

Financial Accounting – Stage-3

Q. 2

Naveed's Books
Joint Venture with Nadir and Basit

				Marks
Rent	240,000	Balance c/d	601,200	01
Labour: Planting	104,000			
Labour: Fertilising	72,000			01
Sundries	7,600			01
Labour	84,000			01
Fertiliser	29,600			01
Profit and loss	64,000			
	<u>601,200</u>		<u>601,200</u>	
Balance b/d	<u>601,200</u>	Cash: from Basit	<u>601,200</u>	

Nadir's Books
Joint Venture with Naveed and Basit

Plants	204,000	Balance c/d	255,600	01
Motor expenses	19,600			
Profit and loss	32,000			
	<u>255,600</u>		<u>255,600</u>	
Balance b/d	<u>255,600</u>	Cash: from Basit	<u>255,600</u>	0.5 each

Basit's Books
Joint Venture with Naveed and Nadir

Labour: Lifting	166,400	Sales	1,166,400	
Sale expense	127,200			
Profit and loss	16,000			
Balance c/d	856,800			01
	<u>1,166,400</u>		<u>1,166,400</u>	
Cash: to Naveed	601,200	Balance b/d	856,800	
Cash: to Nadir	255,600			
	<u>856,800</u>		<u>856,800</u>	

Memorandum Joint Venture Account

Rent	240,000	Sales	1,166,400	01 each
Labour: Planting	104,000			01
Labour: Fertiliser	72,000			
Labour: Sundry	84,000			
Labour: Lifting	166,400			01
Fertiliser	29,600			
Motor expenses	19,600			01
Plants	204,000			01
Sale expenses	127,200			01
Sundries	7,600			
Profit shared: Naveed 4/7	64,000			01
Nadir 2/7	32,000			01
Basit 1/7	16,000			01
	<u>112,000</u>			
	<u>1,166,400</u>		<u>1,166,400</u>	

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Financial Accounting – Stage-3

Q. 3 (a)

Marks	In the Books of Branch Head Office Account For the period ended on December 31, 2010				Marks	
01	Cash	450,000		Balance b/d	302,400	01
01	Goods returned	6,000		Goods received	347,400	01
				Expenses (paid)	55,000	01
	Balance c/d	458,800		Profit and loss account	210,000	
		914,800			914,800	
				Balance b/d	458,800	

Q. 3 (b)

In the Books of Head Office Branch Account For the period ended on December 31, 2010						
01	Balance b/d	302,400		Cash	450,000	01
01	Goods sent	347,400		Goods returned	6,000	01
01	Expenses paid	55,000				
01	Net profit	210,000		Balance c/d	458,800	01
		914,800			914,800	
	Balance b/d	458,800				

Note: Dates are omitted.

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Financial Accounting – Stage-3

Q. 4 (a)

		F. A. M				
		Realization Account				
Marks	for the period ended on December 31, 2010					Marks
01	Non-current assets	210,000	Bank/ cash:	Non-current assets	120,000	
	Inventory	75,000	F:	Non-current assets	105,000	01
01	Accounts receivable	315,000	Bank/ cash:	Inventory	60,000	01
01	Bank/ cash: Dissolution costs	12,000	Bank/ cash:	Accounts receivable	45,000	01
01	Bank/ cash	247,500	Accounts payable		255,000	01
			Loss:	F ^{3/6}	137,250	
				A ^{2/6}	91,500	
				M ^{1/6}	45,750	
		<u>859,500</u>			<u>274,500</u>	
					<u>859,500</u>	

Q. 4 (b)

		Capital Accounts							
		for the period ended on December 31, 2010							
		F	A	M					
	Non-current assets				Balances b/d	60,000	60,000	30,000	1 each
01	taken over	105,000			Deficiency shared:				
01 each	Loss shared	137,250	91,500	45,750	F			9,450	01
0.5 each	Deficiency	9,450	6,300		A			6,300	01
					Bank/ cash to settle	191,700	37,800		1 each
		<u>251,700</u>	<u>97,800</u>	<u>45,750</u>		<u>251,700</u>	<u>97,800</u>	<u>45,750</u>	

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Financial Accounting – Stage-3

Q. 5 (a)

Imran
Statement of Affairs as at 31 December 2009

Non-current assets:	Rs.	Rs.	Marks
Furniture		165,000	0.25
Current assets:			
Inventory	318,000		0.25
Accounts receivable	275,000		0.25
Bank	282,500		0.25
Cash	16,000		0.25
		<u>891,500</u>	0.25
Total assets		1,056,500	
Current liabilities:			
Accounts payable		<u>(80,000)</u>	0.25
Net assets / Capital		<u><u>976,500</u></u>	0.25

Cash

	Marks	Rs.		Marks	Rs.
Balances b/d	0.5	16,000	Rent	0.25	20,000
Receipts from debtors	0.5	675,000	Drawings	0.25	650,000
		<u>691,000</u>	Balances c/d	0.5	21,000
Balances b/d		<u><u>21,000</u></u>			<u><u>691,000</u></u>

