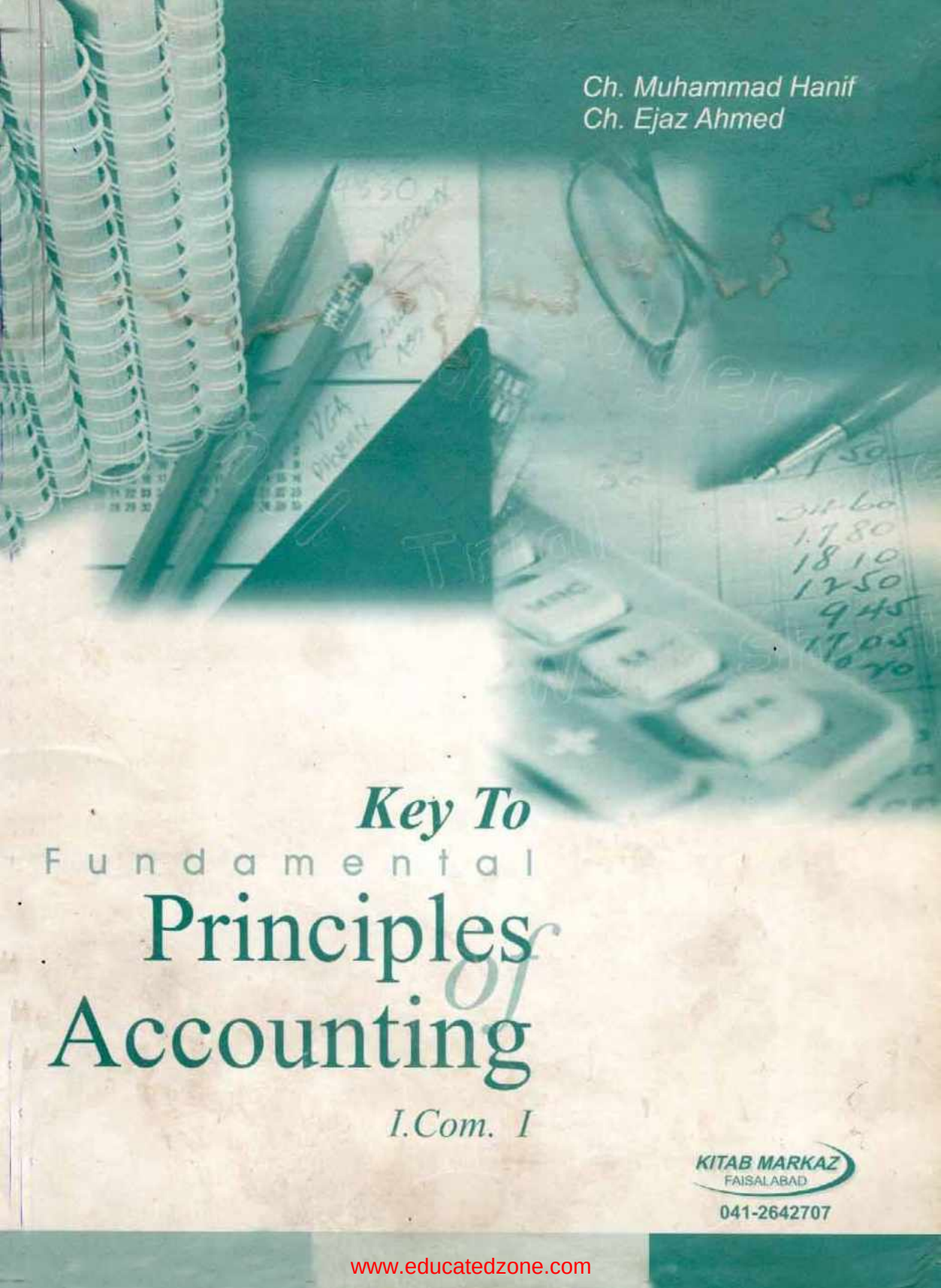




Ch. Muhammad Hanif
Ch. Ejaz Ahmed

Key To
Fundamental
Principles
Accounting

I.Com. I

KITAB MARKAZ
FAISALABAD

041-2642707

KEY
TO
FUNDAMENTAL
PRINCIPLES OF
ACCOUNTING

For

I. Com. Part - I

By

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B. Com (Hons), M.Com, M.A Economics

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2

BUSINESS TRANSACTIONS AND ACCOUNTING EQUATION

Problem No. 1

Solution:

	Assets			= Liab.	+ Owner's Equity
	Cash	+ Merchandise	+ Furniture	= A/P	+ Capital
	50000				50000
(a)	---	+ 3000		= 3000	---
Balance	50000	+ 3000		= 3000	+ 50000
(b)	- 6000	----	+ 6000	----	----
Balance	44000	+ 3000	+ 6000	= 3000	+ 50000
(c)	- 20000	+ 20000	----	----	----
Balance	24000	+ 23000	+ 6000	= 3000	+ 50000
(d)	- 200	----	----	----	- 200
Balance	23800	+ 23000	+ 6000	= 3000	+ 49800
(e)	+ 13000	- 10000	----	----	+ 3000
Balance	36800	+ 13000	+ 6000	= 3000	+ 52800
(f)	- 3000	----	----	- 3000	----
Balance	33800	+ 13000	+ 6000	= 0	+ 52800
Total:		52800		= 52800	

Problem No. 2

Solution:

Date	Assets			= Liabilities		+ Owner's Equity
	Cash	+ Building	+ Goods	= O/s Salaries	+ Creditors	+ Capital
i)	50,000					+50,000

ii)	-10,000	+10,000				
Balance	40,000	10,000				+50,000
iii)	-1,000			= 200		-1,200
Balance	39,000	+10,000		= 200		+48,800
iv)	-10,000		+12,000		+2,000	
Balance	29,000	+10,000	+12,000	= 200	+2,000	+48,800
v)	+15,000		-10,000			+5,000
Balance	44,000	+10,000	+2,000	= 200	+2,000	+53,000
vi)	-500					-500
Balance	43,500	+10,000	+2,000	= 200	+2,000	+53,300
Total:	55,500				=	55,500

Problem No. 3

Solution:

	Assets				= Liab.	+ Owner's Equity
	Cash	+ Building	+Furniture		= A/P	+ Capital
(a)	+ 25000					+ 25000
(b)	- 10000	+ 10000				
Balance	+ 15000	+ 10000			+ 14000	+ 25000
(c)			+ 14000			
Balance	+ 15000	+ 10000	+ 14000		+ 14000	+ 25000
(d)	+ 139000					+ 139000
Balance	+ 154000	+ 10000	+ 14000		+ 14000	+ 164000
(e)	- 1505					- 1505
Balance	+ 152495	+ 10000	+ 14000		+ 14000	+ 162495
(f)	- 1200					- 1200
Balance	+ 151295	+ 10000	+ 14000		+ 14000	+ 161295
Total:	175295			=		175295

Problem No. 4

Solution:

Date	Assets				Equities
	Cash	Merchandise	Furniture	A/cs Receivable	Capital
2006	Rs.	Rs.	Rs.	Rs.	Rs.
July, 1	+50000				+ 50000
July, 1	-10000	+ 10000			
July, 8	- 8000		+ 8000		
July, 12		- 8000		+ 10000	+ 2000
July, 15	-14000	+ 14000			
July, 22		- 6000		+ 8000	+ 2000
July, 27	+10000			+ 10000	
Balance	28000	+ 10000	+ 8000	+ 8000	54000
Total Assets = Rs. 54,000, Total Equities Rs. 54,000					

Problem No. 5

Solution:

	Assets				= Liab.	+ Owner's Equity
	Cash	+ Furniture	+ Merchandise	+ A/R	= A/P	+ Capital
	80000					80000
(a)	- 6000	+ 6000				
Balance	74000	+ 6000				+ 80000
(b)			+ 20000		= 20000	
Balance	74000	+ 6000	+ 20000	+ 10000	= 20000	+ 80000
(c)			- 8000	+ 10000		+ 2000
Balance	74000	+ 6000	+ 12000	+ 10000	= 0	+ 82000
(d)			- 10000			+ 100
Balance	54100	+ 6000	+ 12000	+ 10000	= 0	+ 82100
(e)	+ 13000		- 10000			+ 3000
Balance	67100	+ 6000	+ 2000	+ 10000	= 0	+ 85100
(f)	+ 9950			- 10000		- 50
Balance	77050	+ 6000	+ 2000	+ 0	= 0	+ 85050
g(i)	- 1500					- 1500
Balance	75550	+ 6000	+ 2000	+ 0	= 0	+ 83550
g(ii)	- 2000					- 2000
Balance	77050	+ 6000	+ 2000			85050
Total	85050				=	85050

