



Writing Time: 02 Hours 45 Minutes

Maximum Marks: 90

Roll No.:

- (i) Attempt all questions.
- (ii) Answers must be neat, relevant and brief.
- (iii) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, effective presentation, language and use of clear diagram/ chart, where appropriate.
- (iv) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
- (v) Use of non-programmable scientific calculators of any model is allowed.
- (vi) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
- (vii) Question No.1 – “Multiple Choice Question” printed separately, is an integral part of this question paper.
- (viii) **Question Paper must be returned to invigilator before leaving the examination hall.**

Marks

**Q. 2** Sign Pakistan Limited is incorporated in Pakistan. The Company is engaged in manufacturing of consumer appliances for local market. Following is the pre-closing trial balance of the company together with related adjustments as at December 31, 2012:

	Debit (Rupees in '000)	Credit
Issued, subscribed and paid-up capital		17,900
General reserves		10,500
Retained earnings		700
Long-term loans		8,000
Accounts payable		5,197
Property, plant and equipment (net)	30,000	
Long-term deposits	3,000	
Inventory (01.01.2012)	1,500	
Accounts receivable	7,900	
Allowance for doubtful debts		106
Staff advances	125	
Prepaid insurance	600	
Cash and bank balances	3,620	
Sales		35,770
Purchases	23,400	
Carriage inward	2,600	
Distribution costs	2,100	
Administrative expenses	3,200	
Suspense account	128	
	<u>78,173</u>	<u>78,173</u>

Data for adjustments as at December 31, 2012:

- (i) During the current year, a premium of Rs.600,000 to insure factory premises was made for a period of 3 years with effect from July 01, 2012, which was initially debited to prepaid insurance. Rent of Gujrat office for the month of November and December 2012 has not so far been paid, which amounts to Rs.150,000. In this connection, no adjustments have been incorporated in the accounts.
- (ii) Based on past recovery trend, it is estimated that 3% of the year-end accounts receivable are to be considered doubtful. It was also observed that discount of Rs.153,000 allowed to customers was erroneously charged to suspense account.
- (iii) An amount of Rs.25,000, recovered from an employee, Mr. Farooque, was mistakenly credited to suspense account.
- (iv) On March 01, 2012, an amount of Rs.3 million was invested in long term deposits. The investment is secured by Government of Pakistan. The rate of return on the scheme is 10% p.a. and the interest on investment is due on December 31 every year.

(v) Previously 100% depreciation on non-current assets was being charged to production department and nothing was apportioned to distribution and marketing departments. In order to allocate depreciation charge appropriately, it was decided that from year 2012, the rate of depreciation on non-current assets will be charged at 10% on reducing balance method and it will be apportioned as follows:

- a) Production 60%
- b) Marketing 25%
- c) Administration 15%

There was no addition or disposal of property, plant and equipment during the year.

(vi) Inventory comprising finished goods has been valued at Rs.3 million.

(vii) Board of Directors approved to transfer Rs.500,000 to general reserves.

**Required:**

- (a) Statement of Profit or Loss for the year ended December 31, 2012. 12
- (b) Statement of Financial Position as at December 31, 2012. 13

*Note: The financial statements must be prepared in accordance with the approved accounting standards and keeping in mind recording of relevant adjustments. However, formal notes to the accounts are not required, although detailed working should be submitted with the answer.*

**Q. 3 (a)** Explain the following terms:

- (i) Dual aspect concept 02
- (ii) Relevance 02
- (iii) Neutrality 02
- (iv) Completeness 02

(b) On December 31, 2012, Alina Limited estimated allowance for doubtful debts at 10% of accounts receivable of Rs.450,000.

The allowance for doubtful debts account prior to any adjustment has following balance in each independent case:

<b>Case No. 1</b>	No balance
<b>Case No. 2</b>	Credit balance of Rs.20,000
<b>Case No. 3</b>	Credit balance of Rs.45,000
<b>Case No. 4</b>	Debit balance of Rs.15,000

**Required:**

Pass an adjusting entry for each of the above independent case. 04

(c) Following accounting data of year 2012 has been extracted from the books of Razzaque Sons:

	<u>Rupees</u>
Purchases ledger balance (01.09.2012)	25,500
Sales ledger balances (01.09.2012)	31,200
Totals for the month of September, 2012:	
Purchases journal	511,000
Sales journal	861,000
Return outwards journal	123,000
Return inwards journal	110,000
Cash sales	250,250
Cash purchases	125,125
Cash paid to suppliers	340,000
Cash recovered from debtors	750,000
Discount allowed	9,000
Discount received	5,000
Balances on the sales ledger set off against balances in the purchases ledger	12,000

**Required:**

- (i) Prepare a sales ledger control account.  
(ii) Prepare a purchases ledger control account.

