

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1**Marks****Question No.2****(i) Going Concern:**

This concept states that the business will continue to run for foreseeable future or continue to operate for at-least twelve months after the end of reporting period.

02

(ii) Materiality:

This concept states that information is material if its omission or misstatement could influence the economic decisions of users. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement.

02

(iii) Substance Over Form:

This concept states that transactions and other events must be accounted for and presented in accordance with their substance and economic reality and not merely their legal form

02

(iv) Business Entity:

This concept states that accountants regard a business as a separate entity, distinct from its owners or managers.

02

Question No.3**(a) (i) General Journal Entries:**

2014				
	Bad Debts Expense	4,800		0.5
	Allowance for Bad Debts		4,800	0.5
2015				
	Bad Debts Expense (W1)	7,200		0.5
	Allowance for Bad Debts (W1)		7,200	0.5
Working:				
	Bad Debts (240,000 * 5%) - 4,800		7,200	0.5+0.5

(ii)**Allowance for Bad Debts**

2014		Rs.	2014		Rs.	
Dec-31	Balance c/d	4,800	Dec-31	Bad Debts Expense	4,800	0.5
		<u>4,800</u>			<u>4,800</u>	
2015			2015			
Dec-31	Balance c/d	12000	Jan-01	Balance b/d	4,800	0.5+0.5
		<u>12,000</u>	Dec-31	Bad Debts Expense	7,200	0.5
					<u>12,000</u>	

(b) (i) Error of Principle:

It is an error where an item is entered in the wrong class of account.

01

Example

Purchase of Motor Van (an asset) is debited to Motor Expense Account

01

(ii) Error of Original Entry:

It is an error where the original figure of the transaction is incorrect, yet double entry is correctly posted using the incorrect figure.

01

Example

Sales of Rs: 54,000 made to Mr. Akeel however Sales Invoice had been made of Rs: 45,000 and same had been debited to the account of Mr. Akeel and credited to Sales Account.

01

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1

	Marks
(c) 1- Revenue Expenditure	0.5
2- Capital Expenditure	0.5
3- Revenue Expenditure	0.5
4- Revenue Expenditure	0.5
5- Capital Expenditure	0.5
6- Capital Expenditure	0.5
7- Revenue Expenditure	0.5
8- Capital Expenditure	0.5

Question No.4

(a) (i)

Machinery Account

2012		Rs.	2012		Rs.	
Jan-01	Cash M1	500,000	Dec-31	balance c/d	500,000	0.5
		500,000			500,000	
2013			2013			
Jan-01	balance b/d	500,000	Dec-31	balance c/d	950,000	0.5+0.5
Jul-01	Cash M2	450,000			0.5	
		950,000			950,000	
2014			2014			
Jan-01	balance b/d	950,000	Apr-01	Disposal M1	500,000	0.5+0.5
Apr-01	Cash M3	400,000	Dec-31	balance c/d	850,000	0.5+0.5
		1,350,000			1,350,000	
2015						
Jan-01	balance b/d	850,000				

(ii)

Accumulated Depreciation - Machinery

2012		Rs.	2012		Rs.	
Dec-31	balance c/d	50,000	Dec-31	Profit and Loss M1	50,000	0.5+0.5
		50,000			50,000	
2013			2013			
Dec-31	balance c/d	122,500	Jan-01	balance b/d	50,000	0.5+0.5
		122,500	Dec-31	Profit and Loss M1	50,000	0.5
		122,500		Profit and Loss M2	22,500	0.5
2014					122,500	
Apr-01	Disposal M1	112,500	Jan-01	balance b/d	122,500	0.5+0.5
	balance c/d	97,500	Apr-01	Profit and Loss M1	12,500	0.5+0.5
		210,000	Dec-31	Profit and Loss M2	45,000	0.5
		210,000		Profit and Loss M3	30,000	0.5
2015					210,000	
			Jan-01	balance b/d	97,500	

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1**Marks**

(iii)		Machinery Disposal Account					
2014		Rs.		2014			
Apr-01	Machinery 1		500,000	Apr-01	Cash	310,000	0.5+0.5
					Accumulated Dep M1	112,500	0.5
					Profit & Loss Account	77,500	0.5
			<u>500,000</u>			<u>500,000</u>	

(b)