Problem No. 6**Solution:**

	Assets					= Liab.	+ Capital
	Cash	+Furniture	+Merchandise	+Supp	+Post.	= A/P	+ Capital
a)	73500						73500
b)	12000	+ 18000				= 6000	
Balance	61500	+ 18000				= 6000	73500
c)			+ 7000			+ 7000	
Balance	61500	+ 18000	+ 7000			= 13000	73500
d)	- 5000		+ 5000				
Balance	56500	+ 18000	+ 12000			= 13000	73500
e)	- 1300			+ 800	+ 500		
Balance	55200	+ 18000	+ 12000	+ 800	+ 500	= 13000	73500
f)			-1000			- 1000	
Balance	55200	+ 18000	+ 11000	+ 800	+ 500	= 12000	73500
g)	- 200						-200
Balance	55000	+ 18000	+ 11000	+ 800	+ 500	= 12000	73300
Total:		85300					85300

Problem No. 7**Solution:**

	Assets				= Liab.	+ Owner's Equity
Balance	Cash	+A/R	+Supplies	+Tools	A/P	+Capital
a)	+3300 -400	+1900	+1700	+8150	+3050	+12000
Balance	+2900	+1900	+1700	+8150	+3050	+11600
b)	-100		+100			
Balance	+2800	+1900	+1800	+8150	+3050	+11600
c)	-500				-500	
Balance	+2300	+1900	+1800	+8150	+2550	+11600
d)	-200			+550	+350	
Balance	+2100	+1900	+1800	+8700	+2900	+11600
e)	+900					+900
Balance	+3000	+1900	+1800	+8700	+2900	+12500
f)		+210				+210
Balance	+3000	+2110	+1800	+8700	+2900	+12710
g)	+650	-650				
Balance	+3650	+1460	+1800	+8700	+2900	+12710
h)	-150					-150
Balance	+3500	+1460	+1800	+8700	+2900	+12560
Total:	15460				=	15460

3

NATURE OF ACCOUNTS AND RULES OF DEBIT AND CREDIT

Problem No. 1

Under British Approach

Sr. No.	Accounts affected	Nature of Accounts	Acc. to debited	Acc. to credited	Reasons for debit and credit
(o)	Cash Capital	Real Personal	Cash	Capital	Cash comes in and proprietor is the giver
(a)	Furniture Cash	Real Real	Furniture	Cash	Comes in goes out
(b)	Purchases Bata Shoe	Real Personal	Purchases	Bata-Shoes	Comes in Bata Shoes Co. is giver
(c)	Advertising Cash	Nominal Real	Advertising	Cash	Expenses are Debited Goes out
(d)	Drawing Cash	Personal Real	Drawing	Cash	Receiver goes out
(e)	Salary Cash	Nominal Real	Salary	Cash	Expenses are Debited goes out

Problem No. 2

Under British Approach

Sr. No.	Accounts affected	Nature of Accounts	Acc. to debited	Acc. to credited	Reasons for debit and credit
(a)	Cash Capital	Real Personal	Cash	Capital	Cash comes in and proprietor is the given
(b)	Building Kaleem	Real Personal	Building	Kaleem	Building comes in the business Kale-em is the giver
(c)	Office Cash	Real Real	Office Furniture	Cash	Office Furniture Comes in Cash goes out
(d)	Equipment Cash	Real Real	Office Equipment	Cash	Office equipment comes in cash goes out

(e)	Office Postage Cash	Real Real Real	Office Stationery	Cash	Office stationary, postages comes in cash goes out
(f)	Insurance Cash	Nominal Real	Insurance	Cash	Insurance is an expenses Cash goes out
(g)	Purchases Cash Accounts payable	Real Real Personal	Purchases Accounts Payable	Cash	Insurance is an expenses Cash goes out
(h)	Carriage Cash	Nominal Real	Carriage	Cash	Carriage is an expense Cash goes out
(i)	Advertising Cash	Nominal Real	Advertising	Cash	Advertising is an expense Cash goes out
(j)	Cash A/R Sales	Real Personal Real	Cash A/R	Sales	Cash comes in debit the receiver sales goes out

American Approach

No.	Accounts effected	Nature of Accounts	Acc. to debited	Acc. to credited	Reasons for debit or credit
(a)	Cash Capital	Asset Owner's equity	Cash	Capital	Because increase in asset is debited. While increase in owner equity is credited.
(b)	Building Acc/payable (Kareem)	Asset Liability	Building	A/P (Kareem)	Because increase in asset is debited. While increase in liability is credited.
(c)	Office Furniture Cash	Asset Asset	Office Equipment	Cash	Because increase in asset is credited. While decrease in asset is credited.
(d)	Office Equipment Cash	Asset Asset	Office Furniture	Cash	Because increase in asset is debited. While decrease in asset is credited.
(e)	Office Stationary Postage Cash	Asset Asset Asset	(i) Office Stationary (ii) Postage	Cash	Because increase in assets are debited. While decrease in asset is credited.

(f)	Insurance Cash	Expense Asset	Insurance Cash		Because increase in expense is debited. While decrease in asset is credited.
(g)	Purchases Cash Acc/payable	Asset Asset Liability	Purchases Cash A/payable		Increases in assets are debited. While increase in liability is credited.
(h)	Carriage Cash	Expense Asset	Carriage Cash		Increase exp. Is debited. While decrease in asset is credited.
(i)	Advertising Cash	Expense Asset	Advertising Cash		Increase in exp. Is debited. While decrease in asset is credited.
(j)	A/R Sales	Asset Revenue	A/R Sales		Increases in assets are debited. While in increase in revenue is credited.

Problem No. 3

Sr. No.	Accounts effected	Nature of A/C	A/c to be debited	A/c to be credited
1	Cash Capital	Asset Owner's equity	Cash	Capital
2	Purchases A/P	Asset Revenue	Cash	A/P
3	Cash Sales	Asset Revenue	Cash	Sales
4	Cash A/R	Asset Asset	Cash	A/R
5	Printing Exp. Cash	Expenses Asset	Printing Exp.	Cash
6	Cash Furniture	Asset Asset	Cash	Furniture
7	A/P Cash	Liability Asset	A/P	Cash
8	Cash Commission	Asset Revenue	Cash	Commission

4

JOURNAL

Problem No. 1

Mr. Fraz's Journal

Date	Particulars	L.F	Debit	Credit
2007			Rs.	Rs.
Jan. 1	Cash a/c To Capital a/c Started business with cash		100,000	100,000
" 2	Office Furniture a/c To Cash a/c Office furniture purchased for cash		6,000	6,000
" 5	Purchases a/c To Cash a/c Furniture purchased for cash		10,000	10,000
" 8	Saleem To Sales a/c Goods sold on credit		10,000	10,000
" 10	Cash a/c Discount a/c To Saleem Cash received and discounted allowed		2,950 50	3,000
" 15	Purchases a/c To Rashid Goods purchased on credit		6,000	6,000
" 18	Salaries a/c To Cash a/c Salaries paid in cash		3,000	3,000
" 20	Rashid To Purchase returns a/c Goods returned to Rashid		1,000	1,000
" 25	Rashid To Cash a/c To Discount a/c Cash paid and discount received		5,000	4,970 30
" 28	Cash a/c To Commission a/c Commission received		100	100

Problem No. 2

Mr. Ammad's Journal

Date	Particulars	L.F	Debit	Credit
2009 Jan. 1	Cash a/c To Capital a/c Started business with cash		Rs. 100,000	Rs. 100,000
" 5	Purchases a/c To Saleem a/c Purchased goods from Saleem.		50,000	50,000
" 10	Saleem To Cash a/c To Discount a/c Paid cash to Saleem and discount received.		50,000	49,000 1,000
" 15	Charity a/c To Cash a/c Cash given away as charity		5,000	5,000
" 20	Drawings a/c To Purchases a/c Withdraw goods for personal use		3,500	3,500
" 25	Cash a/c To Sales a/c Goods sold on 5% Trade discount		9,500	9,500
" 30	Insurance Premium a/c To Cash a/c Insurance premium paid.		5,000	5,000

