

**FINANCIAL ACCOUNTING – STAGE-3**

Marks		Q. 2 (a)				Marks	
		Books of Baseer Joint Venture Account					
		Particulars	Amount Rs.	Particulars	Amount Rs.		
1.00		To purchases (cost of goods supplied)	105,000	By bank (insurance claim)	5,250	0.50	
0.50		To bank (expenses)	3,500	By Nazir (sales) (W-1)	108,281	1.00	
0.50		To Nazir (expenses)	1,750	By Nazir (agreed value for damaged goods) (W-2)	7,957	1.00	
1.00		To Nazir (commission) (W-3)	535				
		To profit transferred to:					
1.00		Profit and loss account	6,422				
1.00		Nazir (10,703 x 40%)	4,281				
			<u>121,488</u>		<u>121,488</u>		

		(b)					
		Nazir's Account					
		Particulars	Amount Rs.	Particulars	Amount Rs.		
0.50		To joint venture account (sales)	108,281	By bank (advance)	17,500	1.00	
0.50		To joint venture account (claim portion)	7,957	By Joint venture account (expenses)	1,750	1.00	
				By Joint venture account (commission)	535	0.50	
				By Joint venture account (Share of profit)	4,281	0.50	
				By bank (balance received)	92,172	1.00	
			<u>116,238</u>		<u>116,238</u>		

**Working Notes:****1- Computation of Sales:**

	Rs.	
Cost of goods sent	105,000	0.25
Less: Cost of damaged goods	8,750	0.25
	<u>96,250</u>	
Cost of goods remaining unsold {96,250 x (100 - 90)%}	9,625	0.25
Cost of goods sold	86,625	
Profits (86,625 x 25%)	21,656	0.25
Sales	<u>108,281</u>	

**2- Claim for Loss of Fire Admitted by Nazir:**

Cost of goods	9,625	0.25
Add: Proportionate expenses (3,500 x 9,625)/105,000	321	0.25
	<u>9,946</u>	
Compensation by Nazir (80% of 9,946)	<u>7,957</u>	0.50

**3- Amount of Claim:**

Commission		
(5,250 + 108,281 + 7,957 - 105,000 - 3,500 - 1,750) x 5/105	<u>535</u>	0.50

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**FINANCIAL ACCOUNTING – STAGE-3**

Q. 3 (a)

**Marks****In the Books of Ashar  
Royalties Account**

Date	Particulars	Dr. (Rs.)	Date	Particulars	Cr. (Rs.)	
31.12.2008	To Mr. Abdul Haleem a/c	480,000	31.12.2008	By manufacturing a/c	480,000	0.25 each
31.12.2009	To Mr. Abdul Haleem a/c	1,200,000	31.12.2009	By manufacturing a/c	1,200,000	0.25 each
31.12.2010	To Mr. Abdul Haleem a/c	2,400,000	31.12.2010	By manufacturing a/c	2,400,000	0.25 each
31.12.2011	To Mr. Abdul Haleem a/c	2,240,000	31.12.2011	By manufacturing a/c	2,240,000	0.25 each

(b)

**Short-Workings Account**

Date	Particulars	Dr. (Rs.)	Date	Particulars	Cr. (Rs.)	
31.12.2008	To Mr. Abdul Haleem a/c	1,440,000	31.12.2008	By balance c/d	1,440,000	0.5 each
01.01.2009	To balance b/d	1,440,000	31.12.2009	By profit and loss a/c	720,000	0.5 each
31.12.2009	To Mr. Abdul Haleem a/c	720,000	31.12.2009	By balance c/d	1,440,000	0.5 each
		2,160,000			2,160,000	
01.01.2010	To balance b/d	1,440,000	31.12.2010	By profit and loss a/c	600,000	0.5 each
		1,440,000	31.12.2010	By Mr. Abdul Haleem a/c	480,000	0.5
		360,000	31.12.2010	By balance c/d	360,000	0.5
		1,440,000			1,440,000	
01.01.2011	To balance b/d	360,000	31.12.2011	By profit and loss a/c	40,000	0.5 each
		360,000	31.12.2011	By Mr. Abdul Haleem a/c	320,000	1.0
					360,000	

(c)

