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QUESTION NO. 2

Journal

Date	Details	L/F	Debit Rs.	Credit Rs.
	Share premium account		100,000	
	General reserve account		150,000	
	Profit and loss account		150,000	
	Bonus to shareholder account			400,000
	(Being the bonus declared)			
	Bonus to shareholder account		400,000	
	(40,000 × Rs. 10) Share capital account			400,000
	(Being the issuance of bonus shares at par)			

Mian and Company Limited
Balance Sheet
As at 31-12-2010

Share Capital & Liabilities	Amount Rs.
Authorized Capital:	
400,000 shares @ Rs. 10 each	40,00,000
Issued, Subscribed and Paid-up Capital:	
140,000 shares @ Rs. 10 each	14,00,000
Share premium (200,000 – 100,000)	100,000
General reserve (600,000 – 150,000)	450,000
Profit and loss account (350,000 – 150,000)	200,000
	21,50,000

WORKING NOTES:

- No. of bonus shares = Issued and subscribed shares × 40%

  = 100,000 shares × $\frac{40}{100}$

  = 40,000 shares

- Amount of bonus = No. of bonus shares × Rs. 10

  = 40,000 shares × Rs. 10

  = Rs. 400,000

Share premium Rs. 100,000 | General reserve Rs. 150,000 | Profit and loss account Rs. 150,000

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• Total shares issued	Shares
Existing shares	100,000
+ Bonus shares	40,000
	140,000

QUESTION NO. 3

Hafiz Akhtar Contractor
Contract Account
For the year ended on 31-12-2010

Particulars	Amount Rs.	Particulars		Amount Rs.
Material	120,000	Work-in-Progress:		
Depreciation on plant	2,000	Work certified	300,000	
Wages	164,000	(240,000 × 100/80)		
Establishment expenses	6,000	+ Work uncertified	10,000	310,000
Profit c/d	28,000	Material in hand		10,000
	320,000			320,000
Profit & loss account (Working)	14,933	Profit b/d		28,000
Work-in-progress	13,067			
(Reserve for contingency)				
	28,000			28,000

Contractee Account

Particulars	Amount Rs.	Particulars	Amount Rs.
Balance c/d	240,000	Cash received	240,000
	240,000		240,000

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Hafiz Akhtar Contractor
Balance Sheet
As on 31-12-2010

Particulars	Amount Rs.	Particulars		Amount Rs.
Profit & loss account	14,933	Work-in-progress:		
		Work certified	300,000	
		+ Work uncertified	10,000	
			310,000	
		Less: Cash received	240,000	
			70,000	
		Less: Reserve for contingency	13,067	56,933
		Plant	20,000	
		Less: Depreciation	2,000	18,000
		Material on hand		10,000

WORKING:

Profit Credited to Profit & Loss Account:

$$= \text{Profit} \times \frac{2}{3} \times \frac{\text{Cash received}}{\text{Work certified}}$$

$$= 28{,}000 \times \frac{2}{3} \times \frac{80}{100}$$

$$= \text{Rs. } 14{,}933$$

QUESTION NO. 4

Breakup Table

Description	Cash Price Rs.	Installments		
		Cash Price Rs.	Interest Rs.	Total Rs.
Balance at the beginning of 1st year	15,980			
Less: Down payment	4,000	4,000	–	4,000
	11,980			
Less: 1st installment paid	5,401	5,401	599	6,000
	6,579			
Less: 2nd installment paid	4,671	4,671	329	5,000
Outstanding balance	1,908			

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Mr. Nazir's Journal

Date	Details	L/F	Debit Rs.	Credit Rs.
1st year	Machine account		15,980	
	Ahmad motors account			15,980
	(Being the machine purchased on hire purchase system)			
"	Ahmad motors account		4,000	
	Cash account			4,000
	(Being the down payment paid)			
"	Interest account		599	
	Ahmad motors account			599
	(Being the interest due on outstanding balance)			
"	Ahmad motors account		6,000	
	Cash account			6,000
	(Being the 1st installment paid with interest)			
"	Depreciation account		1,598	
	Machine account			1,598
	(Being depreciation charged @ 10%)			
"	Profit and loss account		2,197	
	Interest account			599
	Depreciation account			1,598
	(Being the interest and depreciation transferred to profit and loss account)			
2nd year	Interest account		329	
	Ahmad motors account			329
	(Being the interest due on outstanding balance)			
"	Ahmad motors account		5,000	
	Cash account			5,000
	(Being the 2nd installment paid with interest)			
"	Depreciation account		1,438	
	Machine account			1,438
	(Being the depreciation charged @ 10%)			
"	Profit and loss account		1,767	
	Interest account			329
	Depreciation account			1,438
	(Being the interest and depreciation transferred to profit and loss account)			