Problem No. 3

Mr. Kamal's
Journal

Date	Particulars	L.F	Debit	Credit
2007 March 1	Cash a/c Building a/c Furniture a/c To Capital a/c Started business with cash building and furniture		Rs. 40,000 90,000 5,000	Rs. 1,35,000
" 2	Purchases a/c To Saleem Goods purchased on credit		20,000	20,000
" 3	Cash a/c To Sales a/c Goods sold for cash		5,000	5,000
" 4	Office Stationery a/c To Cash a/c Office stationery purchased for cash		2,000	2,000
" 5	Rehim & Sons Karim & Sons To Sale a/c Goods sold on credit		4,000 1,000	5,000
" 10	Purchases a/c To Cash Goods purchased on credit at 5% Trade discount		1,520	1,520
" 15	Charity a/c To Purchases a/c Goods given away as charity		2,000	2,000
" 20	Drawings a/c To Cash a/c Cash draw by the proprietor		1,000	1,000
" 25	Cash a/c Discount a/c To Karim Cash received and discount allowed		7,900 100	8,000

$$16000 \times \frac{5}{100}$$

$$16000 \times \frac{5}{100}$$

Problem No. 4

Zeeshan's
Journal

Date	Particulars	L.F	Debit	Credit
2008			Rs.	Rs.
Jan. 1	Cash a/c To Capital a/c Started business with cash	.	10,00,000	10,00,000
" 2	Building a/c To Cash a/c Building purchased for cash		500,000	500,000
" 4	Fraz To Sales a/c Goods sold on credit		20,000	20,000
" 5	Office Equipment a/c To Cash a/c Office typewriter purchased for cash		15,000	15,000
" 6	Repair charges a/c To Cash a/c Repair charges paid		2,000	2,000
" 10	Sales returns a/c To Fraz Goods returned by Fraz		1,000	1,000
" 15	Cash a/c Discount a/c To Fraz Cash received and discount allowed		9,800 200	10,000
" 25	Drawings a/c To purchases a/c Goods taken away by the proprietor		500	500
" 30	Cash a/c To Fraz Cash received from Fraz on account		10,000	10,000
" 31	Loss by the theft a/c To Furniture a/c Six Chairs and one table were stolen		3,000	3,000

Problem No. 5

Solution:

**Mr. Fahad's
Journal**

Date	Particulars	L.F	Debit Rs.	Credit Rs.
2008				
March 1	Cash A/c Furniture A/c To Capital A/c Started business with cash and furniture		2000000 50000	2050000
March 2	Motor Car A/c To Cash A/c Motor car purchased for cash		300000	300000
March 3	Purchases A/c To Cash A/c To Rahim Goods purchased for cash and on credit		500000	400000 100000
March 4	Nadeem To Sales A/c Goods sold on credit		50000	50000
March 5	Purchases A/c To Cash A/c Goods purchase for cash.		18000	18000
March 5	Carriage A/c To Cash A/c Paid carriage.		500	500
March 8	Cash A/c Discount A/c To Nadeem Cash received and discount allowed.		49000 1000	50000
March 10	Rahim To Cash A/c To Discount A/c Cash paid and discount received.		100000	98000- 2000
March 12	Hamid To Cash A/c Cash paid to Hamid		18000	18000
March 20	Drawings A/c To Cash A/c Electric bill of the proprietor's bungalow.		2000	2000
March 30	Rent A/c Salaries A/c To Cash A/c Paid rent and salaries.		5000 10000	15000

LEDGER AND TRIAL BALANCE

Problem No. 1

Mr. Saleem's Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
2009 April 01	Cash a/c To Capital a/c Started business with cash		500,000	500,000
" 05	Purchases a/c To Cash a/c Purchased goods for cash		10,000	10,000
" 10	Kareem To Sales a/c Goods sold to Kareem		40,000	40,000
" 15	Rent a/c To Cash a/c Paid Rent for the month		10,000	10,000
" 20	Cash a/c Discount a/c To Kareem Cash Received and discount allowed		38,000 2,000	40,000
" 30	Cash a/c To Commission a/c Commission Received.		2,000	2,000

LEDGERS**Cash Account**

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009				2009			
April 01	To Capital a/c		500,000	April 05	By Purchases		200,000
April 20	To Kareem		38,000	March 15	By Rent a/c		10,000
April 30	To Commission		2,000	March 30	By Balance c/d		330,000
			540,000				540,000

Capital account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007				2007			
April 30	To balance c/d		500,000	April 01	By Cash a/c		500,000
			500,000				500,000

Purchases Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009				2009			
April 5	To Cash		200,000	April 30	By Balance c/d		200,000
			200,000				200,000

Kareem

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009				2009			
April 10	To Sales a/c		40,000	April 20	By Cash a/c		38,000
			40,000		By Discount a/c		2,000
							40,000

Sales Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009 April 30	To Balance c/d		40,000	2009 April 10	By Kareem		40,000
			40,000				40,000

Rent Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009 April 15	To Cash a/c		10,000	2009 April 30	By Balance c/d		10,000
			10,000				10,000

Discount Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009 April 20	To Kareem		2,000	2009 April 30	By Balance c/d		2,000
			2,000				2,000

Commission Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009 April 30	To Balance c/d		2,000	2009 March 30	By Cash a/c		2,000
			2,000				2,000

Problem No. 2

Mr. Rashid's Journal

Date	Particulars	L.F	Debit	Credit
2007			Rs.	Rs.
March 1	Cash a/c To Capital a/c Started business with cash		200,000	200,000
" 4	Building a/c To cash a/c Building purchased for cash		100,000	100,000
" 5	Purchases a/c To Aslam & Sons Goods purchased on credit		5,000	5,000
" 6	Aslam & Sons To Cash a/c To discount a/c Cash paid and discount received		2,000	1,980 20
" 8	Saleem To Sales a/c Goods sold on credit		2,000	2,000
" 10	Drawings a/c To Purchases a/c Goods taken by the proprietor		1,000	1,000
" 14	Carriage a/c To cash a/c Carriage paid in cash		200	200
" 15	Furniture a/c To Modern Furniture House Furniture purchased on credit		10,000	10,000
" 20	Insurance premium a/c To Cash a/c Insurance premium paid		1,000	1,000
" 30	Rent a/c To Cash a/c Salary, rent and repairs charges paid in cash		4,000	4,000
	Total:		321200	321200

LEDGERS

Cash Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 1	To Capital a/c		200,000	2007 March 2	By building a/c		100,000
				March 6	By Aslam & Sons		1,980
				March 14	By Carriage		200
				March 20	By Insurance Premium a/c		1,000
				March 30	By Rent a/c		4,000
				March 31	By Balance c/d		92820
			200,000				200,000

Capital account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 31	To balance c/d		200,000	2007 March 01	By Cash a/c		200,000
			200,000				200,000

Building Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 2	To Cash a/c		100,000	2007 March 31	By Balance c/d		100,000
			100,000				100,000

Purchases Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 5	To Aslam & Sons		5,000	2007 March 10	By Drawings		1,000
				March 31	By Balance c/d		4,000
			5,000				5,000

Aslam & Sons

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 6	To Cash a/c		1,980	2007 March 5	By Purchases a/c		5,000
	To Discount a/c		20				
March 31	"" Balance c/d		3,000				
			5,000				5,000

Discount Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 31	To Balance c/d		20	2007 March 6	By Aslam & Sons		20
			20				20

Saleem

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 8	To Sales a/c		2,000	2007 March 31	By Balance c/d		2,000
			2,000				2,000

Sales Account ✓

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 31	To Balance c/d		2,000	2007 March 8	By Saleem		2,000
			2,000				2,000

Drawings Account ✓

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 10	To Purchases a/c		1,000	2007 March 31	By Balance c/d		1,000
			1,000				1,000

Carriage Account ✓

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 14	To Cash a/c		200	2007 March 31	By Balance c/d		200
			200				200

Furniture Account ✓

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 15	To Modern Furniture House		10,000	2007 March 31	By Balance c/d		10,000
			10,000				10,000

Modern Furniture House Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 31	To Balance c/d		10,000	2007 March 31	By Furniture		10,000
			10,000				10,000

Insurance Premium Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 20	To Cash a/c		1,000	2007 March 31	By Balance c/d		1,000
			1,000				1,000

Rent Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007 March 30	To Cash a/c		4,000	2007 March 31	By Balance c/d		4,000
			2,000				2,000

Trial Balance

Account Titles	L.F.	Debit	Credit
Cash Account		Rs.	Rs.
Capital Account		92,820	--
Building Account		--	200,000
Purchases Account		100,000	--
Aslam & Sons		4,000	--
Discount Account		--	3000
Saleem		--	20
Sales Account		2,000	--
Drawing Account		--	2,000
Carriage Account		1,000	--
Furniture Account		200	--
Modern Furniture House		10,000	--
Insurance Premium Account		--	10,000
Rent Account		1,000	--
		4,000	--
Total		2,15,020	2,15,020

