P Q 2

Consignment A/C

Marks				Dr			Cr	Marks
	2009			Rs	2009		Rs	
½	Jan 1	To Goods Sent on Consignment A/C		200,000	Jan 10	By Abnormal Loss (W-1)	5,500	½
½		To Bank (Packing, freight & insurance)		20,000		By Sales (7,500 x 30)	225,000	1
	Mar 31	To Shakir:						
½		Godown Rent	3,000		31 Mar	Stock on consignment (W-2)	47,790	½
½		Advertisement	4,000					
½		Sales man's Salaries	6,000	13,000				
		To Shakir Commission						
1		Order 5%	11,250					
1		Del Credere Commission 2.5%	5,625	16,875				
1½		To P & l A/C (Profit on Consignment)		28,415				
				278,290			278,290	

Abnormal Loss A/C

Marks		Dr		Cr	Marks
		Rs		Rs	
½	Jan 1, 2009 To Consignment A/C	5,500	Jan 1, 2009 By Insurance Claim	3,000	½
			By P & L A/C	2,500	½
		5,500		5,500	

Shakir A/C

Marks	Date	Particulars	Dr Rs	Date	Particulars		Cr Rs	Marks
½	Mar 31, 2009	To Consignment A/C (Sale Proceed) (7500 x 30)	225,000	Mar 31, 2009	By Consignment A/C:			
					G. Rent	3,000		
					Advertising	4,000		
					Salary	6,000		
							13,000	½
					By Consignment A/C:			
					Order Com.	11,250		
					Declared	5,625		
							16,875	½
					By Bank Dr		195,125	½
			225,000				225,000	

(W-1)
Abnormal Loss Calculation:

Cost of 10,000 Kg @ Rs.20	Rs. 200,000	
Packing, Freight and Insurance	20,000	
	220,000	
Hence cost of 250 Kg:		
Destroyed is Rs. $\frac{220,000 \times 250}{10,000}$	Rs. 5,500	1

(W-2)

Cost of Remaining 9,750 Kg (Rs 220,000 – Rs 5,500)	Rs. 214,500	½

The value of closing stock calculated as follows:

Qty available for sale	9,750
Less Normal Leakage	(100)
	9,650
Qty Sold	7,500
Closing Stock	2,150

Value of Closing Stock $\left[\frac{214,500 \times 2,150}{9,650}\right]$ Rs. 47,790 2

P Q 3

In the books of Head Office

Sukkur Branch Stock Account

Marks		Rs.			Rs.	Marks
1/2	1.4.07 Balance b/d	17,500	31.3.08 Bank A/c (Cash Sales)		131,250	1/2
1/2	31.3.08 To goods sent to branch a/c	350,000				
			Branch Debtors (Credit Sales)		204,167	1/2
1/2	To Branch Debtors	4,375	Stock shortage:			
			Branch P&L A/c (1458x100/120)	1215*		1/2
			Branch Adjustment A/c (1458 x 20/120) (Loading)	243		1/2
					1,458	
			Balance c/d		35,000	1/2
		371,875			**371,875**	

Sukkur Branch Debtors Account

Marks		Rs.		Rs.	Marks
1/2	1.4.07 Balance b/d	21,875	31.3.08 By Bank A/c (Collection)	196,875	1/2
1/2	31.3.08 Bank A/c (dishonour of cheques)	3,646			
			Branch Stock A/c	4,375	1/2
1/2	Branch Stock A/c	204,167	Bad debts	1,094	1/2
			Discount allowed	729	1/2
			By Balance c/d	26,615	1/2
		229,688		**229,688**	

Sukkur Branch Adjustment Account

Marks					Marks
1/2	Branch Stock A/c (loading of loss)	243	Stock Reserve A/c (W-1)	2,917	1/2
1/2	Stock Reserve (W-3)	5,833	Goods sent to Branch A/c (W-2)	58,333	1/2
1/2	Gross Profit c/d	55,174			
		61,250		**61,250**	

Branch Profit & Loss Account

				Gross Profit	55,174	1/2
1/2	(Cost of loss)		1,215			
	Branch Expenses: Cash expenses	39,010				1/2
	Bad debts	1,094				1/2
	Disc. Allowed	729				1/2
			40,833			
1/2	Net Profit Transferred to General P & L		13,126			
			55,174		**55,174**	

Working Notes:

1	Loading on opening stock = 17,500 x 0.2 / 1.2	2,917	1/2
2	Loading on goods sent = 350,000 x 0.2 / 1.2	58,333	1/2
3	Loading on Closing Stock = Rs.35,000 x 0.2 / 1.2	5,833	1/2

P.Q. 4

Sports Club
Income & Expenditure Account
For The Year Ended December 31, 2009

(Rupees in thousand)

Marks	Expenditure		Income		**Marks**
½	Ground Rent (W-4)	2,520	Subscription Income (W-1)	21,720	½
1	Interest Expense (12,000 x .04)	480	Rent Income (W-2)	4,440	½
1½	Depreciation (120+1,680+360)	2,160	Interest Income (2,400 x .10)	240	1
1	Office supplies expense (600 – 240)	360	Entrance fees	1,800	½
½	Salaries expense (W-3)	18,480			
½	Insurance expense	600			
½	Miscellaneous expense	600			
1	Excess of Income over expenditure	3,000			
		28,200		**28,200**	

Working Notes:

W-1 Subscription Income:

	Rs.	
Subs received:	22,800,000	
Add: Adv. Subscription (Opening)	120,000	
Less: Adv. Subs (End.)	(720,000)	
Add: Subs: Receivable (End)	120,000	
Less: Subs: Receivable (Opening)	(600,000)	
	21,720,000	2

W-2 Rent Income:

Rent Received	5,400,000	
Add: Rent Received (End)	600,000	
Less Rent Receivable (Opening)	(1,200,000)	
Less: Advance Rent (End)	(360,000)	
	4,440,000	2

W-3 Salaries expense:

19,200,000 – 720,000 = Rs.18,480,000 1

W-4 Ground rent:

600,000 + 2,400,000- 480,000 = Rs.2,520,000 1

P.Q.5 (a) Marks

(i) Depreciation

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. 1

(ii) Fair value

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. 1

(iii) Recoverable amount

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. 1

(iv) Impairment loss

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. 1

Q.NO.	CONTENTS				Marks
P.Q. 5(b)	**Cash Account**				
Marks	Bal	14,000	Drawing (3,500 x 52)	182,000	1
½	Sale of investment	30,000	Salaries (13,000 x 12)	156,000	½
½	Profit on investment	5,200	Wages	5,200	½
½	Accounts Receivable	2,873,000	Misc: Expense	7,800	½
			Purchases (2,000 x 52)	104,000	½
			Bank	2,450,200	½
			Balance	17,000	
		2,922,200		**2,922,200**	
	Bank Account				
	Balance	275,200	Purchases	2,158,000	½
½	cash	2,450,200	Rent	75,000	¼
			Rates	14,400	¼
			Electricity	9,200	¼
			Repair	8,400	¼
			Insurance	4,000	¼
			Misc. Exp.	5,200	¼
			Drawing	90,000	¼
			End Bal.	361,200	¼
		2,725,400		**2,725,400**	
	Accounts Payable				
½	Bank	2,158,000	Balance	94,000	½
½	Cash	104,000	Purchases	2,270,000	1
½	End Balance	102,000			
		2,364,000		**2,364,000**	
	Accounts Receivable				
½	Bal:	19,000	Cash	2,873,000	½
1	Sales (Bd. fig)	2,881,000	Bad debts	5,000	½
			End. Bal:	22,000	½
		2,900,000		**2,900,000**	

Memorandum Trading Account

Marks					Marks
	Inventory opening	115,000	Sales	2,881,000	1/2
1/2	Purchase	2,270,000	Closing inventory	80,200	1/2
1/2	Gross profit (2,881,000 x .2)	576,200			
		2,961,200		2,961,200	

P.Q. 6

(a) Income Statement for the year ended December 31, 2009
(Classification of expenses by functions)

			Marks
Sales Revenue		17,628,000	1/2
Cost of goods sold (W-2)		(7,476,000)	1/2
Gross Profit		10,152,000	
Distribution costs (W-3)	875,000		1/2
Administrative Expense (W-4)	3,624,000		1/2
		(4,499,000)	
Profit from operation		5,653,000	
Finance charges		(609,000)	1/2
Profit before Income Tax		5,044,000	
Income Tax expense:			
Current	500,000		1/2
Prior	175,000		1/2
		(675,000)	
Net profit for the year		4,369,000	1

(c)

Statement of Financial Position as at December 31, 2009

Marks				Marks
	Non-current Assets:			
	Property, Plant & Equipment-Net (W-5)		9,579,000	1/2
	Current Assets:			
1/2	Inventory	2,400,000		
1/2	Debtors (W-1)	1,140,000		
1/2	Cash at bank	150,000	3,690,000	
			13,269,000	
	Equity & Liabilities:			
	Share-Capital & Reserve:			
1/2	Share Capital (1500 + 1500)	3,000,000		
1/2	Share premium (750+750)	1,500,000		
1/2	Retained Earnings	4,609,000		
			9,109,000	
	Liabilities:			
	Current Liabilities			
1/2	Sales Tax Payable	2,085,000		
1/2	Creditors	1,575,000		
1/2	Income Tax	500,000		
			4,160,000	
	Total equity & Liabilities		13,269,000	
	Presentation			1

(b)

Statement of changes in equity
For the year ended December 31, 2009

	Share Capital	Share Premium	Retained Earning	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
Opening 1-1-09	1500	750	840			
Prior year adjustment			(300)			
	1500	750	540	2,790		
Issue of shares	1500	750	–	2,250		
Profit for the year			4,369	4,369		
Dividend paid			(300)	(300)		
	3,000	1,500	4,609	9,109		
	1/2 mark	**1/2 mark**	**1/2 mark**	**1/2 mark**	=	2

Working Notes:

Marks		
	W-1:	
	Debtors:	
1	(1,314,000 – 114,000 – 60,000) = Rs.1,140,000	
	W-2	
	Cost of Sales:	
	Opening inventory	3,300,000
1/2	Purchases	6,300,000
1	Depreciation (Plant) (2100 – 720) x .20	276,000
1/2	Closing inventory	(2,400,000)
		7,476,000
	W-3	
	Distribution costs:	
1	Depreciation (Motor Veh) (480 – 180) x .25	75,000
1/2	Distribution expenses	250,000
1/2	Sales Staff Salaries	200,000
1/2	Misc: Selling expense	250,000
1/2	Advertising expense	100,000
		875,000
	W-4	
	Administrative expenses:	
1/2	Misc. Admin. Expenses:	2,000,000
1/2	Audit feel	200,000
1	Depreciation (Bldg) (15,000,000 x .05)	750,000
1/2	Office Staff salaries	500,000
1/2	Actual bad debts (written off)	114,000
1/2	Bad debt estimated (provision)	60,000
		3,624,000

W-5:

Property, Plant and equipment:

	Cost	Depreciation charge	Accumulated depreciation	Written down value	Marks
Buildings	15,000,000	750,000	6,000,000	8,250,000	1
Plant	2,100,000	276,000	720,000	1,104,000	1
Motor vehicle	480,000	75,000	180,000	225,000	1
	17,580,000	1,101,000	6,900,000	9,579,000	