SOLVED PAPER 2012

QUESTION NO. 1

Book of A

Journal

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

Book of B

Journal

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Purchases A/c To A (Goods purchased on credit)		50,000	 50,000
	A To Bill Payable A/c (Acceptance given to A for 3 months)		50,000	 50,000
	Bill payable A/c Nothing Charges A/c To A (Bill dishonored & nothing charges recorded)		50,000	 50,000
	Total		150,050	150,050

Book of C
Journal

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Bill Receivable A/c		50,000	
	To A			50,000
	(Bill endorsed from A)			
	D		50,000	
	To Bill Receivable A/c			50,000
	(Bill endorsed from D)			
	A		50,000	
	To D			50,000
	(Bill dishonored)			
	Total		150,050	150,050

Book of D
Journal

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
	Bill Receivable A/c		50,000	
	To C			50,000
	(Bill endorsed from A)			
	Bank A/c		50,000	
	Discount A/c (50,000 x 12% x 3/12)			50,000
	To Bill Receivable A/c			
	(Bill dishonored from Bank @ 125 p.a)			
	C		50,000	
	To Bank			50,000
	(Bill dishonored)			
	Total		150,050	150,050

Book of Bank
Journal

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

Question No. 2
Mr. Aqeel
Revised Cash Book (Bank Column)

Date	Particulars	Rs.	Date	Particulars	Rs.
	Balance b/d	33,456		Adjustment for undercast	400
	Cheque wrongly recorded			Cheque issued wrongly	
	in cash column now	600		recorded in cash column	
	adjusted			now adjusted	
	Adjustment of debit balance			Trade subscription	524
	wrongly bought down on	12,208			400
	credit	1,000		Balance c/d	
	Dividend collected				47,340
	Adjustment of cheque	1,400			
	Wrongly credited twice	48,664			48,664

Mr. Aqeel
Bank Reconciliation Statement
As on 31st March 2011

	Rs.
Balance as per Cash Book (Dr.)	47,340
Add: Cheques Issued but not yet uncashed (46,056 – 31,260)	14,796
Balance as per Pass Book (Cr.)	62,136

QUESTION NO. 3

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

		Rs.		Rs.
To Purchases (Adjusted)	540,00		By Sales	1,390,200
Less: Stock on 31-12-2010	0	534,000		
Over cast		86,400		
To Wages	(6,000)	4,500		
To Carriage Inwards				
To Gross Profit c/d		765,300		
		1,390,20 0		1,390,200
To Salaries			By Gross Profit b/d	
Add: Unpaid	66,000			
	54,000			765,300
To Postage & Telegrams				
To Provision for Bad Debts (w-1)				
To Carriage Outwards				
To General Expenses				
To Interest on Capital (414,000 x 5%)				
To Transfer to Reserve A/c (414,000 x 5%)				
To Transfer to Reserve A/c (593,610 x 2.5%)				
To Net Profit Transferred to Capital A/c				
		765,300		765,300

Mr. ………………………………
Balance Sheet
As on 31st December, 2011

Liabilities		Rs.	Assets		Rs.
Current Liabilities:			**Current Assets:**		
Sundry Creditors		60,000	Cash-in-hand		4,800
Bill Payable		30,000	Cash-at-bank		31,800
Salaries Unpaid		54,000	Bills Receivable		30,000
Reserves:			Sundry Debtors	303,600	
Reserves	120,000		Less: Provision for		
Add: Transfers	14,848		Bad Debts	(7,590)	296,010
Owner's Equity:			Closing Stocks		180,000
Capital	420,000		**Fixed Assets:**		

Add: Net Profit	579,062		Plant & Machinery	450,000
Add: Interest on Capital	20,700		Building	300,000
Less: Last Year Profit Overstated	(6,000)			
				1,292,610

WORKINGS:

(w-1)

N = 303,600 X 2.5% = 7,590

B = 5,700

O = 2,100

N + B - O

7,590 + 5,700 - 2,100 = 11,190

11,190 → P & L A/c (Dr. Side)