**Mr. Abdul Haleem**

Date	Particulars	Dr. (Rs.)	Date	Particulars	Cr. (Rs.)	
31.12.2008	To bank a/c	1,920,000	31.12.2008	By royalties a/c	480,000	0.25 each
		1,920,000	31.12.2008	By short-workings a/c	1,440,000	0.25
					1,920,000	
31.12.2009	To bank a/c	1,920,000	31.12.2009	By royalties a/c	1,200,000	0.25 each
		1,920,000	31.12.2009	By short-workings a/c	720,000	0.25
					1,920,000	
31.12.2010	To short-workings a/c	480,000	31.12.2010	By royalties a/c	2,400,000	0.25 each
31.12.2010	To bank a/c	1,920,000				0.25
		2,400,000			2,400,000	
31.12.2011	To short-workings a/c	320,000	31.12.2011	By royalties a/c	2,240,000	0.25 each
31.12.2011	To bank a/c	1,920,000				0.25
		2,240,000			2,240,000	

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**FINANCIAL ACCOUNTING – STAGE-3**

(d)

**Analysis of Royalties Payable****Amount in Rs.**

Year	Output (Cub met)	Actual Royalties	Minimum Rent	Excess Workings	Short-Workings				Amount Payable	
					Suffered	Recouped	Written-off	C/F		
2008	48,000	<b>480,000</b>	1,920,000	-	<b>1,440,000</b>	-	-	1,440,000	1,920,000	0.25 each
2009	120,000	<b>1,200,000</b>	1,920,000	-	<b>720,000</b>	-	720,000	1,440,000	1,920,000	0.25 each
2010	240,000	<b>2,400,000</b>	1,920,000	<b>480,000</b>	-	<b>480,000</b>	<b>600,000</b>	360,000	1,920,000	0.25 each
2011	224,000	<b>2,240,000</b>	1,920,000	<b>320,000</b>	-	<b>320,000</b>	<b>40,000</b>	-	1,920,000	0.25 each

**Written Off 2009:**

Year 2008 (1,440,000 x 50%)

720,000**Written Off 2010:**

Year 2008 b/f

720,000

Less: Recouped

(480,000)

240,000

Year 2009 (720,000 x 50%)

360,000600,000**Written Off 2011:**

Year 2009 b/f

360,000

Less: Recouped

(320,000)40,000

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**FINANCIAL ACCOUNTING – STAGE-3**

Q. 4 (a)

Marks

Marks

		<b>Majid</b>				
		<b>Trading &amp; Profit &amp; Loss A/C</b>				
		<b>For the year ended December 31, 2011</b>				
Particulars			Particulars			
0.25	Opening stock	9,900,000	Sales - Cash	W-1	6,930,000	0.25
0.25	Purchases	W-4	- Credit	W-3	56,250,000	0.25
0.25	Gross profit c/d	15,795,000	Closing stock		11,250,000	0.25
		<u>74,430,000</u>			<u>74,430,000</u>	
0.25	Discount allowed	630,000	Gross profit b/d		15,795,000	
0.25	Salaries	4,950,000	Discount received		540,000	0.25
0.25	Add : Outstanding (495,000 x 1 / 11)	450,000	Reserve for discount on accounts payable (3,325,000 x 2.5%)		208,125	0.25
0.25	Rent	990,000				
0.25	Add : Outstanding (990,000 x 1 / 11)	90,000				
0.25	Administrative expense	720,000				
0.25	Selling & distribution expense	405,000				
0.25	Add : Outstanding	33,750				
0.25	Van expense	607,500				
0.25	Add : Outstanding	11,250				
0.25	Stationery	360,000				
0.25	Add : Outstanding	20,250				
0.25	Provision for bad debt (15,750,000 x 5%)	787,500				
0.25	Depreciation - Office Equipment	45,000				
0.25	- Delivery Van	90,000				
0.25	Interest on capital	W-6				
0.50	Net Profit	5,173,875				
		<u>16,543,125</u>			<u>16,543,125</u>	

(b)

**Balance Sheet**  
**As at December 31, 2011**

0.25	Capital - Opening	W-2	23,130,000	Office Equipment	900,000	
0.25	Add : Additional capital		900,000	Less : Depreciation @ 5%	(45,000)	
0.25	Add : Interest on capital	W-6	1,179,000			855,000
0.25	Add : Profit		5,173,875	Delivery Van	450,000	
			<u>30,382,875</u>	Less : Depreciation @ 20%	(90,000)	360,000
0.25	Less : Drawings		2,700,000	Accounts receivable	15,750,000	
0.50	Capital - Closing		27,682,875	Less : Provision for bad debt @ 5%	(787,500)	14,962,500
0.25	Accounts payable		8,325,000	Stock	11,250,000	0.25
0.25	Less : Reserve for discount @ 2.5%		208,125	Cash at bank	8,595,000	0.25
0.25	Accrued Expenses:			Cash in hand	382,500	0.25
0.25	Salaries		450,000			
0.25	Rent		90,000			
0.25	Petrol		11,250			
0.25	Selling & distribution		33,750			
0.25	Stationery		20,250			
			<u>36,405,000</u>			<u>36,405,000</u>