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Ahmad Motors Journal

Date	Details	L/F	Debit Rs.	Credit Rs.
1st year	Mr. Nazir account		15,980	
	Hire purchase sale account			15,980
	(Being the machine sold on hire purchase system)			
"	Cash account		4,000	
	Mr. Nazir account			4,000
	(Being the down payment received)			
"	Mr. Nazir account		599	
	Interest account			599
	(Being the interest due on outstanding balance)			
"	Cash account		6,000	
	Mr. Nazir account			6,000
	(Being the 1st installment received)			
"	Interest account		599	
	Profit and loss account			599
	(Being the interest transferred to profit & loss account)			
2nd year	Mr. Nazir account		329	
	Interest account			329
	(Being the interest due on outstanding balance)			
"	Cash account		5,000	
	Mr. Nazir account			5,000
	(Being the 2nd installment received)			
"	Interest account		329	
	Profit and loss account			329
	(Being the interest transferred to profit & loss account)			

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BOOKS OF MR. NAZIR

Ahmad Motors Account

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
1st year	Cash A/c	4,000	1st year	Machine A/c	15,980
"	Cash A/c	6,000	"	Interest A/c	599
"	Balance c/d	6,579			
		16,579			16,579
2nd year	Cash A/c	5,000	2nd year	Balance b/d	6,579
"	Balance c/d	1,908	"	Interest A/c	329
		6,908			6,908
			3rd year	Balance b/d	1,908

Machine Account

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
1st year	Ahmad motors A/c	15,980	1st year	Depreciation A/c (15,980 × 10/100)	1,598
			"	Balance c/d	14,382
		15,980			15,980
2nd year	Balance b/d	14,382	2nd year	Depreciation A/c (14,382 × 10/100)	1,438
			"	Balance c/d	12,944
		14,382			14,382
3rd year	Balance b/d	12,944			

BOOKS OF AHMAD MOTORS

Mr. Nazir Account

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
1st year	Hire purchase sale A/c	15,980	1st year	Cash A/c	4,000
"	Interest A/c	599	"	Cash A/c	6,000
			"	Balance c/d	6,579
		16,579			16,579
2nd year	Balance b/d	6,579	2nd year	Cash A/c	5,000
"	Interest A/c	329	"	Balance c/d	1,908
		6,908			6,908
3rd year	Balance b/d	1,908			

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Mr. Nazir

Balance Sheet

As the end of 2nd year

Assets Side		Amount Rs.
Cash price of machine	15,980	
Less: Depreciation at the end of 2nd year (1,598 + 1,438)	3,036	
	12,944	
Less: Amount payable to Hire Vendor	1,908	11,036

QUESTION NO. 5

Journal

Q5. (H.3

Date	Details	L/F	Debit Rs.	Credit Rs.
(1)	Bank A/c		500,000	
	(5,000 × Rs. 100) 10% debentures A/c			500,000
	(Being the issue of debentures at par and redeemable at par)			
(2)	Bank A/c (5,000 × Rs. 93)		465,000	
	Discount on issue of debentures A/c (5,000 × Rs. 7)		35,000	
	(5,000 × Rs. 100) 10% debentures A/c			500,000
	(Being the issue of debentures at discount and redeemable at par)			
(3)	Bank A/c (5,000 × Rs. 108)		540,000	
	(5,000 × Rs. 100) 10% debentures A/c			500,000
	(5,000 × Rs. 8) Premium on issue of debentures A/c			40,000
	(Being the issue of debentures at premium and redeemable at par)			
(4)	Bank A/c (5,000 × Rs. 100)		500,000	
	Loss on issue of debentures a/c (5,000 × Rs. 4)		20,000	
	(5,000 × Rs. 100) 10% debentures A/c			500,000
	(5,000 × Rs. 4) Premium on redemption of debentures A/c			20,000
	(Being the issue of debentures at par and redeemable at premium)			
(5)	Bank A/c (5,000 × Rs. 95)		475,000	
	Discount on issue of debentures A/c (5,000 × Rs. 5)		25,000	
	Loss on issue of debentures A/c (5,000 × Rs. 4)		20,000	
	(5,000 × Rs. 100) 10% debentures			500,000
	(5,000 × Rs. 4) Premium on redemption of debentures A/c			20,000
	(Being the issue of debentures at discount and redeemable at premium)			

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Ayesha Industries Ltd.
Balance Sheet
As on .....

Share Capital & Liabilities	Amount Rs.	Assets	Amount Rs.
(1) 10% debentures	500,000	Bank	500,000
	500,000		500,000
(2) 10% debentures	500,000	Discount on issue of debentures	35,000
		Bank	465,000
	500,000		500,000
(3) 10% debentures	500,000	Bank	540,000
Premium on issue of debentures	40,000		
	540,000		540,000
(4) 10% debentures	500,000	Loss on issue of debentures	20,000
Premium on redemption of debentures	20,000	Bank	500,000
	520,000		520,000
(5) 10% debentures	500,000	Discount on issue of debentures	25,000
Premium on redemption of debentures	20,000	Loss on issue of debentures	20,000
		Bank	475,000
	520,000		520,000

