1.0

- Q.2 (a) (i) It means that assets are normally shown at cost price, and that this is the basis for valuation of the assets.
 - (ii) The business entity concept implies that the affairs of a business are to be treated as being quite separate from the non-business activities of its owner(s). The items recorded in the books of the business are, therefore, restricted to the transactions of the business. No matter what activities the proprietor(s) get up to outside the business, they are completely disregarded in the books kept by the business.
 - (iii) This states that there are two aspects of accounting, one represented by the assets of the business and the other by the claims against them. The concept states that these two aspects are always equal to each other. In other words, this is the alternate form of the accounting equation:

Assets = Capital + Liabilities

(b) Three-column cash book:

Cash Book

Date 2011		Folio Discount Rs.	Cash Rs.	Bank Rs.	Date 2011		Folio Discount Rs.	Cash Rs.	Bank Rs.
May 01	Bal b/d		7,700	25,400	May 08	Faakhir	300		11,700
02	Babur	490		9,310	11	Cash C			5,000
07	Cash sales		15,000		15	Drawings			17,500
11	Bank C		5,000		25	Wages		18,500	
13	Bank loan			35,000	26	Office rent			15,200
16	Abubakar	241		9,399	29	Qasim			4,485
28	Saahir	570	10,830		31	Ahmed	570		10,830
					31	Bal c/d		20,030	14,394
		1,301	38,530	79,109			870	38,530	79,109
Jun 01	Bal b/d		5,030	29,394					
	Marks	2.0	3.0	3.0			1.5	1.5	4.0

Note: 0.5 mark for each entry in the cash book.

Q.3 (a)

IN THE BOOKS OF ASIF

Particulars	Debit Rs.	Credit Rs.	
Bills receivable	50,000		0.5
Wahid	,	50,000	0.5
Bank	49,250		0.5
Discount (W-1)	750		0.5
Bills receivable		50,000	0.5
Wahid (60% of Rs.50,000)	30,000		1.0
Bank		29,550	0.5
Discount (W-2)		450	0.5
Wahid	20,000		0.5
Bank		20,000	0.5

FUNDAMENTALS OF FINANCIAL ACCOUNTING STAGE-1

		Marks
IN THE BOOKS OF WAHID		
Asif 50,00 Bills payable	0 50,000	0.5 0.5
Bank 29,55 Discount (60% x Rs.750) 45 Asif		0.5 1.0 0.5
Bank 20,00 Asif	0 20,000	0.5 0.5
Bills payable 50,00 Bank	50,000	0.5 0.5
W-1 Discount (50,000 x 6% x 3/12) Rs. 75	0	0.75
W-2 (60% x 6% x 50,000 x 1/4)		0.75
(b) Horizon Limited		
Computation of Inventory as on June 30, 20)11 Rs.	
Inventory as per question	265,700	
Add: Sales after June 30, 2011 (Rs.61,800 x 100% ≡ 125	·	1.5
Under-adding of stock sheet	1,000	1.0
	316,140	
Less: Sales returns (Rs.3,750 x 100% ≅ 125%)	(3,000)	1.5
Purchases	(50,860)	1.0
Adjustment for damaged item (Rs.750 – Rs.575)	(175)	1.0
Goods sent on sale or return basis (Rs.5,250 – Rs.4	,200) (1,050)	1.0
	261,055	1.0

Q.4 (i) Cash book upto date:

Cash	ıΒ	00	K
------	----	----	---

ouen 200m				
	Rs.		Rs.	
Total so far	40,850	Total so far (W-1)	20,400	0+0.75
Credit transfer: Wahid	3,750	Standing order	5,920	0.75+0.75
		Direct debit	4,650	0.75
		Cheque dishonoured	8,670	0.75
		Bank charges	325	0.75
		Balance c/d	4,635	0.75
	44,600	-	44,600	
		•		

