# SOLVED PAPER 2012

## QUESTION NO. 1

### Book of A

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>L.F</th>
<th>Debit (Rs.)</th>
<th>Credit (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>To Sales A/c (goods sold to B on credit)</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Bill Receivable A/c To B</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>(Acceptance received from B for 3 months)</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>C</td>
<td>To Bill Receivable A/c (Bill endorsed to C for settlement of accounts)</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>B</td>
<td>To C (Bill dishonored on due date)</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>200,050</td>
<td>200,050</td>
</tr>
</tbody>
</table>

### Book of B

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>L.F</th>
<th>Debit (Rs.)</th>
<th>Credit (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases A/c To A (Goods purchased on credit)</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>To Bill Payable A/c (Acceptance given to A for 3 months)</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Bill payable A/c Nothing Charges A/c To A (Bill dishonored &amp; nothing charges recorded)</td>
<td></td>
<td>50,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>150,050</td>
<td>150,050</td>
</tr>
</tbody>
</table>
### Book of C
**Journal**

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>L.F</th>
<th>Debit (Rs.)</th>
<th>Credit (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bill Receivable A/c</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To A (Bill endorsed from A)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>D</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To Bill Receivable A/c (Bill endorsed from D)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To D (Bill dishonored)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>150,050</strong></td>
<td><strong>150,050</strong></td>
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</table>

### Book of D
**Journal**

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>L.F</th>
<th>Debit (Rs.)</th>
<th>Credit (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bill Receivable A/c</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To C (Bill endorsed from A)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bank A/c</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Discount A/c (50,000 x 12% x 3/12)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To Bill Receivable A/c (Bill dishonored from Bank @ 125 p.a)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>To Bank (Bill dishonored)</td>
<td></td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>150,050</strong></td>
<td><strong>150,050</strong></td>
</tr>
</tbody>
</table>
Book of Bank Journal

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>L.F</th>
<th>Debit (Rs.)</th>
<th>Credit (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bill Receivable A/c</td>
<td>50,000</td>
<td>1,500</td>
<td>48,500</td>
</tr>
<tr>
<td></td>
<td>To Discount A/c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To D</td>
<td></td>
<td>50,050</td>
<td></td>
</tr>
<tr>
<td>(Bill Discounted @ 12% p.a.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>D</td>
<td></td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>To Bill Receivable A/c</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>To Cash A/c</td>
<td></td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>(Bill dishonored 2 nothing charges paid)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>100,050</td>
<td>100,050</td>
</tr>
</tbody>
</table>

Question No. 2

Mr. Aqeel

Revised Cash Book (Bank Column)

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Rs.</th>
<th>Date</th>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance b/d</td>
<td>33,456</td>
<td>adjustment for undervaluation</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cheque wrongly recorded in cash column now adjusted</td>
<td>600</td>
<td>Cheque issued wrongly recorded in cash column now adjusted</td>
<td>524</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adjustment of debit balance wrongly bought down on credit</td>
<td>12,208</td>
<td>Trade subscription</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dividend collected</td>
<td>1,400</td>
<td>Balance c/d</td>
<td>47,340</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adjustment of cheque wrongly credited twice</td>
<td>48,664</td>
<td></td>
<td>48,664</td>
<td></td>
</tr>
</tbody>
</table>

Mr. Aqeel

Bank Reconciliation Statement
As on 31st March 2011

<table>
<thead>
<tr>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as per Cash Book (Dr.)</td>
</tr>
<tr>
<td>Add: Cheques issued but not yet uncashed (46,056 – 31,260)</td>
</tr>
<tr>
<td>Balance as per Pass Book (Cr.)</td>
</tr>
</tbody>
</table>
**QUESTION NO. 3**

