

SECTION 1: COMMERCIAL ACCOUNTS

1. Mr. Muchai has been trading for some years as a soft drink merchant. The following list of balances has been extracted from his ledger as at 30th April, 2010

	Sh.
Capital	83,887
Sales	259,870
Trade Accounts payable	19,840
Returns Outwards	13,407
Allowance for doubtful debts	512
Discounts allowed	2,306
Discounts Received	1,750
Purchases	135,680
Returns Inwards	5,624
Carriage Outwards	4,562
Drawings	18,440
Carriage Inwards	11,830
Rent, Rates and Incurrence	25,973
Heating and Lighting	11,010
Postage, Stationery and Telephone	2,410
Advertising	5,980
Salaries and Wages	38,521
Bad Debts	2,008
Cash in Hand	534
Cash at Bank	4,440
Inventory as at 1 st May, 2009	15,564
Trade Accounts receivable	24,500
Fixtures and Fittings	120,740
Provision for depreciation – as at 30 th April, 2010	63,020
Depreciation	12,074

The following additional information as at 30th April, 2010 is available:

- i) Inventory at the close of business was valued at Sh.17,750
- ii) Insurances have been prepaid by Sh.1,120
- iii) Heating and lighting is accrued by Sh.1,360
- iv) Rates have been prepaid by Sh.5,435
- v) The allowance for doubtful debts is to be adjusted so that it is 3% of trade accounts receivable.

Required:

Prepare Mr. Muchai's income statement for the year ending 30th April, 2010 and a balance sheet as at that date.

(15 marks)