

B4 Financial Accounting Practice Questions

Marks

- Q. 3** Saleem Traders, whose head office is in Karachi, operates a branch in Lahore. All goods are purchased by head office and invoiced to and sold by the branch at cost plus 50%. Other than sales ledger kept in Lahore, all transactions are recorded in the books in Karachi. The following particulars are given for the transactions at the branch during the year ended December 31, 2011.

	Rs.
Accounts receivable on January 01, 2011	118,940
Inventory on January 01, 2011, at invoice price	132,000
Goods sent from Karachi during the year at invoice price	744,000
Cash discount allowed to debtors	12,840
Invoice value of goods stolen	18,000
Cash sales	72,000
Credit sales	630,000
Bad debts written off	4,440
Returns to head office at invoice price	30,000
Normal loss at invoice price due to wastage	3,000
Cash received from debtors	672,000
Inventory on December 31, 2011, at invoice price	118,440

Required:

You are required to write up the branch inventory account and branch total accounts receivable account for the year ended December 31, 2011, as they would appear in the head office books, showing clearly any abnormal wastage.

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- Q. 4** A Non-Government Organization is operating a medical facility with the name of Al-Shifa in rural area in order to provide free treatment to poor people. A receipt and payment account for the year ended December 31, 2011 are as follows:

Al-Shifa Medical Services
Receipt and Payment Account
As at December 31, 2011

Receipts	Rs.	Payments	Rs.
Balance b/d (January 1, 2011)	250,000	Payments for medicines	35,000
Subscription	30,000	Doctors' honorarium	60,000
Donation	40,000	Misc. staff salaries	10,000
Interest on investment	3,000	Medical equipment purchased	50,000
Charity shows proceeds	50,000	Charity shows expenses	5,000
		Balance c/d	213,000
	373,000		373,000

Additional Information:

	January 1, 2011 (Rs.)	December 31, 2011 (Rs.)
Accrued subscription	5,000	10,000
Subscription received in advance	10,000	5,000
Medicines stock	25,000	20,000
Amount due to medicine suppliers	5,000	25,000
Hospital building at cost	100,000	100,000
Medical equipments at cost	150,000	?
Life membership fund	100,000	?
10%, long-term investment (purchased on 31/12/2010)	?	?

Adjustments:

- (i) Accrued honorarium Rs. 15,000
- (ii) Outstanding charity expense Rs. 2,000
- (iii) Transfer Rs. 20,000 from life membership fund to current subscription.
- (iv) Depreciation is to be provided as follows:
 - Building at 20% on straight-line basis.
 - Medical equipment at 10% on straight-line basis.

Required:	Marks
(a) Prepare Income and Expenditure Account for the year ended on December 31, 2011.	12
(b) Prepare Statement of Financial Position as at December 31, 2011.	11
<p>Q. 5 (a) Bilal and Company, imported machine having list price of Rs.1,000,000 subject to 5% discount. 2% import duty was paid and 1% of non-refundable purchase tax and 3% of refundable tax were also paid. It was to be installed in work place where a machine already existed. The cost of dismantling and removing old machine amounted Rs.21,500. Following costs were also paid:</p> <ul style="list-style-type: none"> (i) Site preparation cost Rs.30,000. (ii) Construction of a room costs Rs. 100,000. (iii) The engineer was paid Rs.70,000 for testing and operation. (iv) During operation of machine some samples items were produced which could be sold for Rs.50,000. (v) Transporting and loading and unloading costs Rs. 150,000. 	
Required:	Calculate total cost of machine under IAS 16 applicable to the given situation. 05

Solutions

Q. 3

Saleem Traders Branch Inventory (dates omitted)

			Amount in Rupees		
	Memo		Memo		
Balance b/d	132,000	88,000	Goods stolen	18,000	12,000 0.25 each
Goods from head office	744,000	496,000	Cash sales	72,000	72,000 0.25 each
Gross profit/ overvaluation		234,000	Branch accounts receivable	630,000	630,000 1.25
			Returns to Head Office	30,000	20,000 0.25 each
			Profit and Loss:		
			Normal wastage	3,000	2,000 0.25 each
			Profit and Loss:		
			Abnormal wastage	4,560	3,040 1.00 each
			Balance c/d	118,440	78,960 0.25 each
	876,000	818,000		876,000	818,000

Branch Accounts Receivable			Amount in Rupees		
Balances b/d		118,940	Discounts allowed	12,840	0.25 each
Branch inventory: Sales		630,000	Bad debts	4,440	0.25 each
			Bank / Cash	672,000	0.25
			Balance c/d	59,660	0.25
		748,940		748,940	

Working:

Calculation for Overvaluation

Amount in Rupees			
Particulars	Invoice Price	Actual Price	Over-valuation
Opening balance	132,000	88,000	44,000 0.25 each
Goods from Head Office	744,000	496,000	248,000 0.25 each
Returns to Head Office	(30,000)	(20,000)	(10,000) 0.25 each
Goods stolen	(18,000)	(12,000)	(6,000) 0.25 each
Normal wastage	(3,000)	(2,000)	(1,000) 0.25 each
Abnormal wastage	(4,560)	(3,040)	(1,520) 0.25 each
Closing balance	(118,440)	(78,960)	(39,480) 0.25 each
	702,000	468,000	234,000

Q. 4 (a)

Al Shifa
Income & Expenditure Account
For the period ended on December 31, 2011

Expenses		Income		
Medical used (W2)	60,000	Subscription income (W1)	60,000	0.25 each
Honorarium to Doctors				
	60,000	Interest on investment @ 10%	3,000	0.50 each
Accrued	15,000	Charity proceed	50,000	0.50 each
Salaries expenses	10,000	Excess of expenses over income	79,000	0.50 each
Charity show expenses	5,000			0.50
Add: Accrued expenses	<u>2,000</u>			0.50 each
	7,000			
Depreciation:				
Hospital Building (W-6)	20,000			0.50
Medical equipments (W-6)	20,000			0.50 each
	40,000			
	<u>192,000</u>		<u>192,000</u>	

(b)

Al Shifa
Balance Sheet
As on December 31, 2011

Assets		Liabilities & Equities		
Cash	213,000	Subscription in advance	5,000	0.50 each
Subscription accrued		Payable to medicine supplier	25,000	0.50
December 31, 2011	10,000	Accrued honorarium	15,000	0.50 each
Medicine stock	20,000	Outstanding charity	2,000	0.50 each
10% investment (W4)	30,000	Life membership fund	80,000	0.50 each
Hospital building (W6)	80,000	Accumulated/Capital fund (W-5)	445,000	0.50 each
Medical equipments (W6)	180,000	Add: Donations	40,000	0.50 each
		Less: Excess of expenses over income	79,000	0.50
	533,000		533,000	

Workings:

W-1

Subscription received		30,000	0.25
Add: subscription accrued December 31, 2011	10,000		0.25
Subscription in advance	10,000	20,000	0.25
		<u>50,000</u>	
Less: Accrued Subscription January 1, 2011	5,000		0.25
Sub .advance December 31, 2011	5,000	(10,000)	0.25
		<u>40,000</u>	
Subscription Income		40,000	0.25
Add: Life membership		20,000	0.25
		<u>60,000</u>	

W-2

Medical stock used:

Stock January 1, 2011	25,000	0.25
Purchase of stock (W-3)	55,000	0.25
Less: Stock December 31, 2011	(20,000)	0.25
Medical used	<u>60,000</u>	

Marks**W-3****Medical Purchases:**

Medical supplier paid	35,000	0.25
Payable to supplier December 31, 2011	25,000	0.25
Less: payable to supplier January 1, 2011	(5,000)	0.25
Medical purchases	<u>55,000</u>	

W-4

Cost of 10% investment has not been given in beginning balances so, it will have to be calculated to be include in beginning accumulated fund.

$$10\% \text{ investment} = 3,000 \times 100 / 10 = 30,000 \quad 0.25$$

W-5**Accumulated/Capital Fund:**

Cash balance January 1, 2011	250,000	0.50
Accrued Subscription	5,000	0.50
Medicine stock	25,000	0.50
Hospital building	100,000	0.50
Medical equipment	150,000	0.50
10% investment	30,000	0.50
	<u>560,000</u>	
Less:		
Subscription received in advance	10,000	0.25
Amount due to supplier	5,000	0.25
Life membership	<u>100,000</u>	(115,000) 0.25
Accumulated Fund/ Capital/ Fund	<u>445,000</u>	

W-6:

(In Rupees)

Particulars	Cost	Accumulated depreciation	Net book value	
Hospital building	100,000	(20,000)	80,000	0.25 each
Medical equipment	200,000	(20,000)	180,000	0.25 each
Total	300,000	(40,000)	260,000	0.25 each

Marks**Q. 5 (a)** Computation of cost of machine under IAS-16:

List price		1,000,000	0.50
Less: 5% discount		<u>50,000</u>	0.50
		950,000	
Add: 2% import duty	19,000		0.50
1% purchase tax (non refundable)	9,500		0.50
Cost of dismantling & removing	<u>21,500</u>	<u>50,000</u>	0.50
		1,000,000	
Additional Cost:			
Site preparation	30,000		0.50
Construction of rooms	100,000		0.50
Engineer was paid	<u>70,000</u>		0.50
Less: Sample production	<u>50,000</u>	20,000	0.50
Transport, loading, unloading	<u>150,000</u>	<u>300,000</u>	0.50
Total cost as per IAS-16		<u><u>1,300,000</u></u>	