Accounts Payable

	Marks	Rs.		Rs.	Marks
Bank	0.5	1,580,000	Balances b/d	80,000	0.5
Balances c/d	0.5	130,000	Purchases (missing figure)	<u>1,630,000</u>	0.5
		<u><u>1,710,000</u></u>		<u><u>1,710,000</u></u>	
			Balances b/d	130,000	

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Financial Accounting – Stage-3

Accounts Receivable

	Marks	Rs.		Rs.	Marks
Balances b/d	0.5	275,000	Receipts; Cash	675,000	0.25
Sales (missing figure)	0.5	3,130,000	Bank	2,400,000	0.25
			Balances c/d	330,000	0.5
				3,405,000	
Balances b/d		330,000			

Rent

	Marks	Rs.		Rs.	Marks
Bank	0.5	190,000	Profit and loss (missing figure)	227,500	0.5
Cash	0.5	20,000			
Balances c/d	0.5	17,500			
		227,500		227,500	
			Balances b/d	17,500	

(b)

(i) **Going Concern:**

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Marks

01

When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

01

(ii) **Offsetting:**

An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an IFRS.

01

(iii) **Material Omissions or misstatement:**

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. the size or nature of the item, or a combination of both, could be the determining factor.

02

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Financial Accounting – Stage-3

Q. 6 (a)

MHA Limited
Income Statement
For the period ended on December 31, 2010

	<u>Notes</u>	<u>Amount in Rs. '000'</u>	<u>Marks</u>
Sales		35,000	01
Cost of goods sold		<u>(26,000)</u>	01
<i>Gross profit</i>		9,000	
Income from investment		225	01
Selling and distribution cost	1	(1,735)	01
Administrative cost	2	(1,135)	01
Finance cost (390+390)		<u>(780)</u>	01
<i>Profit before Tax</i>		5,575	
Tax expenses (35% of PBT)		<u>(1,951.25)</u>	01
<i>Profit for the year</i>		<u><u>3,623.75</u></u>	

Q. 6 (b)

Statement of Changes in Equity
For the period ended on December 31, 2010

	<u>Amount in Rs. '000'</u>					<u>Marks</u>
	Share Capital	Share Premium	General Reserves	Retained Earnings	Total	
Balance (January 01, 2010)	40,000	1,000	475	3,000	44,475.00	0.5 each
Net Profit				3,623.75	3,623.75	01
Transfer to General Reserves			623.75	(623.75)	-	0.5
	<u>40,000</u>	<u>1,000</u>	<u>1,098.75</u>	<u>6,000</u>	<u>48,098.75</u>	01 ▲

Q. 6 (c)

Statement of Financial Position
As on December 31, 2010

<u>Marks</u>	<u>Amount in Rs. '000'</u>		<u>Marks</u>
	SHARE CAPITAL RESERVE		
	<i>Authorized Share Capital:</i>		
0.5	10,000,000 ordinary shares of Rs.10/= each	<u>100,000.00</u>	
	<i>Issued, Subscribed and Paid up:</i>		
0.5	4000 ordinary shares of Rs.10/= each	40,000.00	
0.5	Share premium	1,000.00	
	General reserves	1,098.75	
	Retained earnings/ Unappropriated profits	6,000.00	
		48,098.75	
01	NON-CURRENT LIABILITIES:		
	12% long-term loan	6,500.00	
01	CURRENT LIABILITIES:		
	Accounts payable	3,000.00	
0.5	Interest payable	390.00	
0.5	Repair and maintenance payable	10.00	
	Income tax payable	1,951.25	
		5,351.25	
		<u>59,950.00</u>	
	FIXED ASSETS:		
	Freehold Land, Building and Furniture	3	28,250.00
	Long-term investment		18,000.00
			46,250.00
	CURRENT ASSETS:		
	Inventory		4,000.00
	<i>Accounts Receivable:</i>		
	Balance	5,000	
	Allw. for receivable	(500)	4,500.00
	Cash at Bank		4,500.00
	Cash in hand		700.00
			13,700.00
			<u>59,950.00</u>

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Financial Accounting – Stage-3**Working Notes:****Marks****1- Selling and Distribution Cost:**

	<u>Rs. in '000'</u>	
Salaries	750	0.5
Repair and maintenance expense	35	0.5
Miscellaneous selling expenses	800	0.5
Bad and doubtful debt expense (100 + 50)	150	0.5
	<u>1,735</u>	

2- Administrative Cost:

	<u>Rs. in '000'</u>	
Salaries	750	0.25
Repair and maintenance expenses (60 + 10)	35	0.5
Depreciation	350	0.25
	<u>1,135</u>	

3- Fixed Assets (Freehold Land, Building and Furniture):

	<u>Rs. in '000'</u>				
<u>Particulars</u>	<u>Freehold Land</u>	<u>Building</u>	<u>Furniture</u>	<u>Total</u>	
Cost (1/1/2010)	20,000	7,500	2,000	29,500	0.25 each
Accumulated depreciation:					
Beginning of the year	-	500	400	900	0.25 each
Yearly depreciation	-	150	200	350	0.25 each
		(650)	(600)	(1,250)	
	<u>20,000</u>	<u>6,850</u>	<u>1,400</u>	<u>28,250</u>	