SOLVED PAPER 2013

QUESTION NO. 1

Asim's Journal

Date	Details	L/F	Debit Rs.	Credit Rs.
	Bills Receivable Account		50,000	
	Wasif Account			50,000
	(Acceptance received for 3 months)			
	Bank Account		49,750	
	Discount Account		250	
	Bills Receivable Account			50,000
	(Bill discounted)			
	Wasif Account		20,000	
	Bank Account			19,900
	Discount Account			100
	(2/5th of the proceeds remitted to Wasif and discount shared)			
	Wasif Account		100,000	
	Bill Payable Account			100,000
	(Acceptance received for 3 months)			
	Bank Account		19,800	
	Discount Account (W-2)		250	
	Wasif Account			20,050
	(2/5th of the proceeds received from Wasif and discount shared)			
	Bills Payable Account		100,00	
	Wasif Account			100,00
	(Bill dishonored before maturity due to insolvency)			
	Wasif Account		50,050	
	Cash Account (W-1)			12,512.50
	Deficiency Account (W-1)			37,537.50

Wasif's Journal

Date	Details	L/F	Debit Rs.	Credit Rs.
	Asim Account		50,000	
	Bills Payable Account			50,000
	(Acceptance given for 3 months)			
	Bank Account		19,900	
	Discount Account		100	
	Asim Account			50,000
	(2/5th of the proceeds received and discount shared)			
	Bill Receivable Account		100,000	
	Asim Account			100,000
	(Acceptance received for 3 months to meet the first bill)			
	Bank Account		99,900	
	Discount Account		500	
	Bill Receivable Account			100,000
	(Bill discounted)			
	Bills Payable Account		50,000	
	Bank Account			50,000
	(1st acceptance paid on maturity)			
	Asim Account		20,050	
	Bank Account			19,800
	Discount Account (W-2)			250
	(2/5th of the remaining proceeds remitted to Asim and discount shared)			
	Asim Account		10,000	
	Bank Account			100,000
	(Bill dishonored due to Asim's insolvency)			
	Cash Account (W-1)		12,512.50	
	Bed Debts Account (W-1)		37,537.50	
	Asim Account			50,050
	25% of the amount due received			

Working:

(W-1) Amar's Account

Date	Reference	J/F	Amount Rs.	Date	Reference	J/F	Amount Rs.
	Bills Payable A/c		50,000		Bank A/c		19,900
	Bank A/c		19,800		Discount A/c		100
	Discount A/c (W-2)		250		Bills Receivable A/c		100,000
	Bank A/c		100,000		Cash A/c		12,512.50
					(50,050 x 25/100)		
					Bad Debts A/c		37,537.50
					(50,050 x 75/100)		
			170,050				170,050

(W-2) Calculation of Asim's Discount:

	Rs.
Amount received from 1st bill with discount	30,000
Amount received from 2nd bill without discount	19,800
Total Amount Received	49,800

For amount of Rs. 99,500 discounts Rs. 500

For amount of Rs. 49,800 discount will be $= 49{,}800 \times \frac{500}{99{,}500}$

$= \underline{\text{Rs. } 250}$

(OR)

Amount	:	Discount
99,500		500
(30,000 + 19,800)		X

$$99{,}500x = 500 \times 49{,}800$$

$$= \frac{500 \times 49{,}800}{99{,}500}$$

QUESTION NO. 2

Name ....

Bank Reconciliation Statement

As on 31-03-2011

		Amount Rs.	Amount Rs.
	Bank balance as per pass book (Cr.)		15,200
Add:	(2) Bank charges debited in the pass book	130	
	(4) Cheque deposited but not credited in the pass book	7,000	
	(5) Cheque entered as a deposit in a cash book instead of payment	400	
	(6) Amount paid into bank entered twice in the cash book	364	
	(7) The receipt column of the cash book has been overcast	1,000	8,934
			24,134
Less:	(3) Cheques issued but not presented to bank for payment	2,000	
	(8) Cheques drawn incorrectly entered in the cash book (99-9)	90	Dr. 2,090
	Bank Balance as per cash book (Dr.)		Cr. 22,044

QUESTION NO. 3

Journal

Rectifying Entries

S.No	Details	L/F	Debit Rs.	Credit Rs.
(a)	Personal Account		18	
	Suspense Account			18
	(Being the amount wrongly debited to personal account now rectified)			
(b)	Depreciation Amount		100	
	Suspense Account			100
	(Being the depreciation account not debited now rectified)			
(c)	Purchase Amount		60	
	Suspense Account			60
	(Being the purchase book less added now rectified)			
(d)	Machine Account		5,000	
	Purchase Account			5,000
	(Being the purchase amount wrongly debited now rectified)			
(e)	Sales Account		500	
	Old Machine Account			500
	(Being the machine sold wrongly recorded in sales book			

	now rectified)			
(f)	Suspense Account Returned Outward Account (Being the total of returned outward book less recorded now rectified)		100	100
(g)	S Account R Account Suspense Account (Being R account not debited and S account wrongly credited now rectified)		395 359	754
(h)	Repair to Motor Truck Account Suspense Account Motor Vehicle Account (Being the repair to motor truck not debited and motor vehicles wrongly debited now rectified)		680 180	860
(i)	Suspense Account John Account (Bring the amount wrongly debited to john account now rectified)		600	600
(j)	Furniture Account Cash/Account Payable Account (Being the furniture purchased now recorded in the book)		3,000	3,000

