Marks

Q.2 (a) Difference between Nominal and Real Accounts:

Balance sheet accounts are known as "real or permanent accounts" since they keep accumulating on the balance sheet from period to period for the life of the account. Such as cash, accounts receivable, accounts payable, inventory and equipment etc. 03

Income statement accounts are called "nominal or temporary accounts" because they are closed at the end of the period so that their balances become zero e.g., sales, rent expense etc. 02

(b) Steps in an Accounting Cycle:

(i)	Analyze business transactions;	0.5
(ii)	Journalize the transactions;	0.5
(iii)	Post to ledger accounts;	0.5
(iv)	Prepare a trial balance;	0.5
(v)	Journalize and post adjusting entries;	0.5
(vi)	Prepare an adjusted trial balance;	0.5
(vii)	Journalize and post closing entries;	0.5
(viii)	Prepare a post-closing trial balance;	0.5
(ix)	Prepare financial statements.	0.5
For STEPS IN ORDER.		0.5

(c) Closing Entries on June 30, 2011:

	Rs.	Rs.	
Sales	174,000		0.5
Inventory (30.06.11)	9,500		0.5
Purchase returns	2,000		0.5
Purchase discount	6,000		0.5
Commission income	10,000		0.5
Expense & Revenue Summary		201,500	0.5
(To close Revenue Accounts)			
Expense & Revenue Summary	176,000		0.5
Merchandise Inventory (01.07.10)		11,500	0.5
Purchases		100,000	0.5
Carriage inward		2,500	0.5
Sales return		11,500	0.5
Discount allowed		2,000	0.5
Salaries expense		22,000	0.5
Advertising expense		7,500	0.5
Depreciation expense		3,000	0.5
Rent expense		16,000	0.5

Marks

(To close Expense Accounts)			
Expense & Revenue Summary	25,500		0.5
Capital		25,500	0.5
Capital	4,500		0.5
Drawings		4,500	0.5

Q.3 (a) Trade Bill:

Where a bill of exchange has been drawn and accepted for a genuine trade transaction, it is termed as a "trade bill". 01

Accommodation Bill:

Where a bill of exchange is drawn and accepted for providing funds to a friend in need, it is termed as an "accommodation bill". 01

(b)

Sales Ledger Control Account

	Rs.		Rs.	
Balance b/d	65,500	Cash	315,270	0.5+0.5
Accounts receivable	331,100	Discount allowed	7,820	0.5+0.5
Bad debts recovered	2,440	Bad debts	8,370	0.5+0.5
Bank: Dishonoured cheque	13,390	Sales return	25,600	0.5+0.5
		Cash (bad debt recovered)	2,440	0.5
		Contra: Purchase ledger	5,430	0.5
		Balance b/d	47,500	1.0
	412,430		412,430	

Marks

(c) **FIFO METHOD**

Purchases				Cost of Goods Sold			Balance			
Date	**Qty**	**Rate**	**Amount**	**Qty**	**Rate**	**Amount**	**Qty**	**Rate**	**Amount**	
1/5	7	150	1,050				7	150	1,050	0.5
4/5				5	150	750	2	150	300	0.5
8/5	8	170	1,360				2 8	150 170	300 1360	1.0
12/5				2 6	150 170	300 1,020	2	170	340	1.0
15/5	5	150	750				2 5	170 150	340 750	1.0
20/5				2 2	170 150	340 300	3	150	450	1.0
25/5				2	150	300	**1**	**150**	**150**	1.0

WEIGHTED AVERAGE

Purchases				Cost of Goods Sold			Balance			
Date	**Qty**	**Rate**	**Amount**	**Qty**	**Rate**	**Amount**	**Qty**	**Rate**	**Amount**	
1/5	7	150	1,050				7	150	1,050	0.75
4/5				5	150	750	2	150	300	0.75
8/5	8	170	1,360				10	166	1,660	1.0
12/5				8	166	1328	2	166	332	1.0
15/5	5	150	750				7	154.57	1082	1.0
20/5				4	154.57	618.28	3	154.57	463.72	0.75
25/5				2	154.57	309.14	**1**	**154.57**	**154.58**	0.75

Marks

Q.4 (a) Correcting Journal Entries:

Date	Particulars	Debit (Rs. '000)	Credit (Rs. '000)	Marks
(i)	Mahmood & Company	5,000		0.5
	Ahmed & Company		5,000	0.5
(ii)	Office equipment	6,000		0.5
	A/P Jabbar		6,000	0.5
(iii)	Office Equipment	45,000		0.5
	Office Expense		45,000	0.5
(iv)	Sales	9,000		0.5
	A/R Abu Yousuf		9,000	0.5
(v)	Sales	16,400		0.5
	Commission Income		16,400	0.5
(vi)	Cash	1,360		0.5
	A/R Tabish		1,360	0.5
(vii)	Purchases	37,200		0.5
	Drawing		37,200	0.5
(viii)	Discount Allowed	480		0.5
	Discount Received		480	0.5