Mr. ……………………………

Trading and Profit & Loss Account
For the period ended 31st December, 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Rs.</th>
<th>By Sales</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Purchases (Adjusted)</td>
<td>540,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Stock on 31-12-2010</td>
<td>0</td>
<td>534,000</td>
<td></td>
</tr>
<tr>
<td>Over cast</td>
<td></td>
<td>86,400</td>
<td></td>
</tr>
<tr>
<td>To Wages</td>
<td>(6,000)</td>
<td>4,500</td>
<td></td>
</tr>
<tr>
<td>To Carriage Inwards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Gross Profit c/d</td>
<td></td>
<td></td>
<td>765,300</td>
</tr>
<tr>
<td>To Salaries</td>
<td></td>
<td>1,390,20</td>
<td></td>
</tr>
<tr>
<td>Add: Unpaid</td>
<td>66,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>54,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Postage &amp; Telegrams</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Provision for Bad Debts (w-1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Carriage Outwards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To General Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Interest on Capital</td>
<td>(414,000 x 5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Transfer to Reserve A/c</td>
<td>(414,000 x 5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Transfer to Reserve A/c</td>
<td>(593,610 x 2.5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Net Profit Transferred to Capital A/c</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Mr. ……………………………**

Balance Sheet
As on 31st December, 2011

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Current Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td>Current Assets:</td>
<td></td>
</tr>
<tr>
<td>Sundry Creditors</td>
<td>60,000</td>
<td>Cash-in-hand</td>
<td>4,800</td>
</tr>
<tr>
<td>Bill Payable</td>
<td>30,000</td>
<td>Cash-at-bank</td>
<td>31,800</td>
</tr>
<tr>
<td>Salaries Unpaid</td>
<td>54,000</td>
<td>Bills Receivable</td>
<td>30,000</td>
</tr>
<tr>
<td>Reserves:</td>
<td></td>
<td>Sundry Debtors</td>
<td>303,600</td>
</tr>
<tr>
<td>Reserves</td>
<td>120,000</td>
<td>Less: Provision for Bad Debts</td>
<td></td>
</tr>
<tr>
<td>Add: Transfers</td>
<td>14,848</td>
<td>Bad Debts</td>
<td>(7,590)</td>
</tr>
<tr>
<td><strong>Owner’s Equity:</strong></td>
<td></td>
<td>Closing Stocks</td>
<td>296,010</td>
</tr>
<tr>
<td>Capital</td>
<td>420,000</td>
<td></td>
<td>180,000</td>
</tr>
<tr>
<td><strong>Fixed Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Add: Net Profit 579,062
Add: Interest on Capital 20,700
Less: Last Year
Profit Overstated (6,000)

\[
\begin{align*}
\text{Plant & Machinery} & \quad 450,000 \\
\text{Building} & \quad 300,000 \\
\end{align*}
\]

\[
\begin{align*}
\text{Add: Interest on Capital} & \quad 20,700 \\
\text{Building} & \quad 300,000 \\
\end{align*}
\]

\[
\begin{align*}
\text{Less: Last Year Profit Overstated} & \quad (6,000) \\
\end{align*}
\]

\[
\begin{align*}
\text{1,292,610} & \quad \text{WORKINGS:} \\
\text{(w-1)} & \\
N & = 303,600 \times 2.5\% = 7,590 \\
B & = 5,700 \\
O & = 2,100 \\
\text{N} + \text{B} - \text{O} & = 11,190 \\
\text{P & L A/c (Dr. Side)} & \\
\text{B/S Assets Side Less from Debtors} & \\
\end{align*}
\]