**Marks****04****04****Q. 4 (a)** Following balances have been extracted from the books of Shahi Traders:

	<b>2012</b>	<b>2011</b>
	<b>(Rs.'000)</b>	<b>(Rs.'000)</b>
Opening inventory	3,400	
Purchases	132,000	
Closing inventory	(2,500)	
Cost of goods sold	132,900	
Sales	146,600	
Profit for the year	8,645	
<i>Current assets:</i>		
Inventory	2,500	3,400
Accounts receivable	25,000	23,300
Cash in hand	10,500	12,700
	38,000	39,400
<i>Non-current assets</i>	99,000	88,500
Accounts payable	19,200	17,100
Capital	100,000	90,000

**Required:**

Answer the following:

- (i) What is return on capital employed for the year 2012?  
(ii) After how many days inventory is disposed of?  
(iii) In how many days collection is made from customers?  
(iv) In how many days payment is disbursed to suppliers?

**02****02****02****02****(b)** From the following data find out the balance as per bank statement as on March 31, 2013:**08**

- Balance as per cash book on March 31, 2013 Rs. 55,200
- Payment cheques outstanding on March 31, 2013 Rs. 31,300
- Late Deposit of cheques outstanding on March 31, 2013 Rs. 33,700
- Bills of Rs.7,200 collected by the bank but not entered into the cash book till March 31, 2013.
- Bank charges of Rs.700 debited by the bank but not recorded in cash book till end of March, 2013.
- A cheque issued to a supplier for Rs.29,800 was entered in the cash book as Rs.28,900.
- A cheque amounting to Rs.15,200 was dishonoured but not entered in the cash book.

**Q. 5 (a)** Qaisar & Sons are renowned computers traders in the city. Below are the transactions extracted from their accounting data, which took place during the month of May, 2013:

		Rupees
01.5.13	Purchased, on account, computer accessories from Zaheer & Sons. Terms being 2/10, n/30 – Invoice No.1876.	55,513
05.5.13	Purchased, on credit, five printers from Yaseen Brothers. Terms being 2/10, n/30 – Invoice No.125.	146,724
09.5.13	Purchased a delivery motorbike on account from Husain Engineering. Terms 3/10, n/45 – Invoice No. 5656.	50,400
12.5.13	Purchased merchandise on cash from Khalil Bros. Invoice No.1362.	13,250
16.5.13	Purchased merchandise from Jindani Traders on account. Terms basis 2/10, n/35 – Invoice No.1226.	82,723
25.5.13	Invoice No. 10001 received from Bushra & Sons on account of purchasing three laptops. Terms basis 3/10, n/30.	150,000
27.5.13	A laptop found defective and returned to supplier. D/Note #18	45,600
31.5.13	Purchased merchandise from Zee Brothers for cash	41,100

**Required:**

Prepare a standard format for Purchases Day Book and record the *relevant* transactions therein.

**05**

**(b)** The following information pertains to B & D Traders for the month of June, 2012:

	Rs.
Debtors on June 1, 2012	6,000
Creditors on June 1, 2012	8,000

Transactions during the month of June, 2012:

	Rs.
Counter sales to customers	6,000
Debtors' accounts written off	600
Cash received from debtors	14,000
Cash paid to suppliers	8,000
Goods returned to suppliers	1,000
Goods purchased on cash	9,000
Debtors on June 30, 2012	24,000
Creditors on June 30, 2012	30,000

**Required:**

- (i)** Calculate the amount of credit sales for the month. **04**
- (ii)** Calculate total sales for the month. **01**

**(c)** During the scrutiny of accounts following errors were detected before closing of books of M/s. Jaffar & Sons:

- (i)** Sold goods to Juma Khan worth Rs.6,400 on credit. The whole transaction was wrongly recorded as credit purchase.
- (ii)** Accrued commission income of Rs.1,300 was overlooked.
- (iii)** Owner withdrew merchandise of Rs.1,550 for personal use but erroneously could not be recorded.
- (iv)** Computer purchased on credit costing Rs.8,300 was recorded as Rs.3,800.

**Required:**

Pass rectification entries for the above transactions. **05**

**Q. 6 (a)** Explain the following by giving at least one example for each:

- (i)** Personal accounts **02**
- (ii)** Real accounts **02**
- (iii)** Nominal accounts **02**

**(b)** Following data has been extracted from the books of Wajahat & Sons:

	Rs.
Cost of old machine	65,000
Accumulated depreciation	51,000
Trade-in allowance for old machine	11,000
Cost of new machine	75,000

**Required:**

- (i)** Compute gain or loss on exchange of machine. **05**
- (ii)** Calculate cash payment to be made for exchange of machine. **03**

**THE END**