

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

Marks

Q.2 (a)

Journal Entries:

Date	Particulars	Debit (Rs. '000)	Credit (Rs. '000)	
01	Cash	870		0.5
	Bank	1330		
	Capital		2200	
03	Purchases account	2200		0.5
	Accounts payable (Amin & Co.)		2200	
03	Van account	540		0.5
	Bank		540	
04	Accounts receivables (Ahmed Brothers)	1880		0.5
	Sales		1880	
08	Advance rent	680		0.5
	Bank		680	
11	Bank	1340		0.5
	Accounts receivable (Ahmed Brothers)		1340	
12	Accounts payable (Amin & Co.)	784		0.5
	Bank		784	
18	Carriage inward	38		0.5
	Cash		38	
19	Sales Returns	220		0.5
	Accounts receivables (Ahmed Brothers)		220	
22	Purchases	1230		0.5
	Accounts payable (Amin & Co.)		1230	
28	Accounts receivable (Ahmed Brothers)	810		0.5
	Sales		810	
30	Drawings	25		0.5
	Purchases account		25	

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

Marks

(b)

<b>Cash</b>				
	Rupees	Date		Rupees
Capital	870,000	18	Carriage inward	38,000
		31	Bal c/d	832,000
	<u>870,000</u>			<u>870,000</u>

0.5

<b>Bank</b>					
Date		Rupees	Date		Rupees
1	Capital	1,330,000	3	Van account	540,000
11	Accounts receivable- M/s. Ahmed Bros Bros	1,340,000	8	Prepaid rent	680,000
			12	Accounts payable - M/s. Amin & Co	784,000
			31	Bal c/d	666,000
		<u>2,670,000</u>			<u>2,670,000</u>

1.25

<b>Accounts Payable · M/s. Amin &amp; Co</b>					
Date		Rupees	Date		Rupees
12	Bank	784,000	3	Purchases	2,200,000
31	Bal c/d	2,646,000	22	Purchases	1,230,000
		<u>3,430,000</u>			<u>3,430,000</u>

0.75

<b>Capital Account</b>				
	Rupees	Dec		Rupees
Bal c/d	2,200,000	1	Cash	870,000
			Bank	1,330,000
	<u>2,200,000</u>			<u>2,200,000</u>

0.5

<b>Accounts Receivables · M/s. Ahmed Bros</b>					
Date		Rupees	Date		Rupees
4	Sales	1,880,000	11	Bank	1,340,000
28	Sales	810,000	19	Sales return	220,000
		<u>2,690,000</u>	31	Bal c/d	1,130,000
					<u>2,690,000</u>

0.75

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

Marks

<b>Van Account</b>			
	Rupees		
Bank account	540,000		0.25
	<b>540,000</b>		

  

<b>Drawings Account</b>			
	Rupees		
Purchases account	25,000		0.25
	<b>25,000</b>		

  

<b>Purchases – Television</b>			
Date	Accounts payable	Rupees	Date
3	- M/s. Amin & Co	2,200,000	Drawings
22	- M/s. Amin & Co	1,230,000	Balance c/d
		<b>3,430,000</b>	25,000
			<b>3,430,000</b>

  

<b>Sales – Television</b>			
Date	Accounts receivable-	Rupees	Date
31	Balance c/d	2,690,000	4
		<b>2,690,000</b>	M/s. Ahmed Bros
			28
			Accounts receivable-
			M/s. Ahmed Bros
			1,880,000
			810,000
			<b>2,690,000</b>

  

<b>Rent - Prepaid</b>			
Date	Bank	Rupees	Date
8		680,000	31
		<b>680,000</b>	c/d
			680,000
			<b>680,000</b>

  

<b>Carriage Inward</b>			
Date	Cash	Rupees	Date
18		38,000	31
		<b>38,000</b>	c/d
			38,000
			<b>38,000</b>

  