QUESTION NO. 4

A.Rashid
Trading and Profit & Loss Account
For the year ended 31-03-2008

Particulars		Amount Rs.	Particulars		Amount Rs.
Opening stock		11,460	Sales	149,840	
Purchases	89,470		Less: Sales Return	2,820	147,020
Less: Purchase Return	4,240	85,230	Closing stock		14,290
Freight and clearing charges		16,940			
Carriage inward		2,310			
Gross profit c/d		45,370			
		161,310			161,310
Interest on capital (90,000 x 5/100)		4,500	Gross profit b/d		45,370
			Discount		190
Salaries and wages	6,280		Rent received	2,100	
Add: Salaries outstanding	570	6,850	Add: Receivable	200	2,300
Depreciation on:					

Building	625			
Office furniture	175	800		
Office expenses		1,340		
Printing & stationary		660		
Postage & telegrams		820		
Taxes & insurance	1,300			
Less: Unexpired insurance	240	1,060		
Travelers salaries & Commission		9,870		
Provision of bad debits (W-1)		2,160		
Net profit (transferred to capital A/c)		19,800		
		47,860		47,860

A.Rashid
Balance Sheet
As on 31-12-2008

Asset		Amount Rs.	Liabilities		Amount Rs.
Current Assets:			**Current Liabilities**		
Cash in hand		2,210	Sundry creditors		16,980
Cash at bank		12,400	Salaries outstanding		570
Bills receivable		1,240	**Long Term Liabilities**		
Sundry debtors	62,970		Capital	90,000	
Less: New provision			Add: Net profit	19,800	
For bad debts	4,000	58,970	Add: Interest on capital	4,500	
Rent receivable		200	Less: Drawing	7,600	106,700
Closing stock		14,290			
Unexpired insurance		240			
Fixed Assets:					
Building	25,000				
Add: Addition	7,000				
	32,000				
Less: Depreciation	625	31,375			
Office furniture	3,500				
Less: Depreciation	175	3,325			
		124,250			124,250

WORKING:

Provision for bad Debts:

	Rs.
Old bad debts	1,400
Add: New bad debts	--
Add: New provision for bad debts	4,000
	5,400
Less: Old provision for bad debts	3,240
Provision for bad debts	2,160

Note:

No depreciation has been charged on addition to building

QUESTION NO. 5

WORKING:

(W-1) **Calculation of Credit Sales:**

Total Debtors Account

Reference	Amount Rs.	Reference	Amount Rs.
Balance b/d	9,000	Cash received	30,400
Credit sales (bal.fig)	34,650	Returned inwards	500
		Discount allowed	150
		Bad debts	100
		Balance b/d	12,500
	43,650		43,650

(W-2) Calculation of credit purchase:

Total Creditor Account

Reference	Amount Rs.	Reference	Amount Rs.
Cash paid	22,000	Balance b/d	36,000
Discount received	350	Credit purchase (ba.fig)	22,000
Returns outwards	400		
Balance c/d	2,250		
	25,000		25,000

(W-3) Calculation of Opening Capital:

Balance Sheet
As on 31-12-2011

Assets	Amount Rs.	Liabilities	Amount Rs.
Cash	2,500	Creditors	3000
Debtors	9,000	Creditors (Bal. Fig.)	13,900
Stock	4,900		
Furniture	500		
	16,900		16,900

(W-4) Calculation of Closing Balance of Cash:

Reference	Amount Rs.	Reference	Amount Rs.
Balance b/d	2,500	Creditors	22,000
Debtors	30,400	Salaries	6,000
Capital (Fresh)	1,000	Rent	750
Cash Sales	750	Office expenses	900
		Drawing	1,500
		Cash purchase	2,500
		Furniture (Addition)	250
		Balance c/d	750
	34,650		34,650

QUESTION No. 6

Jamil
Trading & Profit & Loss Account
For the year ended 31-12-2012

Details		Amount Rs.	Details		Amount Rs.
Opening stock		4,900	**Sales:**		
Purchase:			Cash	750	
Cash			Credits (W-1)	34,650	
Credit (W-2)	22,000			35,400	
			Less: Returns Inwards	500	34,900
Less: Returns outwards	400	24,100	Closing stock		6,600
Gross profit c/d		12,500			
		41,500			41,500
Salaries		6,000	Gross profit b/d		12,500
Rent		750	Discounted received		350
Office expenses		900			
Discounted allowed		150			
Bad debts		100			
Net Profit (Transferred to capital account)		4,950			
		12,850			12,850

Jamil
Balance Sheet
As on 31-12-2011

Assets	Amount Rs.	Liabilities		Amount Rs.
Current Assets:		**Current Liabilities:**		
Cash (W-4)	750	Creditors		2,250
Debtors	12,500	**Owner Equity:**		
Stock	6,600	Opening capital (W-3)	13,900	
Fixed Assets:		Add: Fresh capital	1,000	
Furniture (500 x 250)	750	Add: Net profit	4,950	
		Less: Drawing	1,500	18,350
	20,600			20,600