Problem No. 3

Date	Particulars	L.F	Debit	Credit
2008			Rs.	Rs.
April 1	Cash Account To Capital a/c Capital introduced		1,000,000	1,000,000
" 2	Building Account To cash A/c Purchased Building for cash		200,000	200,000
" 4	Purchases A/c To Saeed A/c Goods sold on credit		5,000	5,000
" 5	Riaz To Sales A/c Goods sold on credit		10,000	10,000
" 6	Purchases A/c To Cash A/c Goods purchased for cash.		15,000	15,000
" 7	Saeed To Cash A/c To Discount A/c Cash paid and discount received		5,000	4,880 120
" 9	Sales Returns A/c To Riaz Goods returned from Riaz		2,000	2,000
" 10	Motor Lorry A/c To Cash A/c Purchases Motor Lorry for Cash.		80,000	80,000
" 11	Cash A/c Discount A/c To Riaz Cash received & Discount allowed		2,980 20	3,000
	Total:		1,298,600	1,298,600

LEDGER A/C**Cash Account**

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 1	To capital A/c		10,00,000	2008 April 2	By Building A/c		200,000
// 12	To Riaz		2,980	// 6	By purchases A/c		15,000
				// 7	By Saeed		4,880
				// 10	By Motor Lorry A/c		80,000
				// 30	By Balance c/d		7,03,100
	Total		10,02,980		Total		1,002,980

Purchase Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 4	To Saeed		5,000	2008 April 30	By Balance c/d		20,000
// 6	Cash a/c		15,000				
	Total		20,000		Total		20,000

Capital Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 30	To Balance c/d		1,000,000	2008 April 1	By Cash A/c		1,000,000
	Total:		1,000,000		Total:		1,000,000

Building Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 2	To Cash A/c		200,000	2008 April 30	By Balance c/d		200,000
	Total:		200,000		Total:		200,000

Sales Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 30	To Balance c/d		10,000	2008 April 5	By Riaz		10,000
	Total		10,000		Total:		10,000

Saeed Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 7	To Cash A/c		4,880	2008 April 4	By Purchases A/c		5,000
	To Discount A/c		120				
	Total:		5,000		Total:		5,000

Riaz Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 5	To Sales A/c		10,000	2008 April 9	By Sales returns		2,000
				// 12	By Cash A/c		2,980
				// //	By Discount.		20
				// 30	By Balance c/d		5,000
	Total:		10,000		Total:		10,000

Discount Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 2 // 30	To Riaz To balance c/d		20 100	2008 April 7	By Saeed		120
	Total:		120		Total:		120

Motor Lorry Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 10	To Cash A/c		80,000	2008 April 30	By Balance		80,000
	Total		80,000		Total:		80,000

Sales Returns Account

Date	Particulars	J.F	Amount Rs.	Date	Particulars	J.F	Amount Rs.
2008 April 9	To Riaz		2,000	2008 April 30	By Balance		2,000
	Total:		2,000		Total:		2,000

M/S XYZ
Trial Balance
As on 30 April 2008

Ledger Accounts	L.F.	Total Debits Rs.	Total Credits. Rs.
Cash Account		7,03,100	--
Purchase Account		20,000	--
Capital Account		--	1,000,000
Building Account		2,00,000	--
Sales Account		--	10,000
Saeed Account		--	--
Riaz Account		5,000	--
Discount Account		--	100
Motor Lorry Account		80,000	--
Sales return Account		2,000	--
Total :		10,10,100	10,10,100

Problem No. 4

Solution

JOURNAL

Date	Description	L.F	Debit	Credit
2007 Dec. 1	Purchases A/c To Cash A/c Good purchased for cash		20000	20000
Dec. 5	Karim To Sales A/c Goods sold on credit		15000	15000
Dec. 10	Salary A/c To Cash A/c Salary paid		2000	2000

Dec. 15	Cash A/c To Sales A/c Goods sold on credit	10000	10000
Dec. 20	Sales Returns A/c To Karim Goods returned by Karim	3000	3000
Dec. 25	Furniture A/c To Modern Furniture House Furniture bought on credit.	1000	1000
Dec. 30	Cash A/c Discount A/c To Karim Cash received and discount allowed.	9800 200	10000
	Total:	61000	61000

Cash Account

Dr.				Cr.			
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 15	To Balance b/d		68000	Dec. 5	By Purchases a/c		20000
	To Sales A/c		10000	// 10	By Salary		2000
	To Karim		9800	// 31	By Balance c/d		65800
			878000				87800

Purchases Account

Dr.				Cr.			
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Ambunt
2007				2007			
Dec. 15	To Balance b/d		40000	Dec. 31	By Balance c/d		60000
	To Cash A/c		20000				60000
			60000				

Karim Account

Dr.

Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 30	To Balance b/d		20000	Dec. 30	By Sales returns		3000
// 31	To Sales A/c		15000	// 31	By Cash		9800
					By Discount		200
					By Balance c/d		22000
			35000				35000

Sales Account

Dr.

Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 31	To Balance c/d		50000	Dec. 31	By Balance c/d		25000
					By Karim		15000
					By Cash A/c		10000
			50000				50000

Salaries Account

Dr.

Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 1	To Balance b/d		5000	Dec. 31	By Balance c/d		7000
	To Cash A/c		2000				
			7000				7000

Sales Returns Account.

Dr.

Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 10	To Balance b/d		2000	Dec. 31	By Balance c/d		5000
// 20	To Karim		3000				
			5000				5000

Furniture Account

Dr.

Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 1	To Balance b/d		10000	Dec. 31	By Balance c/d		11000
	To Modern Furniture House		1000				
			11000				11000

Modern Furniture Account

Dr.

Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 31	To Balance c/d		1000	Dec. 5	By Furniture A/c		1000
			1000				1000

Discount Account

Dr.				Cr.			
Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount
2007				2007			
Dec. 30	To Karim		200	Dec. 31	By Balance c/d		200
			200				200

Trial Balance

Ledger Accounts	L.F.	Total Debits	Total Credits
		Rs.	Rs.
Cash Account		65800	
Capital Account		-----	220000
Purchase Account		60000	-----
Building Account		100000	-----
Karim		22000	-----
Sales Account		-----	50000
Salaries Account		7000	-----
Sales Returns		5000	-----
Furniture Account		11000	-----
Modern Furniture House		-----	1000
Discount Account		200	-----
Total:		271000	271000

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BANK AND BANKING TRANSACTIONS

Problem No. 1

Mr. Fahad
Journal

Date	Particular	L.F	Debit	Credit
2009 Jan 1	Cash a/c To Capital a/c Started business with cash.		10,00,000	10,00,000
" 2	Bank a/c To Cash a/c Cash deposited into the bank		500,000	500,000
" 10	Bank a/c To Karim Cheque received and deposited in the bank		10,000	10,000
" 15	Cash a/c To Bank a/c Cash drew from bank		100,000	100,000
" 20	Karim To Bank a/c Karim's cheque dishonoured by the bank		10,000	10,000
" 25	Salaries a/c To Bank a/c Salaries paid by cheque.		50,000	50,000

Bank Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2009 Jan 2	To Cash a/c		500,000	2009 Jan 15	By Cash a/c		100,000
Jan 10	To Karim		10,000	Jan 20	By Karim		10,000
				Jan 25	By Salaries		50,000
				Jan 31	By balance c/d		350,000
			510,000				510,000

Problem No. 2

Mr. Kaleem
Journal

Date	Particular	L.F	Debit	Credit
2007 April 1	Bank a/c Cash a/c To Capital a/c Started business with cash and Rs. 200,000 deposited in the bank		200,000 200,000	400,000
" 2	Cash a/c To Bank a/c Cash withdrawn from the bank		5,000	5,000
" 3	Bank a/c To Kamal Kamal's cheque deposited in the bank		2,000	2,000
" 5	Kamal To Bank a/c Kamal cheque dishonoured by the bank		2,000	2,000
" 6	Drawings a/c To Bank a/c Drew cash by the proprietor from the bank		5,000	5,000
" 7	Rashid Bank commission a/c To Bank a/c Bank draft purchased from the bank and sent to Rashid		5,000 20	5,020
" 10	Purchases a/c To Bank a/c Goods purchased by cheque		10,000	10,000
" 15	Cash a/c To Karim Cheque received from Karim		2,000	2,000
" 18	Bank a/c To Cash a/c Kaleem cheque deposited in the bank		2,000	2,000

