

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1

		2012	Marks
		(Rs. '000)	
Q.2 (a)	Sign Pakistan Limited		0.5
	Statement of Profit or Loss		0.5
	For the year ended December 31, 2012		0.5
		2012	
		(Rs. '000)	
	Sales (35,770 – 153)	35,617	0.25+0.25
	Less cost of sales note1	26,400	0.25
	Gross profit	9,217	0.25
	Distribution costs note2	2,981	0.25
	Administrative expenses note3	3,800	0.25
		6,781	0.25
	Profit from operations	2,436	
	Interest on long-term deposits (3,000 x 10% x 10/12)	250	0.5+0.25
	Profit for the year	2,686	0.5

Working:

	Rs. '000	Rs. '000	
Note 1 : Cost of sales			
Opening stock		1,500	0.25
Purchases	23,400		0.25
Carriage inward	2,600		0.25
Depreciation (3,000 x 60%)	1,800		0.5+0.25
Insurance (600 x 1/3 x 6/12)	100		0.5+0.25
		27,900	
		29,400	
Less closing stock		(3,000)	0.25
Cost of sales		26,400	0.5
Note 2 : Distribution costs			
Given in trial balance		2,100	0.25
Provision for doubtful debts [(7,900 x 3%) – 106]		131	0.5+0.25
Depreciation (3,000 x 25%)		750	0.5+0.25
		2,981	0.5
Note 3 : Administrative expenses			
Given in trial balance		3,200	0.25
Rent expenses		150	0.25
Depreciation (3,000 x 15%)		450	0.5+0.25
		3,800	0.5
Depreciation on PPE (30,000 x 10%)		3,000	0.5

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1

		Marks
(b)	Sign Pakistan Limited	0.5
	Statement of Financial Position	0.5
	As at December 31, 2012	0.5
	Equity and Liabilities	Rs. '000
	Equity	
	Issued, subscribed and paid-up capital	17,900
	General reserve note4	11,000
	Retained earnings note5	2,886
		31,786
	Non-Current Liabilities	
	Long term loans	8,000
	Current liabilities	
	Accounts payable	5,197
	Rent payable	150
		5,347
	Total equity and liabilities	45,133
	Assets	
	Non-current assets	
	Property, plant and equipment (30,000 – 3,000)	27,000
	Long-term deposits	3,000
		30,000
	Current Assets	
	Pre-paid insurance (600-100)	500
	Staff advance (125-25)	100
	Inventory	3,000
	Accounts receivable [7900 - (7900 x 3%)]	7,663
	Accrued interest on long term deposits	250
	Cash and bank balances	3,620
		15,133
	Total assets	45,133
	Workings:	
	Note 4: General reserves	
	General reserves b/d	10,500
	Add transferred from retained earnings	500
		11,000
	Note 5 : Retained earnings	
	Balance as at 1 January 2012	700
	Profit for the year	2,686
	Profit available for appropriation	3,386
	Less amount transferred to General reserve	500
	Balance as at 31 December 2012	2,886

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1**Marks****Q.3 (a) (i) Dual aspect concept:**

The dual aspect concept states that there are two aspects of accounting, one represented by the assets of the business and other by the claims against them. The concept states that these two aspects are always equal to each other. In other words, this is the alternate form of accounting equation:

$$\text{Assets} = \text{Capital} + \text{Liabilities} \quad 2.0$$

(ii) Relevance:

Information in financial statements must be relevant to the decision making needs of 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. 2.0

(iii) Neutrality:

Information in financial statements must be free of bias. 2.0

(iv) Completeness:

To be reliable, information in financial statements must be complete within the bounds of materiality and cost. 2.0

(b)**ADJUSTING ENTRIES**

Case No.1	Profit or Loss	45,000		0.5
	Allowance for doubtful debts		45,000	0.5
Case No.2	Profit or Loss	25,000		0.5
	Allowance for doubtful debts		25,000	0.5
Case No.3	No entry as provision is exactly available			1.0
Case No.4	Profit or Loss	60,000		0.5
	Allowance for doubtful debts		60,000	0.5