\[
\begin{align*}
\text{QUESTION NO. 4} \\
\text{Rectifying Entries} \\
\begin{array}{|c|c|c|c|}
\hline
\text{Date} & \text{Particulars} & \text{L.F} & \text{Debit (Rs.)} & \text{Credit (Rs.)} \\
\hline
(i) & \text{Suspense A/c} & & 90 & 90 \\
& \text{To Stationary A/c} & (Stationary A/c rectified) & & \\
(ii) & \text{Alam} & & 650 & 650 \\
& \text{To Suspense A/c} & (Alam A/c rectified) & & \\
(iii) & \text{Machinery A/c} & \text{Suspense A/c} & 250 & 270 \\
& \text{To Wages A/c} & (Machinery & wages A/c rectified) & & 520 \\
(iv) & \text{Suspense A/c} & \text{To Sale A/c} & 880 & 350 \\
& & \text{To Purchases A/c} & & 530 \\
& (Purchases & sales A/c rectified) & & & \\
(v) & \text{Fawad} & & 3,000 & 3,000 \\
& \text{To Suspense A/c} & (Fawad’s & furniture accounts rectified) & & \\
(vi) & \text{Sales A/c} & & 6,000 & 6,000 \\
& \text{To Furniture A/c} & (Sales & furniture accounts rectified) & & \\
\hline
\end{array}
\end{align*}
\]
Financial Accounting Punjab University
B.Com Part 1 Solved Past Papers

Suspense Account

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Rs.</th>
<th>Particulars</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Balance b/d</td>
<td>2,410</td>
<td>By Alam</td>
<td>650</td>
</tr>
<tr>
<td>(Difference in Trial Balance)</td>
<td></td>
<td>By Fawad</td>
<td>3,000</td>
</tr>
<tr>
<td>To Stationary A/c</td>
<td>90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Wages A/c</td>
<td>270</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Sales A/c</td>
<td>350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Purchases A/c</td>
<td>530</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,650</td>
<td></td>
<td>3,650</td>
</tr>
</tbody>
</table>

QUESTION NO. 5

Enter five imaginary transactions in Journal, post them in ledger and prepare trial balance.

2005
Jan. 1 Mr. X started business with cash $80,000 and furniture $20,000.
Jan. 2 Purchased goods on credit worth $30,000 from Y.
Jan. 3 Sold goods for cash $16,000.
Jan. 4 Sold goods on credit to S for $10,000
Jan. 8 Cash received from S $9,800 in full settlement of his account.

Solution:

Journal

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>L.F</th>
<th>DR. Amount ($)</th>
<th>Cr. Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Cash A/C</td>
<td>5</td>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Furniture A/C</td>
<td>7</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital A/C</td>
<td>9</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Owner invested cash and furniture)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchases Account</td>
<td>11</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>13</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Bought goods on credit)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash A/C</td>
<td>5</td>
<td>16,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sales A/C</td>
<td>15</td>
<td>16,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Sold goods for cash)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S A/C</td>
<td>17</td>
<td>10,000</td>
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<tr>
<td></td>
<td>Sales A/C</td>
<td>15</td>
<td>10,000</td>
<td></td>
</tr>
</tbody>
</table>
(Sold goods on credit)

Jan. 8 Cash A/C 5 9,800 Discount A/C 19 200 S A/C 17 10,000 (Cash received and discount allowed)

### Ledger

#### Cash Account (No.5)

<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dr.</td>
</tr>
<tr>
<td>Jan. 1</td>
<td>Capital A/C</td>
<td>5</td>
<td>80,000</td>
<td></td>
<td>80,000</td>
</tr>
<tr>
<td>Jan. 3</td>
<td>Sales A/C</td>
<td>5</td>
<td>16,000</td>
<td></td>
<td>96,000</td>
</tr>
<tr>
<td>Jan. 8</td>
<td>S A/C</td>
<td>5</td>
<td>9,800</td>
<td></td>
<td>105,800</td>
</tr>
</tbody>
</table>

#### Furniture Account (No.7)

<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dr.</td>
</tr>
<tr>
<td>Jan. 1</td>
<td>Capital A/C</td>
<td>5</td>
<td>20,000</td>
<td></td>
<td>20,000</td>
</tr>
</tbody>
</table>

#### Capital Account (No.9)

<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dr.</td>
</tr>
<tr>
<td>Jan. 1</td>
<td>Cash A/C</td>
<td>5</td>
<td>80,000</td>
<td></td>
<td>80,000</td>
</tr>
<tr>
<td>Jan. 1</td>
<td>Furniture A/C</td>
<td>5</td>
<td>20,000</td>
<td></td>
<td>1,00,000</td>
</tr>
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</table>