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**FINANCIAL ACCOUNTING – STAGE-3**

Workings:	Marks
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W-1:

**Receipt & Payment Account**  
For the year ended December 31, 2011

Balance b/d:		Salaries	4,950,000	0.25
Bank	180,000	Administrative expense	720,000	0.25
Cash	1,350,000	Selling & distribution expense	405,000	0.25
0.25 Capital - Additional	900,000	Rent	990,000	0.25
0.25 Accounts receivable	60,750,000	Van expense	607,500	0.25
0.50 Cash Sales (Balancing figure)	6,930,000	Drawings	2,700,000	0.25
		Stationery	360,000	0.25
		Accounts payable	50,400,000	0.25
		Balance c/d		
		Bank	8,595,000	
		Cash	382,500	
	70,110,000		70,110,000	

W-2:

**Balance Sheet**  
As at December 31, 2011

0.50 Accounts payable		Office Equipment	900,000	0.25
0.75 Capital (Balancing figure)	23,130,000	Delivery Van	450,000	0.25
		Accounts receivable W-3	20,880,000	0.50
		Stock	9,900,000	0.25
		Cash at bank	1,350,000	0.25
		Cash in hand	180,000	0.25
	33,660,000		33,660,000	

W-3:

**Account Receivables**

0.25 Balance b/d (Balancing figure)		Cash	60,750,000	0.25
		Discount	630,000	0.25
Credit Sales:		Balance c/d	15,750,000	0.25
0.25 Total Sale W-5	63,180,000			
0.25 Less : Cash Sales W-1	(6,930,000)			
	56,250,000			
	77,130,000		77,130,000	

W-4:

**Account Payables**

0.25 Cash		Balance b/d	10,530,000	
0.25 Discount	540,000	Purchase (Balancing figure)	48,735,000	0.50
Balance c/d	8,325,000			
	59,265,000		59,265,000	

W-5: Computation of Sales:

Opening Stock	9,900,000		0.25
Add : Purchases W-4	48,735,000		0.25
	58,635,000		
Less : Closing Stock	11,250,000		0.25
Cost of goods sold	47,385,000		
Add: Profit - 1/3 of cost	15,795,000		0.25
Sales	63,180,000		

W-6: Interest on Capital:

Opening Balance W-2	(23,130,000 x 5%)	1,156,500	0.50
Additional Capital	(900,000 x 5% x 6 / 12)	22,500	0.50
		1,179,000	

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**FINANCIAL ACCOUNTING – STAGE-3**

Q. 5 (a)

**Marks****Shah Jee Limited  
General Journal**

Sr. #	Particulars	Debit	Credit	
(i)	Bank/ Cash	5,000,000		0.5
	Discount on issuance of shares	5,000,000		0.5
	Share capital (To record issuance of 1,000,000 shares of Rs.10 each at Rs.5 each)		10,000,000	1.0
(ii)	Building	15,000,000		1.0
	Share capital		11,000,000	0.5
	Share premium (To record issuance of 1,100,000 shares of Rs.10 each at a premium of Rs.4 each)		4,000,000	0.5
(iii)	Delivery van	1,000,000		1.0
	Share capital		200,000	0.5
	Share premium (To record issuance of 20,000 shares of Rs.10 each against the purchase of delivery van)		800,000	0.5
(iv)	Bank / Cash	121,000		0.5
	Loss on issuance of bonds	5,500		0.5
	10% bond payable		110,000	0.5
	Premium on issuance of bonds (To record issuance of 1,100,10% bonds payable redeemable after five years)		16,500	0.5

(b)

**(i) Entity-Specific Value:**

Entity-specific value is present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when setting a liability. 2.0

**(ii) Impairment Loss:**

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. 1.0

**(iii) Recoverable Amount:**

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. 1.0

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**FINANCIAL ACCOUNTING – STAGE-3**