QUESTION NO. 7

Journal

Date	Details	L/F	Debit Rs.	Credit Rs.
	Revaluation Account		4,580	
	Reserve for bad debts Account			3,200
	Furniture Account			400
	Stock Account			720
	Investment Account			260
	(Being the assets value reduced)			
	Sarmad Capital Account		2,290	
	Bilal Capital Account		2,290	
	Revaluation Account			4,580
	Being the loss on revaluation transferred to old partners' capital accounts)			
	Cash Account		2,000	
	Shahid Capital Account			2,000
	(Being the capital brought in by shahid)			
	Cash Account		1,180	
	Sarmad Capital Account			90
	Bilal Capital Account			1,090
	(Being the cash bought in by sarmad and bilal)			

Revaluation Account

Reference	Amount Rs.	Reference		Amount Rs.
Reserve for bad debts A/c	3,200	Sarmad (4,580 x ½)	2,290	
Furniture A/c	400	Bilal (4,580 x ½)	2,290	4,580
Stock A/c	720			
Investment A/c	260			
	4,580			4,580

Partners' Capital Account

References	Sarmad Rs.	Bilal Rs.	Shahid Rs.	Reference	Sarmad Rs.	Bilal Rs.	Shahid Rs.
Revaluation A/c	2,290	2,290	-	Balanced b/d	4,200	3,200	-
				Cash A/c	-	-	2,000
Balance c/d (w-1)	2,000	2,000	2,000	Cash A/c (Bal. Fig)	90	1,090	-
	4,290	**4,290**	**2,000**		**4,290**	**4,290**	**2,000**

Cash Account

Reference	Amount Rs.	Reference	Amount Rs.
Balance b/d	300	Balance c/d	3,480
Shahid Capital A/c	2,000		
Sarmad Capital A/c	90		
Bilal A/c	1,090		
	3,480		3,480

<u>WORKING:</u>

(W-1) Adjustment of Partners Capital Account

Profit sharing ration of old partners	=	Sarmad	:	Bilal
	=	1	:	1
	=	$\frac{1}{2}$	:	$\frac{1}{2}$
New partner's share	=	$\frac{1}{3}$		
Suppose total profit	=	1		
Remaining profit	=	$1-\frac{1}{3}$		
	=	$\frac{3-1}{3}$		
	=	$\frac{2}{3}$		
Sarmad's shares	=	$\frac{2}{3} x \frac{1}{2}$	=	$\frac{1}{3}$
Bilal's shares	=	$\frac{2}{3} x \frac{1}{2}$	=	$\frac{1}{3}$
	=	Rs.2,000		
Shahid's capital for $\frac{1}{3}$ shares	=	Rs.2,000		
Total capital of partnership	=	Rs. 2,000	x	$\frac{1}{3}$
	=	Rs. 6,000		
Sarmad's capital	=	Rs. 6,000	x	$\frac{1}{3}$
	=	Rs. 2,000		
Bilal's capital	=	Rs. 6,000	x	$\frac{1}{3}$
	=	Rs. 2,000		

QUESTION NO. 8

When a company purchases a fixed asset, it must capitalize this asset in its financial records. A fixed asset refers to a large, physical asset that the company plans to use for many years in the business operation. The company determines the total cost of this asset by adding all the costs required to purchase the asset, including purchase price, legal fees and freight costs. The company expenses a portion of the total cost each year through depreciation. Several depreciation methods exist, with various advantages and disadvantages associated with each.

Straight Line

The straight line method involves determining the cost to depreciate and dividing that amount by the number of years the company expects to use the asset. The advantage of using the straight line method involves the ease of calculating the annual depreciation amount. The disadvantage of using the straight line method is that this method does not consider the rate the asset will actually depreciate in value.

Units of Production

The units of production method involves determining the cost to depreciate and dividing that amount by the estimated production units the company expects to manufacture over the life of the asset. The advantages of using the units of production method include the ease of calculating the annual depreciation amount and that the depreciation is matched to the production quantity. The disadvantage of using the units of production method is that this method assumes the asset will depreciate evenly over its productive life.

Declining Balance

The declining balance calculates annual depreciation by calculating a depreciation rate and multiplying it by the remaining asset value. The advantage of using this method is that it accelerates the depreciation recorded early in the asset's life. Another advantage is that the accelerated depreciation reduces the taxable income and the taxes owed during the early years. A disadvantage of this method is that the calculation is more complex.

Sum-Of-Years Digits

The sum-of-years digits calculates annual depreciation by calculating a depreciation rate by adding up the digits for each year in the life of the asset. Each year the company takes the number of years remaining, divides it by the total digits calculated and multiples this by the asset value. The advantage of using this method is that it accelerates the depreciation recorded early in the asset's life. Another advantage is that the accelerated depreciation reduces the taxable income and the taxes owed during the early years. A disadvantage of this method is that the calculation is more complex.