Marks

Q.2 (a) Time interval concept:

One of the underlying principles of accounting, the time interval concept, is that financial statements are prepared at regular intervals of one year. Companies which publish further financial statements between their annual ones describe the others as 'interim statements'. For internal management purposes, financial statements may be prepared for more frequently, possibly on a monthly basis or even more often. **02**

(b) Accrual basis:

The effects of transactions and other events are recognized when occur and they are recorded in the books and reported in the financial statements of the period to which they relate. Net profit is the difference between revenues and the expenses incurred in generating those revenues, i.e. Revenues Expenses = Net Profit **02**

(c) Separate entity concept:

In accounting business is considered to be a separate entity from the owner. Owner expenses are not treated as business expense if owner spends from business cash. **02**

(d) Money measurement concept:

Only monetary transactions are entered in accounting records. No quantitative data or transactions are entered unless expressed in money. **02**

(e) Historical cost concept:

An asset is recorded at the price paid to acquire it regardless of existing price in the market. **02**

Q.3 a)

Karachi Electronics
General Journal

Date 2013	Particulars	PR	Debit	Credit	Marks
Jan 01	Purchases		82,500		0.5
	Account payable, Mr. Jameel			82,500	0.5
	(Purchases of 15 monitors @Rs.5,500 on account)				
Jan 05	Account Receivable, Ali Brothers		36,000		0.5
	Sales			36,000	0.5
	(Sale of 5 monitors on account Rs.7,200 each)				
Jan 08	Accounts payable, Mr. Jameel		5,500		0.5
	Purchases return			5,500	0.5
	(One defective monitor returned)				
Jan 12	Account receivable, Wali Brothers		2,000		0.5
	Sales			2,000	0.5
	(Sales of 10 power supplies Rs. 200 each)				
Jan 18	Sales return		7,200		0.5
	Account Receivable, Ali Brothers			7,200	0.5
	(One defective monitor returned by Ali Bros)				
Jan 23	Prepaid salary		10,000		0.5
	Bank			10,000	0.5
	(salary paid in advance by cheque)				
Jan 27	Miscellaneous expenses		6,000		0.5
	Cash			6,000	0.5
	(miscellaneous expenses by cash)				
Jan 30	Bank		1,800		0.5
	Sales discount		200		1.0
	Account receivable Wali Brothers			2,000	0.5
	(Payable made by Wali Brothers net of sales discount)				

Marks

Q.3 (b) (i) **Cost of all Coaches:**

	(Rs. '000')	Marks
List price (2,000 x 10)	20,000	**0.5**
Less: Trade discount (20,000 x 10%)	(2,000)	**0.5**
Invoice price	18,000	
Add: Additional costs:		
Excise duty and sales tax	170	**0.5**
Repainting of coaches	100	**0.5**
Freight	130	**0.5**
Cost of ten coaches	**18,400**	**0.5**

(ii)

Vehicle Account

2010	**(Rs.'000')**	**2010**	**(Rs.'000')**	Marks
Jan 1, Ching Yeng	18,000			
Cash (Add: Costs)	400	Dec 31, Balance C/F	18,400	**0.75**
	18,400		18,400	
2011		**2011**		
Jan Balance B/F	18,400	Dec 31, Balance C/F	18,400	**0.5**
2012		**2012**		
Balance B/F	18,400	Dec 31, Sold 5 coaches for cash	9,200	**0.75**
		Balance C/F	9,200	
	18,400		18,400	

(iii)

Accumulated Depreciation - Vehicles

2010	**(Rs.'000')**	**2010**	**(Rs.'000')**	Marks
Dec 31, Balance C/F	2,760	Dec 31, depreciation expense	2,760	**0.5**
2011		**2011**		
Dec 31,		Jan 1, Balance B/F	2,760	
Balance C/F	5,106	Dec 31, depreciation expense	2,346	**1.0**
	5,106		5,106	
2012		**2012**		
Dec 31, sold 5 coaches	3,550	Jan 1, B/F	5,106	
Balance C/F	3,550	Dec 31, depreciation expense	1,994	**1.0**
	7,100		7,100	

Marks

Working: Computation of Depreciation under WDV Method:

Cost	18,400	
Depreciation		
January – December 2010 : 18,400 x 15%	**(2,760)**	**0.5**
WDV	15,640	
Depreciation		
January – December 2011 : 15,640 x 15%	**(2,346)**	**0.5**
WDV	13,294	
Depreciation		
January – December 2012 : 13,294 x 15%	**(1,994)**	**0.5**
WDV	11,300	

(iv) **Loss or Gain on Disposal of 5 Coaches:**

Gain = sale value – book value **0.5**

	(Rs.'000')	
WDV of 5 coaches 11,300/ 2	5,650	**0.5**
Less sold for cash	(6,650)	**0.5**
Gain on disposal	**1,000**	**0.5**

Marks

Q.4 (a)

W-1: **Computation of doubtful debts:**

Amount	Doubtful Debts	Marks
30,000 x 0.5%	Rs.150	**0.5**
15,000 x 1%	Rs.150	**0.5**
6,000 x 2.5%	Rs.150	**0.5**
2,000 x 5%	Rs.100	**0.5**
Estimated doubtful debts	**Rs.550**	**1.0**

W-2: Adjustment to previous allow for doubtful debts:

Balance b/f	2,550
Less: Allow for doubtful debts on aging analysis	(550)
Reduction in doubtful debts	**2,000**

Allow for doubtful debt account

					Marks
2011		2011			
Dec 31	P& L A/c (W2)	2,000	Jan Balance b/f	2,550	**1.0 + 1.0**
	Balance c/f	550			**1.0 + 0**
		2,550		2,550	

(b)(i)

G.J ltd.
General journal

Date	particulars	PR	Rs. Debit	Rs. Credit	Marks
(i)	B.JI Sons		100,000		**0.5**
	D.JI Sons			100,000	**0.5**
	To record error corrected				
(ii)	Sales		30,000		**0.5**
	Disposal account (computer)			30,000	**0.5**
	To record error corrected				
(iii)	Suspense account		10,000		**0.5**
	Discount received			10,000	**0.5**
	To record error corrected				
(iv)	Suspense account		15,000		**0.5**
	Discount allowed			15,000	**0.5**
	To record error corrected				
(v)	Suspense account		40,000		**0.5**
	Utility account			40,000	**0.5**
	To record error corrected				

Marks

(ii) **Suspense Account**

2012	Rs.	2012	Rs.	
Discount received	10,000	Balance B/F	65,000	**0.5+0.5**
Discount allowed	15,000			**0.5 + 0**
Utility account	40,000			**0.5 + 0**
	65,000		**65,000**	

(iii) **Calculation of corrected profit 2012:**

	Rs.	Rs.	
Profit before adjustment		1,965,000	
Less: Sale of non-current assets treated as sales	(30,000)		**0.5**
Add: Discount received under-cast	10,000		**0.5**
Add: Discount allowed over-cast	15,000		**0.5**
Add: Utility over-cast	40,000		**0.5**
		35,000	
Adjusted profit for the year 2012		**2,000,000**	**1.0**

(c) Bank reconciliation:

Overdraft as per bank statement	(45,250)	
Outstanding cheques (155,300 - 138,200)	(17,100)	**1.0**
Late deposit cheque	65,800	**1.0**
Cash	35,500	**1.0**
	38,950	**0.5**
Balance as per cash book	44,220	
Interest paid	(760)	**1.0**
Interest received	15,340	**1.0**
Dishonor of cheques	(8,600)	**1.0**
Interest premium	(17,200)	**1.0**
Dividend received	5,950	**1.0**
	38,950	**0.5**

Alternate Solution Q.No.4(c)

		(Rs.)	
Per bank		(45,250)	**0.5**
O/s cheque (155,300 – 138,200)		(17,100)	**1.0**
Interest on O/D		760	**1.0**
Interest on fixed deposit		(15,340)	**1.0**
Dishonored cheque		8,600	**1.0**
Insurance premium		17,200	**1.0**
Dividend credited by bank		(5,950)	**1.0**
Late deposit:	Cheque	65,800	**1.0**
	Cash	35,500	**1.0**
Per cash book		44,220	**0.5**

Marks

Q.5 (a)

