

(b) Three-column cash book:

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 | 50,000 | | 0.5 |
| Bills payable | | 50,000 | 0.5 |
| Bank | 29,550 | | 0.5 |
| Discount (60% x Rs.750) | 450 | | 1.0 |
| Asif | | 30,000 | 0.5 |
| Bank | 20,000 | | 0.5 |
| Asif | | 20,000 | 0.5 |
| Bills payable | 50,000 | | 0.5 |
| Bank | | 50,000 | 0.5 |
| W-1 Discount (50,000 x 6% x 3/12) | Rs. 750 | | 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, 2011

| | Rs. | |
|--|-----------------------|-----|
| Inventory as per question | 265,700 | |
| Add: Sales after June 30, 2011 (Rs.61,800 x 100% ÷ 125%) | 49,440 | 1.5 |
| Under-adding of stock sheet | 1,000 | 1.0 |
| | <u>316,140</u> | |
| 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 |
| | <u>261,055</u> | 1.0 |

Q.4 (i) Cash book upto date:**Cash Book**

| | Rs. | | Rs. | |
|------------------------|----------------------|--------------------|----------------------|-----------|
| Total so far | 40,850 | Total so far (W-1) | <u>20,400</u> | 0+0.75 |
| Credit transfer: Wahid | <u>3,750</u> | Standing order | <u>5,920</u> | 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 |
| | <u>44,600</u> | | <u>44,600</u> | |

W-1: 7,700 + 9,350 + 3,350 = 20,400 0.75

FUNDAMENTALS OF FINANCIAL ACCOUNTING · STAGE-1**Marks****(ii)****Bank Reconciliation Statement
as on December 31, 2011**

| | Rs. | |
|-------------------------------|-----------------------|-----|
| Balance as per cash book | 4,635 | 0.5 |
| Add: Outstanding cheque | 3,350 | 1.0 |
| | <u>7,985</u> | |
| Less: Late deposit | (4,400) | 1.0 |
| Late deposit | (6,500) | 1.0 |
| Balance as per bank statement | <u>(2,915)</u> | 0.5 |
| Alternatively | | |
| | Rs. | |
| Balance as per bank statement | (2,915) | 0.5 |
| Add: Late deposit | 4,400 | 1.0 |
| Late deposit | 6,500 | 1.0 |
| | <u>7,985</u> | |
| Less: Outstanding cheque | <u>(3,350)</u> | 1.0 |
| Balance as per cash book | <u>4,635</u> | 0.5 |

Q.5 (a) Journal Entries

| | Dr. Rs. | Cr. Rs. | |
|----------------------------|--------------------|--------------------|-----|
| I Akhter | 16,590 | | |
| Akram | | 16,590 | 1.5 |
| II 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 | | |
| Suspense account | | 3,000 | 1.5 |
| V Repairs account | 4,520 | | |
| 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 | | 11,600 | 1.5 |

FUNDAMENTALS OF FINANCIAL 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 |
| Overcasting of discount allowed account | 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 |

Q.6 (a)

Prince Traders
Income Statement
for the year ended December 31, 2011

| | <u>Rs.</u> | <u>Rs.</u> | <u>Rs.</u> | |
|---|---------------|---------------|-----------------|---------|
| Sales revenue | | | 48,750 | |
| Less: Sales returns | | | (1,250) | |
| Net Sales | | | 47,500 | 0.5 |
| Cost of goods sold: | | | | |
| Inventory at January 1, 2011 | | 3,750 | | 0.5 |
| Purchases | 25,200 | | | 0.5 |
| Less: Purchases returns | (2,225) | | | 0.5 |
| | <u>22,975</u> | | | |
| Add: Carriage inwards | 650 | | | 0.5 |
| Cost of Purchases | | <u>2,3625</u> | | |
| Goods available for sale | | 2,7375 | | |
| Less: Inventory at December 31, 2011 | | (4,440) | | 0.5 |
| Cost of goods sold | | | (22,935) | 0.5 |
| Gross Profit | | | 24,565 | |
| Less: Operating expenses: | | | | |
| Wages and salaries (3,150 – 920) | | 2,230 | | 0.5+0.5 |
| Sundry expenses | | 625 | | 0.5 |
| Carriage outwards | | 1,060 | | 0.5 |
| Office expenses | | 2,050 | | 0.5 |
| Insurance expenses | | 1,260 | | 0.5 |
| Allowance for doubtful debts (W-1) | | 235 | | 0.5 |
| Depreciation expense: | | | | |
| Land and buildings (2% of 25,450) | 509 | | | 0.5+0.5 |
| Furniture and fixtures (10% of 11,875) | 1,188 | | | 0.5+0.5 |
| Office equipments (25% of (20,600 – 3,100)) | 4,375 | | | 0.5+0.5 |
| | | <u>6,072</u> | | |
| | | | (13,532) | |
| Net Profit | | | 11,034 | 1.0 |

FUNDAMENTALS OF FINANCIAL ACCOUNTING · STAGE-1**Marks**

Working-1:

Allowance for doubtful debts

| | | | | |
|------------------|------------|------------------|------------|-----|
| | | b/d | 575 | 1.0 |
| c/d 5% of 16,200 | 810 | Income Statement | 235 | |
| | <u>810</u> | | <u>810</u> | |
| | | | | |

(b)

Prince Traders
Statement of Financial Position
as at December 31, 2011

| | <u>Rs.</u> | <u>Rs.</u> | |
|--|----------------|---------------|-----|
| Non-Current Assets | | | |
| Land and buildings | 25,450 | | |
| Less: Accumulated depreciation (6,520 + 509) | <u>(7,029)</u> | 18,421 | 1.0 |
| Furniture and fixtures | 11,875 | | |
| Less: Accumulated depreciation (3,125 + 1,188) | <u>(4,313)</u> | 7,563 | 1.0 |
| Office equipments | 20,600 | | |
| Less: Accumulated depreciation (3,100 + 4,375) | <u>(7,475)</u> | 13,125 | 1.0 |
| | | <u>39,109</u> | |
| Current Assets | | | |
| Inventory | | 4,440 | 0.5 |
| Accounts receivable | 16,200 | | |
| Less: Allowance for doubtful debts | <u>(810)</u> | 15,390 | 1.0 |
| Prepaid wages and salaries | | 920 | 0.5 |
| Prepaid insurance (1,850 – 1,260) | | 590 | 0.5 |
| Cash at bank | | 11,840 | 0.5 |
| | | <u>33,180</u> | |
| | | <u>72,289</u> | |
| Equity and Liabilities | | | |
| Capital | | 42,830 | |
| Add: Net profit | | 11,034 | 0.5 |
| | | 53,864 | |
| Less: Drawings | | <u>(625)</u> | 0.5 |
| | | <u>53,239</u> | 0.5 |
| Current Liabilities | | | |
| Accounts payable | | 19,050 | 0.5 |
| | | <u>19,050</u> | |
| | | <u>72,289</u> | |

THE END