Date	Particulars	Receipt			Issue			Balance			
		Qty	Rate	Amount	Qty	Rate	Amount	Qty	Rate	Amount	
Mar-01	Op Balance							100	248.00	24,800	0.5
Mar-02	Purchases	400	250	100,000				400	250.00	100,000	0.5
								<u>500</u>	<u>249.60</u>	<u>124,800</u>	0.5
Mar-04	Sales				310	249.60	77,376	190	249.60	47,424	0.5
Mar-06	Purchases	250	252	63,000				250	252.00	63,000	0.5
								<u>440</u>	<u>250.96</u>	<u>110,424</u>	0.5
Mar-09	Sales				200	250.96	50,193	240	250.96	60,231	0.5
Mar-13	Purchases	390	251	97,890				390	251.00	97,890	0.5
								<u>630</u>	<u>250.99</u>	<u>158,121</u>	0.5
Mar-17	Sales				120	250.99	30,118	510	250.99	128,003	0.5
Mar-21	Purchases	150	253	37,950				150	253.00	37,950	0.5
								<u>660</u>	<u>251.44</u>	<u>165,953</u>	0.5
Mar-23	Sales				370	251.44	93,034	290	251.44	72,919	0.5
Mar-28	Purchases	100	255	25,500				100	255.00	25,500	0.5
								<u>390</u>	<u>252.36</u>	<u>98,419</u>	0.5
Mar-31	Sales				230	252.36	58,042	160	252.36	40,377	0.5
									Amount	Units	
									Closing Inventory	40,377	160

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1**Marks****Question No.5****(a)****Mr. Hassan****Statement of Profit or Loss Account
For the year ended December 31, 2015**

	Rs.	
Sales	4,000,000	0.5
Less: Cost of sales		
Opening inventory	850,000	0.5
Purchases	2,700,000	0.5
Less: Purchases discount	(27,000)	0.5
Add: Carriage inward	135,000	0.5
Less: Goods drawn	(20,000)	0.5
	2,788,000	
Inventory available for sale	3,638,000	
Less: Closing inventory	(1,000,000)	0.5
	2,638,000	
Gross Profit	1,362,000	1.0
Less: expenses		
Selling expense	120,000	0.5
Salaries and wages (78,000 + 2,000)	80,000	0.5+0.5
Motor running expense	40,000	0.5
Rent expense (60,000 – 21,625)	38,375	0.5+0.5
Bank markup	5,500	0.5
Sundry expense	160,000	0.5
Depreciation - Furniture and fixtures (900,000 x 10%)	90,000	0.5
Depreciation - Delivery trucks (1800,000 – 787,500) x 25%	253,125	0.5+0.5
	787,000	
Net profit	575,000	1.0

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1

Marks

(b) (10 marks = 9 marks for solution and 1 mark for presentation/ sequence as per IFRS)

Mr. Hassan
Statement of Financial Position
As on December 31, 2015

	Rs.	
Non- Current Assets:		
Furniture and fixtures	900,000	0.5
Less: Accumulated depreciation (180,000 + 90,000)	(270,000)	0.5+0.5
	630,000	
Delivery trucks	1,800,000	0.5
Less: Accumulated depreciation (78,7500 + 253,125)	(1,040,625)	0.5+0.5
	759,375	
Current Assets:		
Inventory	1,000,000	0.5
Prepaid rent	21,625	0.5
Trade receivables (75,000 – 4,000)	71,000	0.5 + 0.5
Cash in hand	11,500	0.5
	1,104,125	
	2,493,500	
Liabilities:		
Bank overdraft	100,000	0.5
Accrued salaries and wages	2,000	0.5
Trade payables	91,500	0.5
	193,500	
Capital:		
Capital	1,855,000	0.5
Drawings (110,000 + 20,000)	(130,000)	0.5 + 0.5
Net profit	575,000	0.5
	2,300,000	
	2,493,500	

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1**Marks****Question No.6****(a) Gross Profit Ratio:**

$\frac{\text{Gross Profit} \times 100}{\text{Sales}}$	$\frac{115,000 \times 100}{(10,000+135,000 - 20,000+115,000)=240,000}$	47.90%	0.5+0.5 0.25+0.25+0.25+0.25
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(b) Debt Equity Ratio:

$\frac{\text{Long term loan} \times 100}{\text{Capital}}$	$\frac{100,000 \times 100}{310,000}$	32.2%	0.5+0.5+0.5 0.5
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(c) Quick Ratio:

$\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$	$\frac{(20,000+40,000 + 60,000) - 20,000}{90,000}$	1.11:1	0.5+0.5+0.5 0.5
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(d) Inventory Turnover:

$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$	$\frac{(10,000 + 135,000) - 20,000}{(10,000 + 20,000) / 2}$	8.33 Times	0.5+0.5+0.5 0.5
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