QUESTION NO. 7

(i) Current ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$

$= \dfrac{21,20,000 \text{ (W-1)}}{11,60,000}$

$= \underline{1.83 : 1}$

(ii) Liquidity ratio $= \dfrac{\text{Liquid assets}}{\text{Current liabilities}}$

$= \dfrac{14,20,000 \text{ (W-2)}}{11,60,000}$

$= \underline{1.22 : 1}$

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(iii) Debt-equity ratio $= \frac{\text{Long term debts}}{\text{Equity}}$

$= \frac{400,000}{20,00,000 \text{ (W–3)}}$

$= \underline{0.2 : 1}$

(OR)

$= \frac{\text{Total debts (W–4)}}{\text{Equity (W–3)}}$

$= \frac{15,60,000}{20,00,000}$

$= \underline{0.78 : 1}$

(OR)

$= \frac{\text{Long term loans}}{\text{Total long term funds}}$

$= \frac{400,000}{24,00,000 \text{ (W–5)}}$

$= \underline{0.17 : 1}$

(iv) Stock turnover ratio $= \frac{\text{Net sales}}{\text{Stock}}$

$= \frac{57,60,000}{700,000}$

$= \underline{8.23 \text{ times}}$

(v) Debtors turnover ratio $= \frac{\text{Net credit sales}}{\text{Debtors}}$

$= \frac{57,60,000}{13,00,000}$

$= \underline{4.43 \text{ times}}$

WORKING NOTES:

(W–1)

Current Assets:	Rs.
Debtors	13,00,000
Stock	700,000
Bank	120,000
Total current assets	21,20,000

(W–2)

Liquid Assets:	Rs.
Total current assets	21,20,000
Less: Stock	700,000
Total liquid assets	14,20,000

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(W–3)

Equity:

	Rs.
Share capital	800,000
Profit and loss A/c	600,000
General reserve	600,000
Total equity	20,00,000

(W–4)

Total Debts:

	Rs.
Long term liabilities	400,000
Current liabilities	11,60,000
Total debts	15,60,000

(W–5) Long Term Funds:

	Rs.
Equity (W–3)	20,00,000
Long term liabilities	400,000
Total long term funds	24,00,000

QUESTION NO. 8

Q.8

Akhtar Manufacturing Company
Trading & Profit and Loss Account
For the year ended Dec. 31, 2010

Particulars		Rs.	Particulars	Rs.
Stock (1-1-10)		75,000	Sales	360,000
Purchases		165,000	Closing stock	110,000
Wages and salaries	Rs. 39,000			
Less: Wages for installation of machinery	2,000	37,000		
Fuel and power		2,250		
Custom duty & clearing charges		5,250		
Gross profit c/d		185,500		
		470,000		470,000
Insurance		6,150	Gross profit b/d	185,500
Director fee		6,000	Discount received	2,400
Repair		3,600	Dividend on investment	1,000
Debenture interest	9,000			
+ Outstanding	9,000	18,000		
Written off preliminary exp.		6,000		
Carriage outward		880		
New provision	2,925			
Add: Bad debts	1,500			
Less: Old provision	1,800	2,625		
Depreciation:				
On plant		25,850		
On furniture		1,500		
Net profit for the year		118,295		188,900
		188,900		

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NOTE:

New Value of Plant and Machinery:

Value in trial balance	256,500
+ Value of wages of installation	2,000
	258,500

Depreciation 258,500 @ 10% = 25,850

Profit and Loss Appropriation A/c

Particulars	Rs.	Particulars	Rs.
Interim dividend	13,500	Balance from previous year	26,250
Transfer to general reserve	18,000	Net profit for current year	118,295
Provision for taxation	37,500		
Final proposed dividend @ 10%	22,500		
Balance (Cr.) transfer to balance sheet	53,045		
	144,545		144,545

Akhtar Manufacturing Co.
Balance Sheet
As on Dec. 31, 2010

Liabilities		Rs.	Assets		Rs.
Share Capital:			**Fixed Assets:**		
Authorised capital (45,000 ordinary shares of Rs. 10 each)		450,000	Plant and machinery	258,500	
Issued, subscribed & paid up capital (22,500 shares of Rs. 10 each)		225,000	Less: Depreciation	25,850	232,650
Reserve:			Furniture	30,000	
Profit & loss appropriation A/c Balance		53,045	Less: Depreciation	1,500	28,500
General reserve	15,000		Freehold property		216,000
+ Transfer	18,000	33,000	**Current Assets:**		
Debenture redemption reserve		6,750	Closing stock		110,000
Share premium		7,500	Investment in shares		15,000
Debentures & Long Term Loans:			Sundry debtors	58,500	
6% debentures		300,000	– New provision for doubtful debts	2,925	
Current Liabilities:			Tax deducted at source		55,575
Sundry creditor		9,750	Cash at bank		120
Interest on debentures payable		9,000	Cash in hand		45,000
Proposed dividend		22,500			1,200
Provision for taxation		37,500			
		704,045			704,045