

**FUNDAMENTALS OF FINANCIAL ACCOUNTING · STAGE-1****Marks****Q.2 (a) (i) Going Concern:**

It is assumed that the business will continue to operate for at least twelve months after the end of the reporting period.

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- (ii) It will not be appropriate to keep going concern assumption in this case since the business is expected to be closed with 12 months. The asset should be shown at Rs.11,250 in the statement of financial position.

2.0

(b) 2012		Rs.	Rs.	
August 1	Motor vehicle A/C	500,500		0.5
	Accounts payable – Alpha Motors		500,500	0.5
	(Purchase of motor vehicle on account)			0.5
August 2	Office equipment A/C	23,060		0.5
	Accounts payable – Bilal & Co. A/C		23,060	0.5
	(Purchase of office equipment on account)			0.5
August 5	Drawings A/C	6,800		0.5
	Purchases A/C / inventory		6,800	0.5
	(Withdraw inventory for personal use)			0.5
August 15	Non-current asset	12,800		0.5
	A/R – Hamid		12,800	0.5
	(A/R Written off taking delivery of non-current asset as final settlement)			0.5
August 19	Purchases A/C / inventory	26,375		0.5
	Accounts payable A/C		26,375	0.5
	(Purchases of goods for resale on account)			0.5
August 24	Allow for Bad Debt / Bad debts account	24,850		0.5
	A/R – Mansoor		24,850	0.5
	(A/R Written off as bad debt)			0.5
August 25	Office Furniture	31,200		0.5
	A/P Interwood Limited		31,200	0.5
	(Purchased furniture on account)			0.5
August 27	A/P Interwood Limited	5,400		0.5
	Office Furniture		5,400	0.5
	(Return of office furniture)			0.5

**Q.3 (a) Difference between Periodic and Perpetual Inventory Systems:**

Periodic Inventory System: Under this system, no inventory record is maintained. This system is used in small concerns where control is no problem.

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Perpetual Inventory System: A continuous inventory record is maintained. This system is used medium and large size organization where control over movement of stock is essential.

1.0

**FUNDAMENTALS OF FINANCIAL ACCOUNTING · STAGE-1****Marks****(b)****FIFO METHOD**

Purchases				Cost of Goods Sold			Balance			
Date	Units	Rate (Rs.)	Amount (Rs.)	Units	Rate (Rs.)	Amount (Rs.)	Units	Rate (Rs.)	Amount (Rs.)	
01 July	5	6,500	32,500				5	6,500	32,500	0.5
03 July				3	6,500	19,500	2	6,500	13,000	0.5
09 July	4	6,600	26,400				2	6,500	13,000	0.5
							4	6,600	26,400	0.5
11 July				1	6,500	6,500	1	6,500	6,500	0.5
							4	6,600	26,400	0.5
13 July				1	6,500	6,500	3	6,600	19,800	0.5
				1	6,600	6,600				
14 July	6	6,700	40,200				3	6,600	19,800	0.5
							6	6,700	40,200	0.5
20 July				3	6,600	19,800	5	6,700	33,500	0.5
				1	6,700	6,700				
28 July	3	6,800	20,400				5	6,700	33,500	0.5
							3	6,800	20,400	0.5
30 July				3	6,700	20,100	2	6,700	13,400	0.5
							3	6,800	20,400	0.5
						<b>85,700</b>				

(i) Hence the cost of inventory as at July 31, 2012 is Rs.33,800; and 1.0

(ii) The cost of goods sold for the month of July 2012 is Rs.85,700. 1.0

**(c) (i)****Allowance for Doubtful Debts**

2011	Rs.	2011	Rs.	
Dec. 31, P&L A/C	17,150	Jan 1, Bal b/d	72,750	1+1
Bal c/d	55,600			1+0
	<u>72,750</u>		<u>72,750</u>	

**(ii)****Bad Debts A/C**

	Rs.		Rs.	
A/R	25,900			1+0
A/R	55,850	Dec. 31 P&L A/C	81,750	1+1
	<u>81,750</u>		<u>81,750</u>	

**Computations:**

Jan 1, Bal of Allowance for Doubtful Debts (1,455,000 x 5%) = 72,750 1.0

Dec. 31 Bal of Allowance for Doubtful Debts = 55,600 2.0

[(1,110,250 – 6,650 + 8,400) x 0.05]

**FUNDAMENTALS OF FINANCIAL ACCOUNTING · STAGE-1****Marks****Q.4 (a) (i) Research:**

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

1.0

**(ii) Development:**

Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.