<b>Sales Returns</b>			
Date	Accounts receivable-	Rupees	Date
31	M/s. Ahmed Bros	220,000	Balance c/d
		<b>220,000</b>	220,000
			<b>220,000</b>

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

Marks

(c)

**M/s. Hamza Co****Trial Balance as at December 31, 2010**

	Debit	Credit	
Capital		2,200,000	0.25
Cash in Hand	832,000		0.25
Balance at Bank	666,000		0.25
Delivery Van	540,000		0.25
Purchases	3,405,000		0.25
Sales		2,690,000	0.25
Drawings	25,000		0.25
Account Receivable - M/s. Ahmed Bros	1,130,000		0.25
Account Payable- M/s. Amin & Co		2,646,000	0.25
Prepaid Rent	680,000		0.25
Expense - Carriage Inward	38,000		0.25
Sales return	220,000		0.25
	<b>7,536,000</b>	<b>7,536,000</b>	

Q.3 (a)

**(i) Materiality -112**

2.0

Information is material if its omission or misstatement could influence the economic decisions of users. It depends on the size of the item or error judged in the particular circumstances of its omission or misstatement.

**(ii) Relevance - 112**

2.0

Information in financial statements must be relevant to the decision making needs of the users. To be relevant, information must influence the economic decisions of users by helping them evaluate past, present or future events or confirming or correcting their past evaluation.

**(iii) Reliability - 113**

2.0

To be useful, information must also be reliable. Information must be free from material error and bias and able to be depended upon by users to represent faithfully what it claims to represent.

**FUNDAMENTALS OF FINANCIAL ACCOUNTING · STAGE-1****Marks****(b)****(i) Aging schedule for doubtful debts:**

Period debt outstanding	Amount (Rs.)	Estimated % doubtful debts	Allowance for doubtful debts	
Upto 2 months	135,000	2	2,700	0.8
More than 2 months and upto 4 months	64,000	4	2,560	0.8
More than 4 months and upto 6 months	47,000	6	2,820	0.8
More than 6 months and upto 8 months	25,500	8	2,040	0.8
More than 8 months	8,500	10	850	0.8
	<b>280,000</b>		<b>10,970</b>	

(ii) Rs.10,970 1.0

(iii) □ Income statement to be credited by Rs 4,530. 1.0

**(c)**

	Rupees		
(i) Accounts receivable	10,400		
Bad debts recovered account (To reinstate the debt)		10,400	1.0
(ii) Cash / Bank	10,400		
Account receivable (To show receipt of payment)		10,400	1.0
(iii) Bad debts recovered account	10,400		
Profit and Loss account		10,400	1.0

**(d)**

	Rupees		
Basic Salary per month	75,000		
<b>W-1</b> Bonus per month (100,000 / 12)	8,333		0.5
Gross salary per month	83,333		0.5
Less: Deductions:			
<b>W-2</b> Income Tax	5,927		
Provident fund (8.33% x 75,000)	6,248		0.5
	12,175		
<b>Net Pay</b>	<b>71,158</b>		1.0

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

<b>W-2 Tax Calculation</b>			
Gross Salary	83,333		
Provident Fund Contribution	(6,248)		
Taxable income	<b>77,085</b>		1.0
On first Rs25,000 @ 6%	1,500		0.5
On remaining Rs52,085 @ 8.5%	4,427		0.5
	<b>5,927</b>		0.5

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

Marks

Q.4 (a)