Q. 6 (a)

**Marks****Khushhal Khan Limited****Income Statement****For the year ended December 31, 2011**

		Rs. '000'	
Sales		332,502.00	0.50
Less : Cost of Sales	W-2	139,968.00	1.00
Gross Profit		192,534.00	
Less : Operating Expenses			
Administrative Expenses	W-3	49,500.00	1.00
Selling & Distribution Expenses	W-4	7,160.00	1.00
Operating profit		135,874.00	
Less: Financial charges	<b>(6,480 + 810)</b>	7,290.00	0.5 each
Profit before tax		128,584.00	
Less : Taxation	<b>(128,584 x 35%)</b>	45,004.40	1.00
Profit after tax		<u>83,579.60</u>	1.00

(b)

**Statement of Changes in Equity****For the year ended December 31, 2011**

	Rs. '000'					
	Share Capital	Share Premium	General Reserves	Retained Earnings	Total Equity	
Balance as at January 1, 2011	27,000.00	13,500.00	-	17,120.00	57,620.00	0.50 each
Profit for the year	-	-	-	<b>83,579.60</b>	83,579.60	0.50
Dividend	-	-	-	<b>(2,000.00)</b>	(2,000.00)	0.50
Transfer to general reserve	-	-	5,000.00	(5,000.00)	-	0.50 each
Balance as at December 31, 2011	<u>27,000.00</u>	<u>13,500.00</u>	<u>5,000.00</u>	<u>93,699.60</u>	<u>139,199.60</u>	

**Note:** Retained earning as per trial balance is net of dividend, therefore we have to add dividend for opening balance.

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**FINANCIAL ACCOUNTING – STAGE-3**

(c)

**Balance Sheet**  
**As at December 31, 2011**

**Marks**

	Rs. '000'	
<b>Authorized capital:</b>		
6,000,000, ordinary shares of Rs.10 each	60,000.00	0.50
<b>Issued, subscribed &amp; paid up capital:</b>		
2,700,000, ordinary shares of Rs.10 each	27,000.00	0.50
Share premium	13,500.00	0.50
General reserve	5,000.00	0.50
Retained Earnings	93,699.60	0.50
<b>Total shareholders' equity</b>	139,199.60	
<b>Non-Current Liabilities:</b>		
Long term borrowings	40,500.00	0.50
<b>Current Liabilities:</b>		
Account payables	35,530.00	0.50
Accrued salaries	400.00	0.50
Utility payable	4,050.00	0.50
Interest payable (40,500 x 18% - 6,480)	810.00	0.50
Income tax payable	45,004.40	1.00
	85,794.40	
	265,494.00	
<b>Non-current assets:</b>		
Fixed assets W-1	192,212.00	0.50
<b>Current assets:</b>		
Stock in trade	43,200.00	0.50
Account receivables	23,652.00	0.50
Cash & bank balances ( 8,430 -2,000 )	6,430.00	0.50
	73,282.00	
	265,494.00	

**Working Notes:****W-1: Fixed assets:**

	Rs. '000'				
	Building	Plant & Equipment	Motor Vehicle	Total	
Cost	286,000	37,800	8,640	332,440	0.25 each
Less: Accumulated Depreciation - opening balance	108,000	12,960	3,240	124,200	0.25 each
WDV Opening	178,000	24,840	5,400	208,240	
Less : Depreciation					
Depreciation rates	5%	20%	25%		
Depreciation method	<i>reducing</i>	<i>reducing</i>	<i>straight line</i> (8640@25%)		
Depreciation expense	8,900	4,968	2,160	16,028	0.25 each
Charge allocation	<i>admin</i>	<i>COS</i>	<i>selling</i>		
WDV Closing	169,100	19,872	3,240	192,212	

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**FINANCIAL ACCOUNTING – STAGE-3**

	<b>Rs. '000'</b>	<b>Marks</b>
<b>W-2: Cost of sales:</b>		
Inventory - opening	64,800	0.50
Add : Purchases	113,400	0.50
Less : Inventory - closing	(43,200)	0.50
	<u>135,000</u>	
Add : Depreciation -Plant & equipment	4,968	0.50
Cost of sales	<u>139,968</u>	
<b>W-3: Administrative expenses:</b>	<b>Rs. '000'</b>	
Staff salaries (8,600 + 400)	9,000	0.25
Audit fee	3,600	0.25
Depreciation	8,900	0.25
Miscellaneous administrative expense	28,000	0.25
	<u>49,500</u>	
<b>W-4: Selling and distribution expenses:</b>	<b>Rs. '000'</b>	
Miscellaneous selling & distribution	5,000	0.25
Depreciation - Vehicles	2,160	0.25
	<u>7,160</u>	

THE END