Bank Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2007				2007			
April 1	To Capital a/c		200,000	April 2	By Cash a/c		5,000
April 3	To Kamal		2,000	April 5	By Kamal		2,000
April 18	To Cash a/c		2,000	April 6	By Drawings		5,000
				April 7	By Rashid		5,000
				April 8	By Bank Commission		20
				April 10	By Purchases a/c		10,000
					By balance c/d		176,980
			204,000				204,000

Problem No. 3

Mr. Khalid

Journal

Date	Particular	L.F	Debit	Credit
			Rs.	
2008 march 1	Bank a/c To Capital a/c Cash brought in as Capital and paid into bank		100,000	100,000
// 4	Cash A/c To Bank A/c Drew cash from bank		2,000	2,000
// 7	Bank A/c To C Motor Car purchased		2,000	2,000
// 10	Bank charges A/c To Bank a/c Exchange on outstation cheque collected		100	100
// 15	Office Equipment A/c To Bank A/c Iron Safe purchased against cheque.		2,000	2,000
// 20	Cash A/c To Javed Cheque received from Javed		1,000	1,000
// 22	Bank a/c To Cash A/c Javed's cheque deposited in bank.		1,000	1,000
// 24	Insurance Premium A/c To Bank A/c Insurance Premium paid by cheque		500	500

Bank Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2008				2008			
March 1	To Capital A/c		100,000	March 10	By Bank charges A/c		100
March 7	To C		2,000	March 15	By Office Equipment A/c		2,000
March 22	To Cash A/c		1,000	March 24	By Insurance Premium A/c		500
				March 31	By Balance C/d		100,400
	Total :		103,000		Total:		103,000

Cash Account

Date	Particulars	L.F	Amount	Date	Particulars	L.F	Amount
2008			Rs.	2008			Rs.
March 4	To Bank A/c		5,000	March 22	By Bank A/c		1,000
March 20	To Javed		1,000	March 31	By Balance c/d		5,000
	Total :		6,000		Total:		6,000

Problem No. 4

Mr. Arif

Journal

Date	Particular	L.F.	Debit	Credit
2008	Bank A/c		40,000	
Jan 2	Cash A/c		60,000	
	To Capital A/c			1,00,000
	Invested Rs. 1,00,000 in the business and Rs. 40,000 deposited in the Bank			
" " 4	Bank A/c		17,000	
	Discount A/c		200	
	To Noor Traders			
	Cheque received Noor Traders and deposited in the bank			17,200
" " 4	Bank charges A/c		50	
	To bank A/c			50
	Bank charges charged by the bank			

" " 6	Cash A/c	2,000	
	Drawings A/c	3,000	
	To Bank A/c		5,000
	Cash withdrawn for office use and business use		
" " 10	Bank A/c	10,000	
	To dividend A/c		10,000
	Dividend credited by the Bank		
" " 15	Bank A/c	10,000	
	To Karim & Co		10,000
	Cheque received from Karim & Co deposited in the bank		
" " 15	Karim & Co	10,000	
	To Bank A/c		10,000
	Karim & Co cheque dishonoured by the bank		
" " 20	Zahid & Co	10,000	
	Bank charges A/c	50	
	To Bank A/c		10,000
	To Cash A/c		50
	Payment made to Zahid & Co by cheque and Bank charges paid in cash		
" " 31	Interest A/c	1,800	
	To Bank A/c		1,800
	Interest charged by the bank		

Dr.

Bank Account

Cr.

Date	Particular	J.F.	Amount	Date	Particular	J.F.	Amount
2008				2008	By Balanced b/d		12,000
Jan 2	To Capital A/c		40,000	Jan 4	By Bank Charges		50
" " 4	"Noor Traders		17,000	" " 6	"Cash A/c		2,000
" " 10	"Dividend		1,000	" " 6	"Drawing A/c		3,000
" " 15	"Karim & Co		10,000	" " 15	"Karim & Co		10,000
				" " 20	"Zahid & Co		10,000
				" " 31	"Interest A/c		1,800
				" " 31	"Balanced c/d		29,150
			68,000				68,000

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SUB-DIVISION OF JOURNAL (I) BOOKS FOR CASH TRANSACTIONS

Problem No. 1

Simple Cash Book

Date	Particular	L.F	V.N	Amount	Date	Particulars	L.F	V.N	Amount
2007					2007				
April 1	To Balance b/d			500	April 2	By Furniture			100
April 3	To Nazir			8,000	April 4	By Salaries			2,000
April 5	To Sales			1,000	April 10	By Purchases			4,000
					April 20	By Drawings			500
						By Balance c/d			2,900
	Total			9,500					9,500

Problem No. 2

Simple Cash Book

Date	Particular	L.F	V.N	Amount	Date	Particulars	L.F	V.N	Amount
2006					2006				
Jan. 1	To Balance b/d			1,275	Jan. 2	By Mr. Rashid			395
Jan. 9	To Ahmad %&Co.			690	Jan. 7	By Purchases			150
Jan. 13	To Sales			500	Jan. 16	By Irfan & Co.			250
Jan. 19	To Mr. Saleem			1,500	Jan. 20	By Stationery			800
Jan. 22	To Zaheer & Co.			900	Jan. 20	By Salaries			750
						By balance c/d			2,520
				4,865					4,865

Problem No. 3

Two Column Cash Book

Date	Particulars	L.F.	V.N	Dis.	Amount	Date	Particulars	L.F.	V.N	Dis	Amount
2005						2005					
April 1	To Balance b/d				10,000	April 5	By Purchases a/c				3,000
April 3	To Shahid			100	2,000	April 10	By Rashid & Sons			15	500
// 15	To Sales				10,000	April 17	By Karim & Co.				2,000
// 20	To Faraz			150	5,000	April 25	By Office Equipment				5,000
						April 30	By Salaries				2,000
							By Balance c/d				14,500
				250	27,000					15	27,000

Shahid

			2005			
			April 3	By Cash a/c		2,000
			// //	By Discount a/c		100
						2,100

Purchases Account

2005					
April 5	To Cash a/c		3,000		
			3,000		

Rashid & Sons

2005					
April 10	To Cash a/c		500		
			500		

Sales Account

			2005		
			April 15	By Cash A/c	10,000
					10,000

Karim & Co

2005 April 17	To Cash a/c	2,000			
		2,000			

Office Equipment

2005 April 25	To Cash a/c	5,000			
		5,000			

Faraz

			2005 April 20	By Cash a/c	5,000
					5,000

Salaries Account

2005 April 30	To Cash a/c	2,000			
		2,000			

Problem No. 4

Two Column Cash Book

Date	Description	L.F.	Dis.	Cash	Date	Description	L.F.	Dis.	Cash
2004 Jan. 1	Balanced b/d			10,000	2004 Jan. 5	H. Karim		10	3,590
" 3	Nazir		20	3,880	" 7	Purchases a/c			940
" 9	Interest Income			365	" 12	Building a/c			4,100
" 14	Sales			14,100	" 15	Salaries Exp.			1,250
					" 15	Balance c/d			18,465
			20	28,345				40	28,345

Problem No. 5**Solution:****THREE COLUMNS CASH BOOK**

Date	Particular	V.N.	L.F.	Dis.	Cash	Bank	Date	Particular	V.N.	L.F.	Dis.	Cash	Bank
2005					Rs.	Rs.	2005					Rs.	Rs.
Sep.01	Capital				20000	10000	Sep.05	Purchases					1000
Sep.15	Cash	C				5000	Sep.10	Drawing				1000	
Sep.19	A/R (Nafees)			100	5400		Sep.15	Bank	C			5000	
Sep.20	Cash	C				54000	Sep.20	Bank	C			5400	
							Sep.28	A/R (Nafees)					5400
								Cheque dishonoured					
								Balance c/d				14000	14000
				100	25400	20400						25400	20400

Problem No. 6

Solution:

**THREE COLUMNS
CASH BOOK**

Date	Particular	V.N	L.F.	Dis.	Cash	Bank	Date	Particular	V.N	L.F.	Dis.	Cash	Bank
2008					Rs.	Rs.	2008					Rs.	Rs.
April 01	To Balance b/d				2,200		April 01	By Balance b/d					365
April 5	// Majid			20	980		April 03	// Jamil			15		1,200
April 10	// Cash	C				980	April 07	// Stationery				150	
April 15	// Sales				2,500		April 10	// Bank		C		980	
April 18	// Cash	C				1,500	April 12	// Purchases				1,300	
							April 18	// Bank		C		1,500	
								// Balance c/d				1,750	915
				20	5,680	2,480					15	5,680	2,480