**Zeeshan & Sons**  
**Petty Cash Book for the month of March 2011**

0.5

Receipts	Date	Details	Total	Printing & Stationery	Communication	News paper & Subscription	Vehicle Running & Maintenance	Misc.		
	2011		<b>Rupees</b>							
15,000	1-Mar	Cash							0.5	
	3-Mar	Telephone Expense	1,850		1,850				0.5	
	4-Mar	Refreshment charges	185					185	0.5	
	10-Mar	Computer printer papers	550	550					0.5	
	11-Mar	Computer Toner	2,150	2,150					0.5	
	15-Mar	Tea & Sugar	350					350	0.5	
	18-Mar	Reimbursement of petrol charges	100				100		0.5	
	20-Mar	Postage Charges	125		125				0.5	
	20-Mar	New paper bill	650			650			0.5	
	20-Mar	Trade journal subscription	2,200			2,200			0.5	
	27-Mar	Office Stationery	800	800					0.5	
	27-Mar	Office Van repair	1,200				1,200		0.5	
	28-Mar	Courier Charges	120		120				0.5	
	29-Mar	New telephone connection charges	1,500		1,500				0.5	
			<b>11,780</b>	<b>3,500</b>	<b>3,595</b>	<b>2,850</b>	<b>1,300</b>	<b>535</b>	0.25 x 6	
11,780	31-Mar	<b>cash</b>							0.5	
	31-Mar	<b>bal c/d</b>	<b>15,000</b>						0.5	
<b>26,780</b>			<b>26,780</b>							
<b>15,000</b>										

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

Marks

Q.4 (b) (i) Calculation of Gain or (Loss) on disposal of machinery:

	Rupees WDV/Cost at beginning	Rupees Depreciation For the year	Rupees WDV Closing	
2007	95,000	19,000	76,000	1.0
2008	76,000	15,200	60,800	1.0
2009	60,800			
Sale Proceed	81,200			
Gain	<b>20,400</b>			2.0

(b) (ii)

	Cost/WDV (Beginning)	Depreciation for the year	WDV Ending	
2006	685,000	266,389	418,611	1.0
2007	Old Machine	83,722	334,889	1.0
	New Machine	19,000	76,000	0.5
2008	Old Machine	66,978	267,911	1.0
	New Machine	15,200	60,800	0.5
2009	(WDV) of old machinery at beginning of 2009	267,911		
	Residual value in 2012	110,000		
		<b>157,911</b>		1.0

**Working - W- 1**

Cost of the Machinery -Old	685,000
Depreciation charged till 2008	<u>(417,089)</u>
Value of the machine in the beginning of 2009	<b>267,911</b>

$$\text{Depreciation (for 2009 to 2011)} = \frac{(267,911 - 110,000)}{3} = \mathbf{52,637} \quad 1.0$$



**FUNDAMENTALS OF FINANCIAL ACCOUNTING · STAGE-1****Marks****Q.5 (a) (i)**

January

2011

2	Purchase of a Van for business use	Capital Expenditure	0.5
3	Construction of a new room in the existing restaurant	Capital Expenditure	0.5
5	Purchase of electrical meat chopper & cutter	Capital Expenditure	0.5
7	Insurance premium paid	Revenue Expenditure	0.5
7	Painting of the existing restaurant , excluding the new room constructed	Revenue Expenditure	0.5
9	Salaries of the restaurant staff	Revenue Expenditure	0.5
10	Purchase of a computer for use in the business	Capital Expenditure	0.5
18	Cost of hiring a refrigerator	Revenue Expenditure	0.5
22	Carriage cost paid to bring the meat cutter & chopper to the restaurant	Capital Expenditure	0.5
28	Petrol cost of the Van	Revenue Expenditure	0.5
28	Putting extra head lights on Van	Capital Expenditure	0.5
30	Electricity cost for using the meat cutter & chopper	Revenue Expenditure	0.5

**(ii) Revenue Expenditure and Capital Expenditure:**

The expenditure which provides benefit only in current period is called revenue expenditure. 0.5

The expenditure which provides benefit in more than one accounting period are called capital expenditure. 0.5

**FUNDAMENTALS OF FINANCIAL ACCOUNTING – STAGE-1****Marks****Q.5 (b)****(i)****Shahzad & Company****Purchases Ledger Control Account – Revised**

