(8,000)	607,000
<u>Long Term Liabilities</u>			
Mortgage			200,000
<u>Current Liabilities</u>			
Creditors		125,000	
Unearned interest received (20,000 – 15,000)		5,000	
Accrued carriage outwards		800	130,800
			937,800

Question 25

a) Statement of Comprehensive Income

Fantastic Enterprise			
Statement of Comprehensive Income for the year ended 31 August 2021			
	RM	RM	RM
Sales			600,000
			600,000
<u>(-) Cost of Goods Sold (COGS)</u>			
Opening stocks		12,000	
Purchases		300,000	
Cost of goods available for sale		312,000	
(-) Closing inventory		(4,000)	
COGS			(308,000)
Gross Profit			292,000
<u>(+) Revenues</u>			
Discount received (3,000 + 1,000)			4,000
			296,000
<u>(-) Expenses</u>			
Depreciation expenses – Furniture (10% x 17,000)		1,700	
Depreciation expenses – Office equipment [10% x (28,000 – 5,000)]		2,300	
General and administrative expenses (16,000 – 3,000)		13,000	
Salaries expenses		58,000	
Discount allowed		5,000	
Electricity expenses		16,000	
Insurance on premises		24,000	
Interest on mortgage		28,000	
Advertising expenses (9,000 + 5,000)		14,000	
Bad debts		650	
ADD [10% x (15,000 – 650)] = 1,435		1,435	(164,085)
Net Profit			131,915

b) Statement of Financial Position

Fantastic Enterprise			
Statement of Financial Position as at 31 August 2021			
	RM	RM	RM
<u>Fixed Assets</u>			
Shop premises		240,000	
Furniture	17,000		
(-) Accumulated depreciation	(1,700)	15,300	
Office equipment	28,000		
(-) Accumulated depreciation (5,000 + 2,300)	(7,300)	20,700	276,000
<u>Current Assets</u>			
Closing inventory		4,000	
Debtors (15,000 – 650)	14,350		
(-) ADD [10% x (15,000 – 650)]	(1,435)	12,915	
Cash		8,000	
Bank		13,000	
Prepaid general & administrative		3,000	
Accrued discount received		1,000	41,915
			317,915
<u>Owner's Equity</u>			
Capital		95,000	
(+) Net profit		131,915	226,915
<u>Long Term Liabilities</u>			
Mortgage on premises			60,000
<u>Current Liabilities</u>			
Creditors		26,000	
Accrued advertising expenses		5,000	31,000
			317,915

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Terbitan



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