Joni Ltd.
Income statement
as at December 31, 2011

				(Rs. '000')	Marks
Sales revenue				5,000	**0.5**
Less: Cost of sale:					
Opening inventory		800			**0.5**
Add: Purchases		2,000			**0.5**
		2,800			
Less: Closing inventory		(500)			**0.5**
Cost of goods sold				(2,300)	**0.5**
Gross profit				**2,700**	**0.5**
Less: Operating expenses:					
General expenses			100		**0.5**
Salaries expenses		1200			**0.5**
Add: Accrued salary		150			**0.5**
Less: Prepaid salary		(50)	1300		**0.5+0.5**
Bad debts expense		50			**0.5**
Add: Allow for bad Cr.		30	80		**0.5+0.5**
Depreciation expense plant (3000 x 0.1)			300		**0.5**
Interest on debenture paid	40				**0.5**
Add: Accrued	40		80		**0.5+0.5**
Preliminary expenses written off			10		**0.5**
Insurance expense (300-100)			200		**0.5**
				(2,070)	
Net profit				**630**	**0.5**

Allowance for doubtful debts

				Marks
		b/d	30	**0.5**
c/d (1,200 x 0.05)	60	Income statement bal/ fig	30	**0.5+0.5**
	60		**60**	

Marks

(b)

Joni Ltd.
Statement of Financial Position
as at December 31, 2011

	Assets			**Liabilities and Equity**		
	Current Assets			**Current Liabilities**		
0.5	cash & bank		540	A/c payable	400	0.5
	A/C Receivable	1,200		Note payable	300	0.5
0.5	less: allow for bad	(60)		Accrued salary	150	0.5
0.5			1,140	Interest payable	40	0.5
0.5	prepaid insurance		100		890	0.5
0.5	prepaid salary		50	**Non current Liabilities**		
0.5	Mdse inventory		500	8% Debenture	1,000	0.5
0.5			2,330	**Issued and paid up capital**		
				Share capital	10,000	0.5
	Non-current Assets			General Reserves	200	0.5
0.5	Land		10,400	Retained earnings **W-1**	3,430	0.5
0.5	Plant (3000 – 300)		2,700			
	Preliminary expenses		13,100		13,630	0.5
0.5	(100 - 10)		90			
0.5						
0.5			**15,520**		**15,520**	0.5

Working Notes:
W-1: **(Rs. '000')**

Retained earnings

Interim dividend	200	Bal B/F	3,000	**0.5+ 0**
Bal C/F	3,430	Profit for the year	630	**0.5+0.5**
	3,630		**3,630**	

Marks

Q.6

		Marks
(a)	**GP rate =** $\frac{\text{GP}}{\text{Sales}} \times 100$	0.5
	$\frac{1{,}300}{3{,}000} \times 100$ **= 43.33%**	0.5
(b)	**Net profit =** $\frac{\text{Net profit}}{\text{Sale}} \times 100$	0.5
	$\frac{900}{3{,}000} \times 100$ **= 30%**	0.5
(c)	**Return on Shareholder' equity =** $\frac{\text{Net profit}}{\text{Equity}} \times 100$	0.5
	$= \frac{900}{2{,}500} \times 100$ **= 36%**	0.5
(d)	**Current ratio** = Current assets : Current liabilities	0.5
	= 2,300 : 800	
	= 2.88 : 1	0.5
(e)	**Acid test ration** = Quick assets : Current liabilities	0.5

		(Rs.'000')	
Quick assets:	Current assets at December 31, 2012	2,300	
	Less inventory	300	
		2,000	1.0
Acid test ratio	= 2,000 : 800		
	= 2.5 : 1		0.5

		Marks
(f)	**Inventory turn over =** $\frac{\text{Cost of sale}}{\text{Average inventory}}$	0.5
	Average inventory = (500 +300) / 2 = 400	0.5
	$= \frac{1700}{(500 + 300)/2} = \frac{1{,}700}{400}$	0.5
	= **= 4.25 times**	0.5
(g)	**Receivable turn over =** $\frac{\text{Credit sale}}{\text{Average receivable}}$	0.5
	Average receivable = (240 + 300) / 2 = 270	0.5
	$= \frac{(3{,}000 - 300)}{(240 + 300)/2} = \frac{2{,}700}{270}$	0.5
	= **10 times**	0.5

THE END