	<b>Rupees</b>	
Original purchase ledger control account balance	218,750	
<b>Add:</b>		
Invoice omitted from control account, but entered in purchase ledger	28,109	1.0
Supplier balance excluded from Purchases Ledger total because the account had been included in the Sales Ledger by mistake	14,128	1.0
Credit sale posted in error to the debit of a Purchases Ledger account instead of the debit of an account in the Sales Ledger	9,280	1.0
Undercasting error in calculation of total end of period creditor's balances	5,820	1.0
	<u>57,337</u>	
	<b>276,087</b>	
<b>Less:</b>		
Customer account with a credit balance included in the purchase ledger that should have been included in sales the ledger	(38,900)	1.0
Return inwards posted in error to the credit of a Purchases ledger account instead of the credit of an account in the Sales Ledger	(3,400)	1.0
	<u>(42,300)</u>	
<b>Revised purchases ledger control account balance</b>	<u><b>233,787</b></u>	1.0

**(ii) Kinds of Ledgers:**

- |   |      |
|---|------|
| <input type="checkbox"/> Sales ledger     | 0.25 |
| <input type="checkbox"/> Purchases ledger | 0.25 |
| <input type="checkbox"/> General ledger   | 0.25 |
| <input type="checkbox"/> Private ledger   | 0.25 |

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

Marks

Q.6 (a)

**Abdul Ghani & Sons**  
**Income Statement**  
**For the year ended June 30th, 2010**

0.5

	Rupees	Rupees	
Sales revenue	1,700,000		0.5
Less: Sales returns	(40,050)		0.5
Net sales		<b>1,659,950</b>	
<b>Cost of Goods sold:</b>			
Inventory at the beginning	142,000		0.5
Purchases	908,000		0.5
Less: Purchase returns	(87,000)		0.5
	<u>821,000</u>		
Add : Carriage inwards	15,750		0.5
Cost of purchases	<u>836,750</u>		
Available for sale	978,750		
Less :Closing inventory	(78,000)		0.5
Cost of goods sold		<b>900,750</b>	0.5
Gross profit		<b>759,200</b>	0.5
<b>Operating expenses:</b>			
Discount allowed	17,550		0.5
Wages and salaries	105,500		0.5
Rent expense (80,800 – 18,000)	62,800		1.0
Telephone expense	75,700		0.5
Depreciation:			
Shop fittings	15,000		0.25
Van	60,000		0.25
Allowance for bad debts (98,000 – 80,000)	18,000		1.0
Bad debts expense	20,000		0.5
Total operating expense		<b>(374,550)</b>	
Net profit		<b>384,650</b>	0.5

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

Marks

(b)

**Abdul Ghani & Sons**  
**Statement of Financial Position**  
**As at June 30, 2010**

0.5

	Rs.	Rs.	
<b>Non-Current Assets</b>			
Furniture and fixtures	150,000		
Less: Current depreciation	<u>(15,000)</u>		
		135,000	1.0
Van	300,000		
Less: Current depreciation	<u>(60,000)</u>		
		240,000	1.0
<b>Total Non-Current Assets</b>		<u><b>375,000</b></u>	0.5
<b>Current Assets:</b>			
Inventory		78,000	0.5
Accounts receivable	402,250		
Less: Allowance for bad debts (80,000 + 18,000)	<u>(98,000)</u>		
		304,250	1.0
Prepaid rent		18,000	0.5
Cash		125,000	0.5
Bank		<u>428,000</u>	0.5
<b>Total Current Assets</b>		<u>953,250</u>	0.5
<b>Total Assets</b>		<u><u><b>1,328,250</b></u></u>	0.5
<b>Equity and Liabilities</b>			
Capital		298,800	0.5
Less :Drawings		<u>(18,000)</u>	0.5
		280,800	
Add: Net profit		<u>384,650</u>	0.5
<b>Total Equity</b>		<u><b>665,450</b></u>	0.5
<b>Current Liabilities</b>			
Accounts payable		<u>662,800</u>	0.5
<b>Total Equity and Liabilities</b>		<u><u><b>1,328,250</b></u></u>	0.5

THE END