Problem No. 7**Solution:**

ABC Trader
THREE COLUMNS
CASH BOOK

Date	Particular	V.N	L.F.	Dis.	Cash	Bank	Date	Particular	V.N	L.F.	Dis.	Cash	Bank
2009					Rs.	Rs.	2009					Rs.	Rs.
March 01	To Balance b/d				5,000		March 01	By Balance b/d					550
March 5	// Cash a/c	C				1,500	March 03	// Bank	C			1,500	
March 10	// Sales				3,000		March 08	// Purchases				950	
							March 12	// Wages					250
							March 18	// Purchases a/c				347	
							March 30	// Zafar a/c					250
							March 31	// Balance c/d				5203	450
				Nil	8,000	1,500					Nil	8,000	1,500

Problem No. 8**Solution:****THREE COLUMNS
CASH BOOK**

Date	Particular	V.N	L.F.	Dist.	Cash	Bank	Date	Particular	V.N	L.F.	Dist.	Cash	Bank
2006					Rs.	Rs.	2006					Rs.	Rs.
Jun 01	To Capital				1000	2000	Jun. 02	By Drawing				60	
Jun. 14	// A/R (Babar)			5		85	Jun. 04	// A/R (Aslam)			28		347
Jun. 18	// Sales				100	300	Jun. 05	// Carriage					250
							Jun. 08	// Supplies				190	
							Jun. 12	// Purchases				347	
							Jun. 30	Balance c/d				503	1788
				5	1100	2385					28	1100	2385

Note: Paisas are converted into round figures.

Problem No. 9**Solution:****THREE COLUMNS CASH BOOK**

Date	Description	V.N	L.F	Dis.	Cash Rs.	Bank Rs.	Date	Description	V.N	L.F	Dis.	Cash Rs.	Bank Rs.
2007							2007						
Mar. 01	Balance b/d				5000		Mar. 02	Balance b/d					4000
Mar. 02	Sales A/c				5000		Mar. 02	Bank A/c	C			2000	1000
Mar. 02	Cash A/c	C				2000	Mar. 03	Karim & Co					
Mar. 10	Bank	C			1200		Mar. 10	Cash	C				1200
Mar. 12	Investment					3000	Mar. 20	Khalid			100	1200	
Mar. 12	Profit					2000	Mar. 31	Bank A/c				4000	
Mar. 16	Rashid			50	1200								
Mar. 31	Cash A/c					4000							
								Balance c/d			--	5200	4800
				50	12400	11000					100	12400	11000

Problem No. 10

THREE COLUMN CASH BOOK

Dr.										Cr.			
Date	Particulars	V.N	L.F	Dis.	Cash	Bank	Date	Particulars	V.N	L.F	Dis.	Cash	Bank
2005							2005						
Mar. 1	To balance b/d				1000		Mar. 1	By Balance b/d					2000
Mar. 3	To Sales A/c				300	200	Mar. 2	By purchases A/c				700	
Mar. 5	To Abdul Aziz					1000	Mar. 4	By Karim & Co					250
Mar. 7	To Bank A/c	C			200		Mar. 6	By Salaries A/c				1250	
Mar. 10	To Nadeem			10		390	Mar. 7	By Cash A/c	C				200
Mar. 12	To Sales A/c				1000		Mar. 8	By Javed			50		950
							Mar. 11	By Drawing A/c				100	
	To Balance c/d					1810							
				10	2500	3400		By Balance c/d			50	450	3400

Problem No. 11

SHAHEEN STORES
THREE COLUMNS
CASH BOOK

Date	Particulars	V.N	L.F	Dis. Rs.	Cash Rs.	Bank Rs.	Date	Particulars	V.N	L.F	Dis. Rs.	Cash Rs.	Bank Rs.
2006							2006						
Jun. 1	To Balance b/d				1,510	13,575	June 3	By Bank	C			500	
Jun. 3	To Cash						June 6	By Purchases a/c					
Jun. 4	To A Karim	C			2,550	500		By Bank	C		5	2,550	1,005
Jun. 8	To Cash	C					June 27	By Salaries a/c					
Jun. 10	To Khan			15	775	2,550	June 31	By Bank	C			775	1,750
Jun. 12	To Sales a/c					1,500	June 31	By Cash	C				250
Jun. 29	To Cash	C				775							
Jun. 31	To Bank	C			250			By Balance c/d				1,235	14,345
				15	5,060	17,350					5	5,060	17,350

Problem No. 12

RAHEEL & CO. BRANCH OFFICE

PETTY CASH BOOK

Amount received Rs.	Date	Vr. No.	Particulars	Total Amount Rs.	Postage Rs.	Entertain- ment Rs.	Repair and maintenance Rs.	Charity Rs.	Stationery Rs.	Conveyance Rs.	Miscellaneous Rs.
1000.00	2006 Dec. 1 Dec. 2 Dec. 5 Dec. 12		To Cash Stationary Postage Calculator	100.00 50.00	50.00				100.00		
	Dec. 13 Dec. 15 Dec. 21		Repair Entertainment Charity Furniture	90.00 175.00 15.00		175.00	90.00	15.00			
	Dec. 22		Repair Bicycle	100.00			100.00				
	Dec. 23 Dec. 24 Dec. 25 Dec. 26 Dec. 28 Dec. 29		Repair Taxi Fare Electric Bulbs Bus Fare Entertainment	35.00 20.00 150.00 8.00 15.00			35.00			20.00 8.00	150.00
			Octroi Charges Postage Balance c/d	40.00 15.00 187.00	15.00						40.00
1,000.00			By Balance c/d	1,000.00	65.00	19.00	225.00	15.00	100.00	28.00	190.00
187.00	Dec. 31 2006		To Balance b/d								
813.00	Jan. 1		Amount reimbursed								
1,000.00											

Problem No. 13**Solution:****PETTY CASH BOOK**

Amount received	Date	Particulars	V.N.	Total	Refreshment	Postage	Printing & Stationary	Traveling Exp.	Electric Exp.	Cartage	Sundries
400	2005										
	Oct. 01	To Bank		28	28						
	Oct. 01	Tea		13		13					
	Oct. 02	Postage		9							
	Oct. 04	Carbon paper		31			9				
	Oct. 05	Taxi fare		40				31			
	Oct. 06	Electric bill		44		44			40		
	Oct. 08	Register Parcel									
	Oct. 16	Advance to Sweeper		50							50
	Oct. 22	Cartage		60						60	
	Oct. 30	Carbon Papers		40			40				
		Balance c/d		85							
400		Total		400	28	57	49	31	40	60	50
85 315	Nov. 01 Nov. 01	Balance b/d Cash									

8

SUB-DIVISION OF JOURNAL (II) BOOKS FOR NON-CASH TRANSACTIONS

Problem No. 1

Purchase Journal

Date	Particulars	Invoice No.	L.F.	Amount
a)	S. K. process	15 SK		700
b)	Usman Process	10 US		1000
c)	M. K. Process	13 MK		1200
d)	Kareem & Sons	14		1500
e)	Naveed			2700
	Total Transfer to Purchase Account			7100

Problem No. 2

Sales Journal

Date	Particulars	Invoice No.	L.F.	Amount
a)	Babar	112		1000
b)	Afzal	113		2000
c)	Farooq	114		1800
d)	Jaffar	115		1800
e)	Rehman	116		1700
f)		117		1900
	Total Transfer to Sales Account			10200

Problem No. 3

Purchase Book

Date	Particulars	Invoice No.	Ref.	Amount
2006				
Jan. 1	Rashid			2,400
Jan. 2	Azhar			6,000
Jan. 5	Nasir			3,500
Jan. 9	Zia			1,7000
				13,600

Sales Book

Date	Particulars	Invoice No.	Ref.	Amount
2006				
Jan. 3	Karim			2,000
Jan. 6	Amjad			4,200
Jan. 8	Riaz			2,400
Jan. 10	Anwar			2,500
				11,100

Problem No. 4

Purchase Book

Date	Particulars	Invoice No. / V. No.	Ref.	Amount
2007				
Feb. 1	To A			880
	To C			2000
	To D			3000
				5882

Sales Book

Date	Particulars	Invoice No. / V. No.	Ref.	Amount
	X			1500
	R			1700
	Y			1940
	Z			900
				6040