(c) (i)**Sales Ledger Control Account**

	Rupees		Rupees	
Balances b/d	31,200	Returns inward	110,000	0.5+0.5
Sales day book	861,000	Cash	750,000	0.5+0.5
		Discount allowed	9,000	0.5
		Set off against P/Ldgr	12,000	0.5
		Balances c/d	11,200	1.0
	892,200		892,200	

(ii)**Purchase Ledger Control Account**

	Rupees		Rupees	
Returns outward	123,000	Balances b/d	25,500	0.5+0.5
Cash	340,000	Purchases day book	511,000	0.5+0.5
Discount received	5,000			0.5
Set off against S/Ldgr	12,000			0.5
Balances c/d	56,500			1.0
	536,500		536,500	

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1**Marks****Q.4 (a) (i) Return on capital employed:**

Return on capital employed	= Profit for the year ÷ Average capital	0.5
	= $8,645 \div (100,000 + 90,000)/2$	0.5
	= 9.1%	1.0

(ii) Inventory disposing of days:

Inventory disposing of days	= (Average inventory ÷ COGS)365	0.5
	= $(2,950 \div 132,900) \times 365$	0.5
	= 8.10 days	1.0

(iii) Collection days:

Collection days	= (Average A/R ÷ Sales) x 365	0.5
	= $(24,150 \div 146,600) \times 365$	0.5
	= 60.13 days	1.0

(iv) Payment days:

Payment days	= (Average A/P ÷ Purchases) x 365	0.5
	= $(18,150 \div 132,000) \times 365$	0.5
	= 50.19 days	1.0

(b)

Particulars		
Balance as per cash book	55,200	1
Add outstanding payment cheques	31,300	1
Add Bills collected by bank but not entered into cash book	7,200	1
Less outstanding deposit cheques	(33,700)	1
Less cheque wrongly entered in the cash book (29,800 – 28,900)	(900)	1
Less cheque dishonored	(15,200)	1
Less Bank charges not entered into cash book	(700)	1
Balance as per Bank Statement	43,200	1

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

Q.5 (a)

Qaisar & sons
Purchases Day Book
For the month of May, 2013

Date	Supplier	Invoice No.	Amount (Rs.)	
2013 May 01	Zaheer & Sons	1876	55,513	1
05	Yaseen Brothers	125	146,724	1
16	Jindani Traders	1226	82,723	1
25	Bushra & Sons	10001	150,000	1
	Transferred to Purchases Account		434,960	1

(b) (i) **Credit Sales for the Month:**

	Rupees	
Closing balances of debtors	24,000	0.5
Add cash received from debtors	14,000	0.5
Add debtors written off	600	1.0
Less opening balances of debtors	(6,000)	1.0
Credit sales	32,600	1.0

(ii) **Total Sales:**

	Rupees	
Credit sales	32,600	
Counter sales	6,000	
Total sales	38,600	1.0

(c) **Rectification Entries:**

	Rupees	Rupees	
(i) Juma Khan account	12,800		1.0
Sales		6,400	0.5
Purchases		6,400	0.5
(ii) Accrued commission income	1,300		0.5
Commission income		1,300	0.5
(iii) Drawings	1,550		0.5
Purchases		1,550	0.5
(iv) Computer (8300 – 3800)	4,500		0.5
Creditors/Ac Payable		4,500	0.5

FUNDAMENTALS OF FINANCIAL ACCOUNTING – SEMESTER-1**Marks****Q. 6 (a) (i) Personal Accounts:**

Personal accounts represent persons and organizations. Such accounts are for debtors and creditors (i.e., for customers and suppliers). 2.0

(ii) Real Accounts:

Accounts in which possessions are recorded. Examples are buildings, machinery and inventory. 2.0

(iii) Nominal Accounts:

Accounts in which expenses, income, gains, losses, capital and owner's drawings are recorded. 2.0

(b) (i) Gain or loss on exchange:

	(Rs.)	
Cost of old machine	65,000	01
Less accumulated depreciation	51,000	01
Book value of old machine	14,000	01
Less Trade-in-allowance	11,000	01
Loss on exchange	3,000	01

(ii) Payment to be made:

	(Rs.)	
Cost of new machine	75,000	01
Less trade-in-allowance (old machine)	11,000	01
Cash to be paid	64,000	01

THE END