#### Purchases Account (No.11)

<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dr.</td>
</tr>
<tr>
<td>Jan. 2</td>
<td>Y A/C</td>
<td>5</td>
<td>30,000</td>
<td></td>
<td>30,000</td>
</tr>
</tbody>
</table>

#### Y Account (No.13)
<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 2</td>
<td>Purchases A/C</td>
<td>5</td>
<td>30,000</td>
<td></td>
<td>30,000</td>
</tr>
</tbody>
</table>

**Sales Account (No.15)**

<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 3</td>
<td>Cash A/C</td>
<td>5</td>
<td>16,000</td>
<td></td>
<td>16,000</td>
</tr>
<tr>
<td>Jan. 4</td>
<td>Sales A/C</td>
<td>5</td>
<td>10,000</td>
<td></td>
<td>26,000</td>
</tr>
</tbody>
</table>

**S Account (No.17)**

<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 4</td>
<td>Sales A/C</td>
<td>5</td>
<td>10,000</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Jan. 8</td>
<td>Cash A/C</td>
<td>5</td>
<td>9,800</td>
<td></td>
<td>9,800</td>
</tr>
<tr>
<td>Jan. 8</td>
<td>Discount A/C</td>
<td>5</td>
<td>200</td>
<td></td>
<td>Nil</td>
</tr>
</tbody>
</table>

**Discount Account (No.19)**

<table>
<thead>
<tr>
<th>Date</th>
<th>references</th>
<th>J.R</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 8</td>
<td>S A/C</td>
<td>5</td>
<td>200</td>
<td></td>
<td>200</td>
</tr>
</tbody>
</table>

**Trial Balance**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Account Name</th>
<th>A/C No.</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash Account</td>
<td>5</td>
<td>105,800</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Furniture Account</td>
<td>7</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Capital Account</td>
<td>9</td>
<td>--</td>
<td>100,000</td>
</tr>
<tr>
<td>4</td>
<td>Purchases Account</td>
<td>11</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Y Account</td>
<td>13</td>
<td>--</td>
<td>30,000</td>
</tr>
<tr>
<td>6</td>
<td>Sales Account</td>
<td>15</td>
<td>--</td>
<td>26,000</td>
</tr>
<tr>
<td>7</td>
<td>S Account</td>
<td>17</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>
Note: If an account shows zero balance, it is not necessary to record it in trial balance.

Question No. 6

(I)

A **trade discount** is one that is allowed by the wholesaler to the retailer, calculated on the list price of the product, whereas **cash discount** is allowed to stimulate instant payment of the goods purchased. The main difference between trade discount and cash discount is that ledger account is opened for a cash discount, but not for a trade discount.

(II)

**Fixed installment method**

The Straight Line Method of depreciation is also called as Fixed Instalment Method or Fixed Percentage on Original Cost Method. In this Straight Line method, each year on every asset an equal amount of money is provided for depreciation until the asset is reduced to nil or its scrap value at the end of the estimated life of the asset. This method provides a uniform amount of depreciation on every asset for each year.

**Diminishing Balance Method**

The Diminishing Balance Method is also known as Reducing Instalment Method or Written Down Value Method or Declining Balance Method. In this method, The depreciation is calculated at a certain percentage each year on the value of the asset which is brought forward from the previous year.

In this method, The depreciation charges in the initial periods or at the beginning period is higher than those in the later period. i.e the depreciation in the initial periods is higher when compared to that of the later periods like after 5 years or 10 years although the depreciation rate is fixed over the years and don’t change. This method is usually adopted for the assets of plant and machinery.

(III)

**Worksheet**

An accounting worksheet is a spreadsheet used to prepare accounting information and reports. Accounting worksheets are most often used in the accounting cycle process to draft an unadjusted trial balance, adjusting journal entries, adjusted trial balance, and financial statements.

