

Financial Statements-Trading Business-Periodic Inventory System

The following is the pre-closing trial balance of Tanveer Company on June 30, 2021:

S.no	Account Titles	Debit	Credit	
1	Cash	25,000		
2	Merchandise Inventory(July 1, 2020)	20000		Beginning
3	Accounts Receivable	80000		
4	Allowance for Bad Debts ✓	2000		
5	Supplies	10000		
6	Prepaid Insurance ✓			
7	Furniture	40000		
8	Allwoance for Depreciation-Furniture ✓		12000	
9	Accounts Payable		40000	
10	Unearned Commission ✓		15000	
11	Capital-Tanveer		100000	
12	Drawing-Tanveer	12000		
13	Sales		200000	
14	Sales Return & Allowance	8000		
15	Purchases	140000		
16	Purchase Discount		5000	
17	Salaries Expense ✓	15000		
18	Rent Expense	5000		
	Total	357,000	372,000	

Data for adjustment on June 30, 2021:

- 1 Merchandise Inventory on June 30, 2021 was valued at Rs.25,000.
- 2 Salaries expense for the year Rs.20,000.
- 3 Insurance expired Rs.5,000.
- 4 Depreciation on furniture for the year Rs.3,000.
- 5 The allowance for bad debts was estimated at the rate of 5% of year end accounts receivable.
- 6 Unearned commission at Rs.5,000.

Required:

Prepare the following:

- 1 Income Statement
- 2 Balance Sheet
- 3 Closing Entries

Tanveer Company General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
2021 June 30	(Adjustments)			
	1 Ending Inventory		25,000	
	Income Summary			25,000
	(To record ending inventory)			
	2 Salaries Expense ✓		5,000	
	Salaries Payable			5,000
	(To record salaries payable)			
	3 Insurance Expense		5,000	
	Prepaid Insurance ✓			5000
	(To record insurance expense)			
	4 Depreciation Expense		3,000	
	Allowance for Depreciation-Furniture ✓			3,000
	(To record estimated depreciation)			
	5 Bad Debts Expense[(80,000 x 5%)+2000]		6,000	
	Allowance for Bad Debts ✓			6000
	(To record estimated bad debts)			
	6 Unearned Commission ✓		10,000	
	Commission Income			10,000
	(To record commission income)			

Tanveer Company General Ledger					
(W-1) Allowance for Bad Debts					
2021 June 30	Balance	2,000	2021 June 30(5)	Adj	6,000
			Balance	4,000	
(W-2) Prepaid Insurance					
2021 June 30	Balance	15,000	2021 June 30(3)	Adj	5,000
	Balance	10,000			
(W-3) Allowance for Depreciation-Furniture					
			2021 June 30	Balance	12,000
			4)	Adj	3,000
			Balance	15,000	
(W-4) Unearned Commission					
2021 June 30(6)	Adj	10,000	2021 June 30	Balance	15,000
			Balance	5,000	
(W-5) Salaries Expense					
2021 June 30	Balance	15,000			
2)	Adj	5,000			
Balance	20,000				

Tanveer Company
Income Statement
For the period ended June 30, 2021 *Rs.*

Revenue:					
Sales				200,000	
Less: Sales Return & Allowance				<u>(8,000)</u>	
Net Sales					192,000
Less:Cost of Goods Sold:					
Beginning Inventory				20,000	
Add: Purchases		140,000			
Less: Purchase Discount		<u>(5,000)</u>			
Net Purchases				<u>135,000</u>	
Cost of Goods available for sale				155,000	
Less:Ending Inventory				<u>(25,000)</u>	
Cost of Goods Sold					<u>(130,000)</u>
Gross Profit					62,000
Less:Operating Expenses:					
Salaries Expense (W-5)				20,000	
Rent Expense				5,000	
Insurance Expense				5,000	
Depreciation Expense				3,000	
Bad Debts Expense				<u>6,000</u>	
Total Operating Expenses					<u>(39,000)</u>
Income before commission income					23,000
Add:Commission Income					<u>10,000</u>
Net Income					<u>33,000</u>

Tanveer Company General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
2021 June 30				
	(Closing)			
	1 Sales		200,000	
	Purchase Discount		5,000	
	Ending Inventory		25,000	
	Commission Income		10,000	
	Income Summary			240,000
	(To close all revenue accounts and contra cost account and record ending inventory)			
	2 Income Summary		207,000	
	Sales Return & Allowance			8,000
	Beginning Inventory			20,000
	Purchases			140,000
	Salaries Expense (W-5)			20,000
	Rent Expense			5,000
	Insurance Expense			5,000
	Depreciation Expense			3,000
	Bad Debts Expense			6,000
	(To close contra revenue accounts and all expense accounts)			
	3 Income Summary		33,000	
	Capital-Tanveer			33,000
	4 Capital-Tanveer		12,000	
	Drawing-Tanveer			12,000
	(To close drawing account)			

**Tanveer Company
General Ledger
Income Summary**

2021 June 30 (2)	Sales Return & Allowance	8,000	2021 June 30(1)	Sales	200,000
	Beginning Inventory	20,000		Purchase Discount	5,000
	Purchases	140,000		Ending Inventory	25,000
	Salaries Expense (W-5)	20,000		Commission Income	10,000
	Rent Expense	5,000			
	Insurance Expense	5,000			
	Depreciation Expense	3,000			
	Bad Debts Expense	6,000		240,000	
	207,000				
3	Capital	33,000			
		<u>240,000</u>			<u>240,000</u>

Tanveer Company
Balance Sheet
As on June 30, 2021

ASSETS			EQUITIES		
<u>Current Assets</u>			<u>Liabilities</u>		
Cash		25,000	Accounts Payable	40,000	
Accounts Receivable	80,000		Unearned Commission(W-4)	5,000	
Less: Allowance for Bad Debts (W-1)	<u>(4,000)</u>	76,000	Salaries Payable	<u>5,000</u>	
Merchandise Inventory(End)		25,000	Total Liabilities		50,000
Supplies		10,000			
Prepaid Insurance (W-2)		<u>10,000</u>	<u>Owner's Equity</u>		
Total Current Assets		146,000	Capital-Tanveer	100,000	
			Add:Net Income	<u>33,000</u>	
			Sub Total	133,000	
Furniture		40,000	Less: Drawing	<u>(12,000)</u>	
Less: Allowance for Depreciation(W-3)		<u>(15,000)</u>	Total Owner's Equity		121,000
Total Non-Current Assets		25,000			
Total Assets		<u>171,000</u>			<u>171,000</u>