Purchase Returns and Allowance Book

Date	Particulars	D/N No.	Ref.	Amount
	C			50
	A			25
				75

Sales Returns and Allowance Book

Date	Particulars	D/N No.	Ref.	Amount
	X			100
	Y			200
				300

Problems No. 5**Bills Receivable Book**

Date	To whom given	Term	Due date	L.F.	Amount
2005			2005		
Jan. 1	Karim & Co.	3 m/d	April 3		4000
Jan. 10	Nazir	3 m/d	April 13		3000
Jan. 30	Fraz	1 m/d	March 3		6000
					13000

Bills Payable Book

Date	To whom given	Term	Due date	L.F.	Amount
2005			2005		
Jan. 2	Shahid	2 m/d	March 5		1000
Jan. 20	Saleem	2 m/d	March 23		1000
Jan. 25	Nadeem	3 m/d	March 28		5000
					7000

Problems No. 6**Purchase Book**

Date	Particulars	Inv. No.	L.F P/R	Amount
2006				
April 1	Karim			2000
April 20	Fraz			8000
	Rashid			25000
				53000

Sales Book

Date	Particulars	Inv. No.	L.F P/R	Amount
2006				
April 3	Kamal			5000
April 15	Imran			3000
April 30	Nazir			10000
				18000

Purchase Returns and Allowances Book

Date	Particulars	D/N No.	L.F.	Amount
2006				
April 5	Karim			4000
April 25	Fraz			2000
				6000

Sales Returns and Allowance Book

Date	Particulars	C/N No.	L.F.	Amount
2006				
April 10	Kamal			1000
April 25	Imran			500
				1500

9

BANK RECONCILIATION STATEMENT

Problem No. 1

Solution:

Bank Reconciliation Statement As on 31st December 2006

	Rs.
Balance as per Cash Book (Dr.)	42000
Add: Un-presented cheques	15000
	57000
Less: cheques deposited but not yet credited by the Bank	13000
	44000
Less: Bank charges debited by the Bank	20
	43980
Add: Interest on investment collected by the Bank	1000
	44980

Problem No. 2

M/s Nadeem & Suhail

Bank Reconciliation Statement as on 31st December 2006

	Rs.
Balance as per Cash Book (Dr)	15999
a) Add: cheques issued but not yet presented	2133
	18132
b) Less cheques deposited into the bank but not yet credited by bank	3181
	14651
c) Add interest on investment directly Collected by the bank	350
	15001
d) Less service charges charged by bank	191
	14810
e) Add interest allowed by the bank interested in the P.B. but not in C.B	187
	14997
Balance as per Pass Book (Dr)	14997

Problem No. 3

Sarmad and Company
Bank Reconciliation Statement
as on 31st December 2006

	Rs.
1. Balance as per Cash book (Dr)	12,500
2. Add: Unpresented Cheques	2,000
	14,500
3. Less: Uncredited Cheques	3,110
	11,390
4. Less: Wrongly debited	712
	10,678
5. Less: Bank Charges	35
Balance per Pass Book (Cr.)	10,643

Problem No. 4

Haq & Co.
Bank Reconciliation Statement
as on 31st December 2007

	Rs.
Balance as per Cash book (Dr)	8,000
(i) Less: Two Cheques deposited in the bank but were not credited	1,300
	6,700
(ii) Add: Three Cheques issued but were not paid by the bank up to 31 st December	2,600
	9,300
(iii) Add: Interest credited by the bank but not entered in the cash book	130
	9,430
(iv) Less: Bank Charges debited by the bank but not entered in the cash book	20
Balance per Pass Book (Cr.)	9,410

Problem No. 5

Bank Reconciliation Statement
as on 31st March 2008

	Rs.
Balance as per Cash book (Dr)	9,370
a) Less: Bank Charges	150
	9,220
b) Less: Uncredited Cheques	500
	8,720
c) Less: B/R over added	50
	8,670
d) Add: Unpresented Cheques	2,575
Balance per Pass Book (Cr.)	11,245

Problem No. 6

Bank Reconciliation Statement
as on 31st December 2005

	Rs.
Balance as per pass book (Dr)	9,500
a) Less: Interest on O/D	250
	9,250
b) Less: Bank charges	35
	9,215
c) Add: cheques issued but not yet cashed	1,500
	10,715
d) Less: Cheque deposited into the bank but not yet credited by bank	3,500
	7,215
e) Add: interest on investment collected by bank	1,800
Balance per Cash Book (Cr.)	9,015

Problem No. 7**Mr. X****Bank Reconciliation Statement**

	Rs.
Balance as per cash book (Cr)	1,800
Less: Unpresented cheque	500
	1,300
Add: Uncredited cheque	400
	1,700
Add: Bank charges	20
	1,720
Add: Interest O/D	100
	1820
Less: Interest on Govt. Securities collected by bank	300
Balance as per P.B. (Cr.)	1,520

Problem No. 8**Bank Reconciliation Statement
As on 31st December 2008**

	Rs.
Balance as per Pass book (Cr)	10,500
Add: Uncleared cheques	750
	11,250
Less: Unpresented cheque	250
	11,000
Less: Dividend Received by bank	930
	10,070
Add: Bank Charges	35
Balance as per Cash book (Dr.)	10,105

Problem No. 9**Solution:**

Bank Reconciliation Statement
As on 30th June 2006

	Rs.
Balance as per Cash Book (overdraft)	60,000
Add: Interest on overdraft debited by the bank	7,200
	<u>67,200</u>
Less: Interest on investment collected by the bank	3,600
	<u>63,600</u>
Add: Bank charges debited by the Bank	100
	<u>63,700</u>
Less: Cheques issued but not presented	5,000
	<u>58,700</u>
Add: Cheques deposited in the bank but not yet credited by the bank	8,000
Balance as per Pass Book (Overdraft)	<u><u>66,700</u></u>

Problem No. 10

Bank Reconciliation Statement
As on 31st December 2006

	Rs.
Balance as per cash book (Cr)	26,200
Add: Uncredited cheque	800
	<u>27,000</u>
Less: Unpresented cheque	2,500
	<u>24,500</u>
Less: Payment by the customer direct into the bank	1,000
	<u>23,500</u>
Add: Cheque omitted to be paid in the bank	500
	<u>24,000</u>
Less: Interest credited by bank	200
	<u>23,800</u>
Add: Bank charges debited by the bank	100
Balance as per Pass book over draft	<u><u>23,900</u></u>

Problem No. 11**Cash Book**

Particulars	Bank	Particulars	Bank
To Dividend collected	2250	By Balance b/d	7500
// Balance c/d	5563	By Mark up	250
		By Bank charges	63
	7813		7813

**Bank Reconciliation Statement
as on 28th February, 2007**

	Rs.
Balance as per Cash Book (Cr.)	5563
Add: Cheques deposited but not yet credited	3125
	8688
Less: Cheques issued but not yet presented	7500
Balance as per Pass Book (Dr.)	1188

Problem No. 12**Solution:**

**Bank Reconciliation Statement
As on 30th June 2007.**

	Rs.
1) Balance as per Cash Book (Dr.)	75,000
2) Less: Uncredited Cheques	2,500
	72,500
3) Add: Unpresented Cheques	3,500
	76,000
4) Less Bank charges	100
	75,900
5) Add Interest Collected by the bank	500
	76,400
6) Add Payment by the customer direct in to the bank	500
	76,900
Balance as per Pass Book (Dr.)	76,900

Problem No. 13

Bank Reconciliation Statement
As on 30th September 2005

	Rs.
Balance as per Pass Book (Overdraft)	4,900
Add: Cheques issued but not yet credited	750
	5,650
Less: Uncollected cheques	3,050
	2,600
Add: Interest and dividend collected by the bank	350
	2,950
Less: Interest on overdraft debited by the bank	300
	2,650
Less: Cheque omitted to be deposited in the bank	300
	2,350
Add: Payment by the customer direct in the Bank.	300
	2,650
Balance as per Cash Book (Overdrawn)	2,650

Problem No. 14

Cash Book

Particulars	Bank Rs.	Particulars	Bank Rs.
Balance B/d	3,425	Bank Charges	32.50
Bill Receivable	700		
Bank Interest	140		
Dividends	900	Balance C/d	5,132.50
Total:	5,165	Total:	5,165.00

Bank Reconciliation Statement
as on 31st March 2007

	Rs.
Balance as per Cash Book (Dr.)	5,132.50
Less cheques paid into bank but not yet cleared	700.00
	4,432.50
Add cheques issued but not cashed	800.00
	5,232.50
Balance as per Pass Book	5,232.50