**Income statement**
An income statement is one of the three important financial statements used for reporting a company's financial performance over a specific accounting period, with the other two key statements being the balance sheet and the statement of cash flows. Also known as the profit and loss statement or the statement of revenue and expense, the income statement primarily focuses on company’s revenues and expenses during a particular period.

(IV)

Definition of Capital Expenditure
A capital expenditure is an amount spent to acquire or significantly improve the capacity or capabilities of a long-term asset such as equipment or buildings. Usually the cost is recorded in a balance sheet account that is reported under the heading of Property, Plant and Equipment. The asset's cost (except for the cost of land) will then be allocated to depreciation expense over the useful life of the asset. The amount of each period's depreciation expense is also credited to the contra-asset account Accumulated Depreciation.

Examples of Capital Expenditures
Examples of capital expenditures include the amounts spent to acquire or significantly improve assets such as land, buildings, equipment, furnishings, fixtures, vehicles. The total amount spent on capital expenditures during an accounting year is reported under investment activities on the statement of cash flows.

Definition of Revenue Expenditure
Revenue expenditure is an amount that is spent for an expense that will be matched immediately with the revenues reported on the current period's income statement.

Examples of Revenue Expenditures
Examples of revenue expenditures include the amounts spent on repairs and maintenance, selling, general and administrative expenses.

QUESTION NO. 7
Mr. Qaiser
Statement of Affairs
As on 1st January 2011

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sundry Creditors</td>
<td>145,000</td>
<td>Cash-at-Bank</td>
<td>36,000</td>
</tr>
<tr>
<td>Loan from Bank</td>
<td>120,000</td>
<td>Sundry Debtors</td>
<td>280,000</td>
</tr>
<tr>
<td>Other Outstanding Liabilities</td>
<td>90,000</td>
<td>Stock-in-Trade</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Owner’s Equity:</strong></td>
<td></td>
<td><strong>Fixed Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital (Balancing Figure)</td>
<td>163,000</td>
<td>Land &amp; Building</td>
<td>60,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Plant &amp; Machinery</td>
<td>96,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Furniture &amp; Fixture</td>
<td>16,000</td>
</tr>
<tr>
<td><strong>Total Liabilities:</strong></td>
<td>518,000</td>
<td><strong>Total Assets:</strong></td>
<td>518,000</td>
</tr>
</tbody>
</table>
Mr. Qaiser
Statement of Affairs
As on 1st January 2011

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Rs.</th>
<th>Assets</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sundry Creditors</td>
<td>150,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan from Bank</td>
<td>100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Outstanding Liabilities</td>
<td>80,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Current Assets:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sundry Debtors</td>
<td>310,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stock-in-Trade</td>
<td>56,000</td>
</tr>
<tr>
<td>Owner’s Equity:</td>
<td></td>
<td>Fixed Assets:</td>
<td></td>
</tr>
<tr>
<td>Capital (Balancing Figure)</td>
<td>263,000</td>
<td>Land &amp; Building</td>
<td>58,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Plant &amp; Machinery</td>
<td>120,200</td>
</tr>
<tr>
<td></td>
<td>593,000</td>
<td>Furniture &amp; Fixture</td>
<td>593,000</td>
</tr>
</tbody>
</table>

Mr. Qaiser
Profit or Loss Statement
For the period ended 31st December 2011

<table>
<thead>
<tr>
<th></th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital as on 31st December 2011 =</td>
<td>263,000</td>
</tr>
<tr>
<td>Add Drawings (6,000 + 3,000)</td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td>272,000</td>
</tr>
<tr>
<td>Less Profit on Sale of Machinery (30,000 – 25,000)</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>267,000</td>
</tr>
<tr>
<td>Less Fresh Capital Introduced during the year</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>167,000</td>
</tr>
<tr>
<td>Less Capital as on 1st Jan. 2011</td>
<td>168,000</td>
</tr>
<tr>
<td>Net profit during the year</td>
<td>4,000</td>
</tr>
</tbody>
</table>