7,590 → B/S Assets Side Less from Debtors

QUESTION NO. 4

Rectifying Entries

Date	Particulars	L.F	Debit (Rs.)	Credit (Rs.)
(i)	Suspense A/c		90	
	To Stationary A/c			90
	(Stationary A/c rectified)			
(ii)	Alam		650	
	To Suspense A/c			650
	(Alam A/c rectified)			
(iii)	Machinery A/c		250	
	Suspense A/c		270	
	To Wages A/c			520
	(Machinery & wages A/c rectified)			
(iv)	Suspense A/c		880	
	To Sale A/c			350
	To Purchases A/c			530
	(Purchases & sales A/c rectified)			
(v)	Fawad		3,000	
	To Suspense A/c			3,000
	(Fawad's &furniture accounts rectified)			
(vi)	Sales A/c		6,000	
	To Furniture A/c			6,000
	(Sales & furniture accounts rectified)			

Suspense Account

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

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

Date 2005	Particulars	L.F	DR. Amount ($)	Cr. Amount ($)
Jan. 1	Cash A/C	5	80,000	
	Furniture A/C	7	20,000	
	Capital A/C	9		1,00,000
	(Owner invested cash and furniture)			
Jan. 2	Purchases Account	11	30,000	
	Y	13		30,000
	(Bought goods on credit)			
Jan. 3	Cash A/C	5	16,000	
	Sales A/C	15		16,000
	(Sold goods for cash)			
Jan. 4	S A/C	17	10,000	
	Sales A/C	15		10,000

	(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)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 1	Capital A/C	5	80,000		80,000	
Jan. 3	Sales A/C	5	16,000		96,000	
Jan. 8	S A/C	5	9,800		105,800	

Furniture Account (No.7)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 1	Capital A/C	5	20,000		20,000	

Capital Account (No.9)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 1	Cash A/C	5		80,000		80,000
Jan. 1	Furniture A/C	5		20,000		1,00,000

Purchases Account (No.11)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 2	Y A/C	5	30,000		30,000	

Y Account (No.13)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 2	Purchases A/C	5		30,000		30,000

Sales Account (No.15)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 3	Cash A/C	5		16,000		16,000
Jan. 4	S A/C	5		10,000		26,000

S Account (No.17)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 4	Sales A/C	5	10,000		10,000	
Jan. 8	Cash A/C	5		9,800		
Jan. 8	Discount A/C	5		200	Nil	

Discount Account (No.19)

Date	references	J.R	Debit	Credit	Balance	
2005					Dr.	Cr.
Jan. 8	S A/C	5	200		200	

Trial Balance

S. No.	Account Name	A/C No.	Debit	Credit
1	Cash Account	5	105,800	
2	Furniture Account	7	20,000	
3	Capital Account	9	--	100,000
4	Purchases Account	11	30,000	
5	Y Account	13	--	30,000
6	Sales Account	15	--	26,000
7	S Account	17	--	--

8	Discount Account	19	200	--
	Total		**156,000**	**1,56,000**

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

Liabilities	Rs.	Assets	Rs.
Current Liabilities:		**Current Assets:**	
Sundry Creditors	145,000	Cash-at-Bank	36,000
Loan from Bank	120,000	Sundry Debtors	280,000
Other Outstanding Liabilities	90,000	Stock-in-Trade	30,000
Owner's Equity:		**Fixed Assets:**	
Capital (Balancing Figure)	163,000	Land & Building	60,000
		Plant & Machinery	96,000
		Furniture & Fixture	16,000
	518,000		**518,000**

Mr. Qaiser
Statement of Affairs
As on 1st January 2011

Liabilities	Rs.	Assets	Rs.
Current Liabilities:		**Current Assets:**	
Sundry Creditors	150,000	Cash-at-Bank	32,000
Loan from Bank	100,000	Sundry Debtors	310,000
Other Outstanding Liabilities	80,000	Stock-in-Trade	56,000
Owner's Equity:		**Fixed Assets:**	
Capital (Balancing Figure)	263,000	Land & Building	58,800
		Plant & Machinery	120,200
	593,000	Furniture & Fixture	**593,000**

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

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