

QUESTION NO. 1

Books of Modern Cycles Limited
Consignment Account

	Rs.		Rs.
Goods sent on consignment A/c (1000 × 800)	800,000	A (Sales) (820 × 930)	762,600
A (Expenses)	12,500	Stock on consignment A/c (w-2)	138,880
A (Commission) (w-1)	70,520	Goods sent on consignment A/c (Loading) (1000 × 160)	160,000
Stock on consignment reserve A/c (180 × 160)	28,800		
Profit & loss A/c (Profit)	149,660		
	10,61,480		10,61,480

A's Account

	Rs.		Rs.
Consignment A/c (Sales)	762,600	B/R A/c (800,000 × 80%)	640,000
		Consignment A/c (Expenses)	12,500
		Consignment A/c (Commission)	70,520
		Bank A/c	39,580
	762,600		762,600

Goods Sent on Consignment Account

	Rs.		Rs.
Consignment A/c (Loading)	160,000	Consignment A/c	800,000
Trading A/c	640,000		
	800,000		800,000

WORKINGS:**(w-1) Calculation of Commission:**

Invoice price per bicycle = Rs. 800

Sales price per bicycle = Rs. 930

Extra price per bicycle = Rs. 130

Commission on Invoice Price:

$$= 820 \text{ bicycles} \times \text{Rs. } 800 = 656,000 \times \frac{7.5}{100} = \text{Rs. } 49,200$$

Commission on above Invoice Price:

$$= 820 \text{ bicycles} \times \text{Rs. } 30 = 106,600 \times \frac{20}{100} = \text{Rs. } 21,320$$

Total commission

Rs. 70,520**(w-2) Calculation of Stock:****Invoice value of remaining stock:**

$$= 180 \text{ bicycles} \times \text{Rs. } 800 = \text{Rs. } 144,000$$

Less Depreciation on Cost Price:

$$= 20 \text{ bicycles} \times \text{Rs. } 640 \times \frac{40}{100} = \text{Rs. } 5,120$$

Value of stock

Rs. 138,880**QUESTION NO. 4**

Moti Traders
Rawalpindi Branch Account
For the period ended 31st December 2009

	Rs.		Rs.
Cash sent to branch for meeting	120	Bank A/c:	
petty expenses	440	Cash sales	61,500
Furniture purchased for branch	8,000	Cash from debtors	<u>20,000</u>
Goods sent to branch A/c			81,500
(at invoice price)	120,000	Less: Petty expenses	
Bank A/c (For expenses):		paid by branch	<u>560</u>
Rent	1,200		80,940
Advertisement	800	Goods sent to branch A/c (Loading)	
Salaries	4,000	(120,000 × 25/125)	24,000
Insurance	300	Balance c/d:	
Petty expenses	<u>6,300</u>	(Closing Assets of Branch)	
(Due to imprest system)		Branch stock A/c <i>L 50000</i>	32,500
Branch stock reserve A/c	6,500	Branch debtors A/c (w-1)	7,150
(20,000 × 25/125)		Branch furniture A/c	7,600
Profit & loss A/c (Profit)	11,390	(8,000 × 10/100 × 6/12 = 400)	
		(8,000 - 400)	
		Branch petty cash A/c	440
	<u>152,630</u>		<u>152,630</u>

(w-1) Branch Debtor's Account

	Rs.		Rs.
Sales (Credit)	28,000	Sales return	600
		Cash from debtors	20,000
		Discount allowed	200
		Bad debts	50
		Balance c/d (Closing branch debtors)	7,150
	28,000		28,000

QUESTION NO. 5

Contract Account

	Rs.		Rs.
Material	90,000	<u>Work-in-Progress:</u>	
Plant	25,000	Work certified (200,000 × 100/80)	250,000
Wages	140,000	Work uncertified	20,000
Expenses	7,000	Profit & loss A/c (Abnormal loss)	
Balance c/d	42,500	(5,000 + 4,000 + 2,500)	11,500
		Plant returned to store	
		(Cost Rs. 3,000 – Dep. Rs. 300)	2,700
		Plant at site (w-1)	15,300
		Material-at-site	5,000
	304,500		304,500
Profit & loss A/c (Profit transferred)		Balance b/d	42,500
(Balance profit × 2/3 × % age of work certified)	22,667		
Work-in-progress A/c (Reserve)	19,833		
	42,500		42,500

**Balance Sheet
Contract Account**

Liabilities	Rs.	Assets	Rs.
Share capital		Land and building	43,000
Profit & Loss Account	120,000	<u>Plant:</u>	
Profit transferred from contract	22,667	in store	2,700
Less: Abnormal loss of material & plant	<u>10,900</u>	at site	<u>15,300</u>
Creditors	11,767	Material-at-site	5,000
	10,000	<u>Work in-Progress:</u>	
		Work certified	250,000
		Work uncertified	<u>200,000</u>
			270,000
		Less: Reserve	<u>19,833</u>
			250,167
		Less: <u>Cash received</u>	<u>200,000</u>
		Bank balance	50,167
			25,600
	<u>141,767</u>		<u>141,767</u>

WORKINGS:

(w-1) Plant-at-site:

