

Penang Sangam High School

Accounting-Year 11

Strand 4: Measuring Periodic Income 1

Sub-strand: Final Accounts

Week 21

Greetings students

We will move on to our next topic Final accounts

Learning outcome: Prepare financial statements from Trial Balance incorporating balance day adjustments.

Statement of Financial Position (Balance Sheet)

- is a statement of assets, liabilities and proprietorship. It shows the financial position of a business at a particular point in time.

❖ **Current Assets**

- are those which are converted into cash within a financial year Eg. Cash at bank, inventory, Accounts receivables.

❖ **Fixed Assets**

- are those assets which are used in the business for more than one year. It is also known as Property, Plant and Equipment and Non-current asset.

❖ **Intangible Assets**

- are those assets which have no physical substance i.e. they cannot be seen or touched E.g.: Goodwill, Patents rights, copy right.

❖ **Investments**

- are money invested outside the business which generates income. E.g. Term Deposit, Government bond, Shares in TT Co. Ltd.

Current Liabilities

- Debts that must be paid within a year. E.g. Accounts Payable, Bank Overdraft.

Long Term liabilities

- Those debts that are paid after one year. E.g. Mortgage.

Mortgage is a secured loan on property.

The mortgager has full right to seize the property in case of nonpayment of loan.

Proprietorship –is the owner’s investment in the business plus the net profit less drawings.

FORMAT OF STATEMENT OF FINANCIAL POSITION

BUSINESS NAME

STATEMENT OF FINANCIAL POSITION AS AT XX MONTH YEAR

	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>Current Assets</u>			
Cash at bank / on hand		XX	
Closing stock		XX	
Expense prepaid		XX	
Income due		XX	
Accounts Receivable	XX		
Less provision for doubtful debts (actual amount)	<u>XX</u>	<u>XX</u>	XX
<u>Add Non-Current Assets</u>			
<u>Add Investment</u>			
Government bond		XX	
Shares in AA Ltd		XX	
<u>Add Fixed Assets /Property, Plant and Equipment</u>			
Land and Building		XX	
Equipment	XX		
Less Provision for Depreciation	<u>XX</u>	XX	
<u>Add Intangible Assets</u>			
Goodwill/Patent /Copyright		<u>XX</u>	<u>XX</u>
Total Assets			XX
<u>Less Liabilities</u>			
<u>Current Liabilities</u>			
Bank overdraft	XX		
Creditors / Accounts Payable	XX		
Income received in advance	XX		

Expense due	<u>XX</u>	XX	
<u>Non- Current Liabilities</u>			
Mortgage	XX		
Loan	<u>XX</u>	<u>XX</u>	<u>XX</u>
Net Assets			<u>\$XXX</u>
<u>Proprietorship</u>			
Capital		XX	
Add Net Profit/Less Net Loss		<u>XX</u>	
		XX	
Less Drawings		<u>XX</u>	
Closing Proprietorship			<u>\$XXX</u>

Activity:

Statement of Financial Performance

Trial Balance Of John Cena
As At 30 June 2016

	DR(\$)	CR (\$)
Bank		27630
Stock – July 1 2015	17000	
Debtors	25000	
Provision for doubtful debts		1200
Plant	58000	
Provision for depreciation – plant		15000
Creditors		19200
Sales		91000
Purchases	61000	
Sales Returns	4700	
Purchase Returns		5500
Commission Earned		1400
Discount Allowed	1700	
Discount Received		1350
Salesman’s Salary	17000	
Advertising	2260	
Office Expenses	1680	
Interest	1040	
Capital		29000
Drawings	1900	
Totals	\$ 191280	\$ 191280

The following **adjustments** were made as at 30 June 2016.

- i) Stock on hand \$8000
- ii) Salesman's salary owing \$220
- iii) Plant is to be depreciated at the rate of 20% per annum on straight – line method.
- iv) Advertising prepaid \$70
- v) Adjust the provision for doubtful debts to 2% of the debtors.
- vi) Commission amounting to \$120 had been earned but not received.

Required:

Use the above information to:

Prepare a **fully classified Statement of Financial Performance of John Cena for the year ended 30 June 2016** in vertical form.