

Financial Statements-Servicing Business

Unadjusted trial balance of Waseem, a Chartered Accountant, on June 30, 2022 is as under:

S.no	Account Titles	Debit	Credit
1	Cash	100,000	
2	Accounts Receivable	500000	
3	Prepaid Advertising ✓	40000	
4	Office Supplies ✓	10000	
5	Office Equipment	300000	
6	Capital-Waseem		662000
7	Drawing-Waseem	5000	
8	Consulting Fees ✓		400000
9	Salaries Expense ✓	31000	
10	Rent Expense ✓	60000	
11	Insurance Expense	10000	
12	Repairs Expense	6000	
		1,062,000	1,062,000

Data for adjustment on June 30, 2022:

- Supplies on hand at the end of the period Rs.2,000
- Unexpired rent amounted to Rs.20,000
- Salaries Rs.4,000 are payable
- Consulting fee still unearned amounted to Rs.15,000
- Estimated depreciation of office equipment is Rs.30,000
- Advertising expense for the year amounted to Rs.35,000

Required:

Prepare the following:

- Income Statement
- Balance Sheet
- Closing Entries

Waseem

General Journal

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
2006 June 30	(Adjustments)			
	1 Office Supplies Expense		8,000	
	Office Supplies √			8,000
	(To adjust office supplies)			
	2 Prepaid Rent		20,000	
	Rent Expense √			20,000
	(To adjust rent expense)			
	3 Salaries Expense √		4,000	
	Salaries payable			4000
	(To record salaries payable)			
	4 Consulting Fees √		15,000	
	Unearned Consulting Fees			15,000
	(To adjust consulting fees)			
	5 Depreciation Expense(300000/ 10)		30,000	
	Accumulated Depreciation- Office Equipment			30000
	(To record estimated depreciation)			
	6 Advertising Expense		35,000	
	Prepaid Advertising √			35,000
	(To adjust prepaid advertising)			

Waseem					
General Ledger					
(W-1) Office Supplies					
2006 June 30	Balance	10,000	2006 June 30(1)	Adj	8,000
Balance	2,000				
(W-2) Rent Expense					
2006 June 30	Balance	60,000	2006 June 30(2)	Adj	20,000
Balance	40,000				
(W-3) Salaries Expense					
2006 June 30	Balance	31,000			
(3)	Adj	4,000			
Balance	35,000				

(W-4) Consulting Fees					
2006 June 30(4)	Adj	15,000	2006 June 30	Balance	400,000
			Balance	385,000	

(W-5) Prepaid Advertising					
2006 June 30	Balance	40,000	2006 June 30(6)	Adj	35,000
Balance	5,000				

Waseem

Income Statement

For the period ended June 30, 2006 Rs.

Revenue

Consulting Fees(W-4)		<u>385,000</u>	
Total Revenue			385,000

Less: Operating Expenses:

Salaries Expens(W-3)		35,000	
Rent Expense (W-2)		40,000	
Insurance Expense		10,000	
Repair Expense		6,000	
Office Supplies Expense		8,000	
Depreciation Expense		30,000	
Advertising Expense		<u>35,000</u>	
Total Operating Expense			<u>(164,000)</u>

Net Income**221,000**

Waseem

General Journal

Rs.

Date	Account Titles and Explanation	Post Ref.	Debit	Credit
2006 June 30	(Closing)			
	1 Consulting Fees(W-4)		385,000	
	Income Summary			385,000
	(To close consulting fees account)			
	2 Income Summary		164,000	
	Salaries Expense(W-3)			35,000
	Rent Expense(W-2)			40,000
	Insurance Expense			10,000
	Repair Expense			6,000
	Office Supplies Expense			8,000
	Depreciation Expense			30,000
	Advertising Expense			35,000
	(To close all expense accounts)			
	3 Income Summary		221,000	
	Capital-Waseem			221,000
	(To close income summary account)			
	4 Capital-Waseem		5,000	
	Drawing-Waseem			5,000
	(To close drawing account)			

**Waseem
General Ledger
Income Summary**

2006 June 30 (2)	Salaries Expense(W-3)	35,000	2006 June 30(1)	Consulting Fees(W-4)	385,000
	Rent Expense(W-2)	40,000			
	Insurance Expense	10,000			
	Repair Expense	6,000			
	Office Supplies Expense	8,000			
	Depreciation Expense	30,000			
	Advertising Expense	35,000			
(3)	Capital	221,000			
		385,000			385,000

**Waseem
Balance Sheet
As on June 30, 2006**

Rs.

ASSETS				EQUITIES			
Current Assets				Liabilities			
Cash		100,000		Salaries Payable		4,000	
Accounts Receivable		500,000		Unearned Consulting Fees		15,000	
Office Supplies (W-1)		2,000		Total Liabilities			19,000
Prepaid Advertising(W-5)		5,000					
Prepaid Rent		20,000		Owner's Equity			
Total Current Assets		627,000		Capital-Beg		662,000	
				Add:Net Income		221,000	
Non-Current Assets				Sub Total		883,000	
Office Equipment		300,000		Less: Drawing		(5,000)	
Less:Accumulated Depreciation		(30,000)		Total Owner's Equity			878,000
Total Non-Current Assets		270,000					
Total Assets		897,000		Total Equities			897,000