(b) Straight-Line:

Cost of Machine			Rs.200,000	
Depreciation per year		=	$\frac{200,000 - 12,500}{4}$	
		=	Rs.46,875	1.0
Depreciation for	2007	=	Rs.46,875	0.75
	2008	=	Rs.46,875	0.75
	2009	=	Rs.46,875	0.75
	2010	=	Rs.46,875	0.75

Marks

Diminishing Balance Method:

						Marks
Cost of Machine					Rs. 200,000	
Depreciation for 2007	=	50% of	Rs. 200,000	=	100,000	1.0
Depreciation for 2008	=	50% of	Rs. 100,000	=	50,000	1.0
Depreciation for 2009	=	50% of	Rs. 50,000	=	25,000	1.0
Depreciation for 2010	=	50% of	Rs. 25,000	=	12,500	1.0
			Total	=	187,500	

Units of Output Method:

						Marks
Cost of Machine				200,000		
Expected Total Output				37,500	units	
Depreciation Rate per unit		(200,000 – 12,500) ÷ 37,500	=	Rs. 5	per unit	1.0
Depreciation for 2007	=	(7,500 x 5)	=	Rs. 37,500		0.75
Depreciation for 2008	=	(8,500 x 5)	=	Rs. 42,500		0.75
Depreciation for 2009	=	(9,500 x 5)	=	Rs. 47,500		0.75
Depreciation for 2010	=	(12,000 x 5)	=	Rs. 60,000		0.75
				Rs. 187,500		

Q.5 (a)

Akash & Company
Bank Reconciliation Statement
As at March 31, 2011

	Rs.	Rs.	Marks
Balance as per cash Book		2,190	
Less: Bank charges	(1,540)		1.0
Interest on overdraft	(2,330)		1.0
Wrong entry (8,950 – 7,950)	(1,000)		1.0
Check dishonoured	(2,540)		1.0
		(7,410)	
Corrected Balance		**(5,220)**	0.5
Balance as per Bank Statement		(3,020)	
Add: Late deposit	25,250		1.0
Less: Wrong entry in bank statement	(900)		1.0
Less: Outstanding cheque	(26,550)		1.0
		(2,200)	
		(5,220)	0.5

(b)

Entries in the General Journal

	Rs.	Rs.	Marks
Interest	2,330		0.5
Bank Charges	1,540		0.5
Accounts Receivable	2,540		0.5
Bank		6,410	0.5

Marks

Q.6

Mr. Akram
Income Statement for the year ended 30th June 2011 1.0

				Marks
Sales			1,174,200	0.25
Less Return inward			(6,330)	0.25
Net Sales			1,167,870	
Cost of Goods Sold:				
Opening inventory		217,230		0.25
Purchases	764,430			0.25
Less Returns	(3,720)			0.25
Net Purchases	760,710			
Add carriage inward	2,280			0.5
		762,990		0.25
Available for sale		980,220		
Less closing inventory		(258,212)		0.25
Cost of Goods sold			722,008	0.25
Gross Profit			***445,862***	0.25
Operating Expenses:				
Wages & Salaries	(118,800 + 13,000)		131,800	1.0
Insurance Exp	(2,235 - 843)		1,392	1.0
Rent Exp	(24,600 - 8,200)		16,400	1.0
Dep Exp. Van	(20% of 16,950)		3,390	1.0
Dep Ex. Equipment	(10% of 22,410)		2,241	1.0
Sundry Exp	(648 + 216)		864	1.0
Carriage outward			8,550	0.25
Motor Expense			4,470	0.25
Telephone Exp			2,040	0.25
Office Exp			1,176	0.25
Total Op Exp			***172,323***	0.25
Net Income			**273,539**	1.0

Marks

Mr. Akram
Statement of Financial Position as at June 30, 2011 — 1.0

			Marks
ASSETS			
Non-Current Assets			
Van	16,950		0.25
Less Depreciation	(3,390)	13,560	0.25
Office Equipment	22,410		0.25
Less Depreciation	(2,241)	20,169	0.25
Total long term Assets		**33,729**	0.5
Current Asset		Rs.	
Cash in Hand		336	0.25
Cash at Bank		13,260	0.25
Accounts Receivable		114,300	0.25
Inventories		258,212	0.25
Prepaid Rent		8,200	0.25
Prepaid Insurance		843	0.25
Total Current Assets		**395,151**	0.5
Total Assets		**428,880**	0.5
Equities			
Capital		149,025	0.25
Less Drawing		(85,800)	0.25
		63,225	
Add Net Income		273,539	0.25
Total Equities		**336,764**	0.5
Current Liabilities			
Accounts Payable		78,900	0.25
Accrued Wages		13,000	0.25
Accrued sundry Expenses		216	0.25
Total Current Liabilities		**92,116**	0.5
Total Liabilities and Equity		**428,880**	0.5

THE END