2.0

**(b)**

Date	Details	Ref.	Dr (Rs.)	Cr (Rs.)
	Drawings		29,500	
	Purchases account			29,500
	Van account		833,350	
	Purchases account			833,350
	Discount allowed		850	
	Discount received account			850
	Sales account		4,780	
	Disposal account / office equipment			4,780
	Machine account		250,900	
	Machinery repairs account			250,900
	Drawings		65,250	
	Insurance			65,250

0.5

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**(c)**

**Tehseen Company**  
**BANK RECONCILIATION STATEMENT**  
**On 31<sup>st</sup> December 2011**

1.0

	Rs.	Rs.	
Balance as per Cash Book		(2,500)	0.5
Dividend directly paid to bank	1,200		1.0
Direct deposit	8,300		1.0
Less: Bank Charges	(150)		1.0
Subscription paid directly	(350)		1.0
Standing order	(1,000)		1.0
		<u>8,000</u>	
		<u>5,500</u>	0.5
Balance as per Bank Statement		Rs. 14,750	0.5
Less: Un-presented cheques			
Shakir	(7,250)		1.0
Fawad	(5,450)		1.0
		<u>(12,700)</u>	
		2,050	
Add cheques deposited late		<u>3,450</u>	1.0
		<u>5,500</u>	0.5

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

		<b>Marks</b>
<b>Q.5 (a)</b>	Depreciation: It is the allocation of cost of tangible fixed assets over the economic life of the assets.	1.0
	Amortization: It is the allocation of cost of intangible assets over the life of intangible assets.	1.0
<b>(b)</b>		
	Cost of Delivery Van	900,000
	Less salvage Van	<u>100,000</u>
	Depreciable Cost	<u>800,000</u>
	Annual Depreciation (800,000 / 4)	200,000
	Acc. Dep. Up to 2011 (200,000 x 2)	400,000
	Book Value before revision of life (cost less Acc. Dep.) (900,000-400,000)	500,000
	New Salvage Value	40,000
	Remaining cost to be depreciated after revision of life (500,000-40,000)	460,000
	Dep. To be charged to Income Statement for the year 2012 (460,000 ÷ 3)	153,333
	Accumulated Dep. To be shown on the statement of Financial addition on 31-12-2012 Rs. 553,333 (400,000 + 153,333)	1.0
<b>(c) <u>Revenue Expenditure</u></b>		
	(a) Fire insurance premium paid.	0.75
	(b) Legal cost of collecting debts.	0.75
	(e) Fuel costs for delivery van.!	0.75
	(f) Wages of employees.	0.75
	(g) Carriage on return outwards.	0.75
<b><u>Capital Expenditure</u></b>		
	(c) Purchase of delivery van.	0.75
	(d) Extension of building.	0.75
	(h) Purchase of deep freezer.	0.75

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

Q.6

**RASHID TRADERS**  
**INCOME STATEMENT**  
For the year ended December 31, 2011

Marks

**Revenues**

Sales	785,825	0.5
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**Cost of Goods Sold**

Inventory January 1,	20,600	0.5
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Purchase	464,000	0.5
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Available for Sale	484,600	
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Less Inventory December 31	(15,000)	0.5
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Cost of Goods Sold	469,600	
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<b>Gross Profit</b>	<b>316,225</b>	0.5
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**Operating Expenses**

Wages & Salaries (157,000 + 2,500)	159,500	1.0
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Rent (17,000 – 5,500)	11,500	1.0
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Miscellaneous Expense (3,075 + 950)	4,025	1.0
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Bad Debt Expenses (3,650 + 1,000)	4,650	1.0
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Dep. Exp- Furniture (10% of 14,500)	1,450	1.0
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Dep. Exp · Office equipment (20% of 18,750)	3,750	1.0
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Discount Allowed	4,100	0.5
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<b>Total operating Expense</b>	<b>(188,975)</b>	
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<b>Net Profit</b>	<b>127,250</b>	0.5
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**RASHID TRADERS**  
**STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2011

0.5

	<b><u>Assets</u></b>		<b><u>Liabilities &amp; Equities</u></b>		
<b>Marks</b>	<b><u>Current Assets</u></b>	<b>Rs.</b>	<b><u>Current Liabilities</u></b>	<b>Rs.</b>	
0.5	Cash at Bank	20,500	Accounts Payable	26,225	0.5
0.5	Cash in Hand	1,620	Accrued miscellaneous expenses	950	0.5
0.5	Assets Receivable      61,580		Accrued Wages & Salaries	2,500	0.5
0.5	Less Allow for B.D      (3,025)	58,555	Total Current Liabilities	<b>29,675</b>	0.5
0.5	Inventories	15,000	Equity:		
0.5	Prepaid Rent	5,500	Capital	57,800	0.5
			Less Drawing	(85,500)	0.5
0.5	Total Current Assets	<b>101,175</b>	Add Profit	127,250	0.5
	Long Term Assets		Total Equities	<b>99,550</b>	0.5
0.5	Office Furniture      14,500				
0.5	Less Dept      (1,450)	13,050			
0.5	Office equipment      18,750				
0.5	Less Dep.      (3,750)	15,000			
	Total Long Term Assets	<b>28,050</b>			
	Total Assets	<b>129,225</b>	Total Liabilities & Equities	<b>129,225</b>	

THE END