	Rs.
Plant charged to contract	25,000 ✓
Less: Plant lost in an accident	<u>5,000</u>
	20,000
Less: Plant returned to store (cost)	<u>3,000</u>
	17,000
Less: Depreciation (17,000 × 10/100)	<u>1,700</u>
Total value of plant-at-site	<u><u>15,300</u></u>

QUESTION NO. 6

Journal

Date	Particulars	L.F.	Debit (Rs.)	Credit (Rs.)
	Realization A/c		110,000	
	To Works and other Properties			85,000
	To Liquid Assets			25,000
	New Company A/c		75,000	
	To Realization A/c			75,000

Shares in New Company A/c	50,000	
Bank A/c To New Company A/c	25,000	75,000
Realization A/c To Bank A/c	5,000	5,000
Shareholder's A/c To Realization A/c To Profit & Loss A/c	50,000	40,000 10,000
Liabilities A/c To Bank A/c	20,000	20,000
Share Capital A/c To Shareholder A/c	100,000	100,000
Shareholders A/c To Shares in New Company A/c	50,000	50,000

Realization Account

	Rs.		Rs.
To works and other properties	85,000	By new company	75,000
To liquid assets	25,000	By shareholders	40,000
To bank	5,000		
	115,000		115,000

Shareholder's Account

	Rs.		Rs.
To realization	40,000	By share capital	100,000
To profit & loss A/c (120,000 - 110,000)	10,000		
To shares in new company	50,000		
	100,000		100,000

QUESTION NO. 7

(1) Debt-equity Ratio:

$$\begin{aligned}
 &= \frac{\text{Total debt}}{\text{Equity}} \\
 &= \frac{500,000 \text{ (w-1)}}{500,000} \\
 &= 1:1
 \end{aligned}$$

(2) **Fixed Assets Ratio:**

$$= \frac{\text{Fixed assets}}{\text{Long term funds}}$$

$$= \frac{600,000}{750,000 \text{ (w-3)}}$$

$$= 0.8 : 1$$

(3) **Proprietary Ratio:**

$$= \frac{\text{Shareholder's fund}}{\text{Total assets}}$$

$$= \frac{500,000 \text{ (w-2)}}{1,000,000}$$

$$= 0.5 : 1$$

(4) **Current Ratio:**

$$= \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$= \frac{400,000}{250,000}$$

$$= 1.6 : 1$$

(5) **Liquidity Ratio:**

$$= \frac{\text{Liquid assets}}{\text{Current liabilities}}$$

$$= \frac{300,000}{250,000}$$

$$= 1.2 : 1$$

WORKINGS:

(w-1) **Total debts** = Current liabilities + Long term liabilities
= 250,000 + 250,000
= Rs. 500,000

(w-2) **Long Term Funds:**
= Equity + Long term loans
= 500,000 + 250,000
= Rs. 750,000

Indus Weaving Ltd.
Trading and Profit and Loss Account
For the period ended 31st December, 2009

	Rs.		Rs.
Opening stock	50,000	Sales	437,500
Purchases	30,000	Closing stock	89,000
Wages	70,000		
Add: O/S wages	<u>5,200</u>		
Gross profit c/d	101,300		
	526,500		526,500
Discount allowed	4,200	Gross profit b/d	101,300
Insurance	6,720	Discount received	3,150
Salaries	18,500		
Add: O/S salaries	<u>1,200</u>		
Rent	6,000		
Add: O/S rent	<u>600</u>		
General expenses	8,950		
Printing and stationary	2,400		
Advertisement	3,800		
Bonus to employees	10,500		
Bad debts	3,200		
Add: Further bad debts	<u>700</u>		
Provision for bad debts (38,700 - 700 = 38,000 × 5/100)	1,900		
Depreciation:			
Furniture (17,100 × 10/100)	1,710		
Plant (80,500 × 25/100)	<u>12,075</u>		
Net profit transferred to profit & loss appropriation A/c	21,995		
	104,450		104,450

Profit & Loss Appropriation Account

	Rs.		Rs.
Proposed dividend (2,500 × 100 × 5/100)	12,500	Balance from last year	6,220
Balance c/d (Balance profit transferred to B/S)	15,715	Net profit of this year	21,995
	28,215		28,215

Indus Weaving Ltd.
Balance Sheet
As on 31st December, 2009

Share Capital & Liabilities	Rs.	Properties & Assets	Rs.
Share Capital and Reserves:		Fixed Assets:	
<u>Authorized share capital:</u>		Plant and machinery	80,500
5000 shares of Rs. 100 each	500,000	Less: Depreciation	<u>12,075</u>
<u>Issued, Subscribed and Paid up Capital:</u>		Furniture	17,100
2500 shares of Rs. 100 each	250,000	Less: Depreciation	<u>1,710</u>
<u>Reserves:</u>		Current Assets:	
Reserve	25,000	Closing stock	89,000
Profit & loss A/c	15,715	Debtors	38,700
<u>Current Liabilities:</u>		Less: Further bad debts	<u>700</u>
Creditors	35,200		38,000
Loan from managing director	15,700	Less: Provision for bad debts	<u>1,900</u>
O/S wages	5,200	Cash-at-bank	152,200
O/S rent	600		
O/S salaries	1,200		
✓ Proposed dividend	12,500		
	361,115		361,115