W-1: 7,700 + 9,350 + 3,350 = 20,400

FUNDAMENTALS OF FINANCIAL ACCOUNTING STAGE-1

					Marks
(ii)		Bank Reconciliation as on December			
		40 011 2000111301	01, 2011	Rs.	
		Balance as per cash book		4,635	0.5
		Add: Outstanding cheque		3,350	1.0
				7,985	•
		Less: Late deposit		(4,400)	1.0
		Late deposit		(6,500)	1.0
		Balance as per bank statement		(2,915)	0.5
		Alternative	ely	<u> </u>	:
				Rs.	
		Balance as per bank statement		(2,915)	0.5
		Add: Late deposit		4,400	1.0
		Late deposit		6,500	1.0
				7,985	
		Less: Outstanding cheque		(3,350)	1.0
		Balance as per cash book		4,635	0.5
					•
Q.5 (a)	Jou	rnal Entries			
Q.0 (u)	oou		Dr.	Cr.	
			Rs.	Rs.	
	l	Akhter	16,590	40 500	4.5
		Akram		16,590	1.5
	П	Sales account	7,700		
		Equipment disposal account		7,700	1.5
	III /	Suspense account	450		
		Utility expense account		450	1.5
	IV	Sales account	3,000		
	IV	Suspense account	3,000	3,000	1.5
		•		,	
	V	Repairs account	4,520	4,520	1.5
		Equipment account		4,520	1.5
	VI	Suspense account	9,500		
		Rent received		9,500	1.5
	VII	Suspense account	900		
		Discount allowed account		900	1.5
	VIII	Purchases	11,600		
	* * * * * * * * * * * * * * * * * * * *	Prestige limited	,000	11,600	1.5

	SUGGESTED ANSWERS NEW FA	ALL (E) 2011, APRIL 20	12 EXAMINA	TIONS 4	of 5
	FUNDAMENTALS OF FINAN	CIAL ACCOUNTING	STAGE-1		
					Marks
(b)	Correct net profit for the year ended	June 30, 2011:			
	Profit as per the question		125,680		
	Add: Utility expense overstated		450		1.0
	Rent received omitted		9,500		1.0
	Overcastting of discount allowed a	iccount	900		1.0
			136,530		
	Less: Sale of computer taken as sale	goods	(7,700)		1.0
	Sales overcast		(3,000)		1.0
	Repairs understated		(4,520)		1.0
	Purchases omitted		(11,600)		1.0
			109,710		1.0
		ne Statement ded December 31, 2011 Rs.	Rs.	Rs.	
Sale	es revenue	<u> </u>		48,750	
Less				(1,250)	
	Sales		-	47,500	0.5
	t of goods sold:			4 7,300	0.5
003	Inventory at January 1, 2011		3,750		0.5
	Purchases	25,200	0,700		0.5
	Less: Purchases returns	(2,225)			0.5
		22,975			
	Add: Carriage inwards	650			0.5
	Cost of Purchases		2,3625		0.0
	Goods available for sale		2,7375		
	Coods a volidadio for sale		2,1010		
	Less: inventory at December 31, 2011		(4,440)		0.5

Office expenses
Insurance expenses

Sundry expenses
Carriage outwards

Less: Operating expenses:

Cost of goods sold

Gross Profit

Insurance expenses 1,260
Allowance for doubtful debts (W-1) 235

Depreciation expense:

Wages and salaries (3,150 - 920)

Land and buildings (2% of 25,450) 509

Furniture and fixtures (10% of 11,875) 1,188

Office equipments (25% of (20,600 – 3,100) 4,375

6,072 **(13,532)**

2,230

1,060

2,050

625

Net Profit

11,034 1.0

(22,935)

24,565

0.5

0.5 + 0.5

0.5

0.5

0.5

0.5

0.5

0.5 + 0.5

0.5 + 0.5

0.5 + 0.5

FUNDAMENTALS OF FINANCIAL ACCOUNTING STAGE-1

Working-1: Allowance for	or doubtful debt	s		
c/d 5% of 16,200 810	b/d Income Stat	ement	575 235 810	1
Statement of	e Traders Financial Positi ember 31, 2011	on		
		Rs	Rs.	
Non-Current Assets				
Land and buildings		25,450		
Less: Accumulated depreciation (6	6,520 + 509)	(7,029)	18,421	1
Furniture and fixtures		11,875		
Less: Accumulated depreciation (3,125 ± 1,188)	(4,313)		
			7,563	1
Office equipments		20,600		
Less: Accumulated depreciation (3	3,100 + 4,375)	(7,475)		
			13,125	1
			39,109	
Current Assets				
Inventory			4,440	C
Accounts receivable		16,200		
Less: Ailowance for doubtful debts	5	(810)		
			15,390	1
Prepaid wages and salaries			920	C
Prepaid insurance (1,850 – 1,260)			590	C
Cash at bank			11,840	C
			33,180	
			72,289	
Equity and Liabilities				
Capital			42,830	
Add: Net profit			11,034	C
·			53,864	
Less: Drawings			(625)	0
Č			53,239	C
Current Liabilities			,	
Accounts payable			19,050	0
· -			19,050	
			72,289	

THE END