Problem No. 15**Adjusted Cash Book**

Particulars	Bank	Particulars	Bank
To Balance b/d	1,580	By Interest	20
To interest on Govt. Securities	300	By Balance c/d	1,860
	1,880		1,880

Bank Reconciliation Statement

	Rs.
Balance as per Cash Book (Dr.)	1,860
Add: Uncredited cheques	810
	1,050
Less: Unpresented cheques	1,030
Balance as per Pass Book	2,080

Problem No. 16**Cash Book**

Dr.		Cr.	
	Bank		Bank
Amount of B/R	1500	By Balance b/d	1850
To Balance	600	By Dishonoured cheque	150
		By Interest	85
		By Bank Charges	15
	2100		2100

Bank Reconciliation Statement**as on 30th June 2006**

	Rs.
Balance as per Cash Book (Cr.)	600
Add: Uncollected Cheques	750
	1350
Less: Unpresented Cheques	600
Balance as per Pass Book (over draft)	750

Problem No. 17

**Bank Reconciliation Statement
As on 31st December 2005**

	Rs.
Balance as per Pass book (Cr)	9,000
Less: Unpresented cheque	15,000
	(6,000)
Add: Uncredited cheque	15,000
	9,000
Less: Credit side overadded now rectifies	500
	8,500
Less: Interest credited by bank	150
	8,350
Less: Wrongly credited now rectified	300
Balance as per Cash book (Dr.)	8,050

Problem No. 18

**Bank Reconciliation Statement
as on 31st March 2006**

	Rs.
Balance as per Cash Book (Dr.)	8450
Less amount of cheque and draft deposited in to the bank but not yet credited	750
	7700
Add cheque is issued but not yet presented (600+250)	850
	8550
Less bill payable has been directly paid by bank	2000
	6550
Add the amount of the B/R	2500
	50
Less discount on B/R	30
	9020
Less exchange charges charged by bank.	4.50
Balance as per Pass Book (Cr.) Rs.	9015.50

Problem No. 19

Cash Book

Particulars	Bank	Particulars	Bank
To adjustment of undercasting	500	By Balance b/d	800
To Balance c/d	580	By cheque issued entered wrongly in cash column	200
		by Commission	80
	1080		1080

Bank Reconciliation Statement

	Rs.
Balance as per Cash Book (Cr.)	580
Add: Uncredited cheques	260
	840
Less: Unpresented cheques	1440
Balance as per Pass Book (Cr.)	600

Problem No. 20

Ghani's Sons
Bank Reconciliation Statement
As on 30th June 2007

	Pass Book Cr.	Cash Book Dr.
Balance	12080	7250
Add the amount of the B/R		3650
Less unpresented cheques	2000	10900.00
Less Bank Commission	10080	64.50
		10835.50
Add Bank Interest		56.50
		10892.00
Less wrong debit given by the Bank		462.00
Add uncredited cheques	350	
Bank Balance	10430	10430

10

BILLS OF EXCHANGE AND PROMISSORY NOTE

Problem No. 1

BILLS OF EXCHANGE P's Journal

2005	Q		15,000	
March 1	To Sales a/c Goods sold on credit			15,000
	Bills Receivable a/c To Q Acceptance received		15,000	15,000
June 4	Cash To Bills Receivable a/c Amount of the bill received		15,000	15,000

Q's Journal

2005	Purchase a/c		15,000	
March 1	To P Goods purchased on credit			15,000
	P To Bill payable Acceptance given		15,000	15,000
June 4	Bills Payable a/c To Cash a/c Amount of the bill paid		15,000	15,000

Problem No. 2**A's Journal**

2006 Jan. 1	B To Sales a/c Goods sold on credit		10,000	10,000
	Bills receivable a/c To B Acceptance received		10,000	10,000
Jan. 4	Bank a/c Discount a/c To Bill receivable Bills discounted with the bank		9,850 150	10,000

B's Journal

2006 Jan. 1	Purchase a/c To A Goods purchased on credit		10,000	10,000
	A To Bills Payable a/c Acceptance given		10,000	10,000
April 4	Bills Payable a/c To Cash a/c Amount of the bill paid		9,850 150	10,000

Problem No. 3**Akbar's Journal**

2006 May 1	Babar To Sales a/c Goods sold on credit		5,000	5,000
	Bills receivable To Babar Acceptance received		5,000	5,000
	Aslam To Bills receivable Bill endorsed to Aslam		5,000	5,000

Babar's Journal

2006 May 1	Purchase a/c To Akbar a/c Goods purchased on credit		5,000	5,000
	Akbar To Bills payable Acceptance received		5,000	5,000
	Bill payable a/c To cash a/c Amount of the bill paid		5,000	5,000

Aslam's Journal

2006 May 1	Bill Receivable To Akbar Bill receivable form Akbar		5,000	5,000
	Cash a/c To Bill receivable Amount of the bill received		5,000	5,000

Problem No. 4

Saleem Journal

2007 Feb. 1	Karim To Sales a/c Goods sold on credit		6,000	6,000
	Bills receivable a/c To Karim Acceptance received		6,000	6,000
May 04	Bank for collection a/c To B/R Bill sent to bank for collection		6,000	6,000
	Bank a/c Bank charges a/c To Bank for collection A/c		5,980 20	6,000
	Amount of the bill collected by the bank and bank charged Rs. 20			

Books of Karim

Date	Particular	L.F.	Debit	Credit
2007 Jan 01	Purchase A/c To Saleem Goods purchase on credit		6000	6000
	Saleem To Bill payable A/c Acceptance given		6000	6000
May 04	Bills Payable A/c To Cash A/c Amount of bill paid		6000	6000

Problem No. 5

Mr. A's Journal

Date	Particulars	L.F.	Debit	Credit
2005 March 01	Bills receivable a/c To B Acceptance of tour bill received		22,000	22,000
	Bank a/c Discount a/c To Bill receivable a/c First bill discount with the bank		2,900 100	3,000
	C To Bill receivable a/c Second bill endorsed to C		5,000	5,000
	Bank for collection a/c To Bill receivable a/c Third bill sent to bank for collection		6,000	6,000
	Cash a/c To Bill. Receivable a/c Amount of the fourth bill received		8,000	8,000

Problem No. 6

X's Journal

Date	Particulars	L.F	Debit	Credit
	Y To Sales A/c Goods sold on credit at 5% trade discount		3,800	3,800
	Bills Receivable A/c To Y Acceptance Received		3,800	3,800
	Y To Bills Receivable A/c Bill dishonoured and noting charges paid.		3,825	3,825

Y's Journal

Date	Particulars	L.F	Debit	Credit
	Purchases A/c To X Goods purchased on credit		3,800	3,800
	X To Bills Payable A/c Acceptance given		3,800	3,800
	Bill payable A/c Trade expenses A/c To X Bill Dishonoured and noting charges payable		3,800 25	3,825

Problem No. 7

Ishaq's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Ammad Acceptance Received		2,000	2,000
	Bank A/c Discount A/c To Bills Receivable A/c Bill discounted with the bank.		1,950 50	2,000
	Ishaq To Bank Bill dishonoured and noting charges paid by the bank.		2,050	2,050

Ammad's Journal

Date	Particulars	L.F	Debit	Credit
	Ishaq To Bills Payable A/c Acceptance given		2,000	2,000
	Bill payable A/c Trade expenses A/c To Ishaq Bill Dishonoured and noting charges payable.		2,000 50	2,050

Problem No. 8

Fraz's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Fahad Acceptance Received		2,000	2,000
	Bank for collection A/c To Bills Receivable A/c Bill sent to bank for collection		2,000	2,000
	Fahad To Bank for collection A/c Bill dishonoured by Fahad and bank paid Rs. 50 as noting charges		2,050	2,050

Fahad's Journal

Date	Particulars	L.F	Debit	Credit
	Fraz To Bills Payable A/c Acceptance given		2,000	2,000
	Bill payable A/c Trade expenses A/c To Fraz Bill Dishonoured and noting charges payable		2,000 50	2,050

Problem No. 9

A's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To B Acceptance Received		5,000	5,000
	C To Bills Receivable A/c Bill endorsed to C.		5,000	5,000
	B To C Bill Dishonoured and noting charges paid by C.		5,030	5,030

B's Journal

Date	Particulars	L.F	Debit	Credit
	A To Bills Payable A/c Acceptance Given		5,000	5,000
	Bills Payable A/c Trade expenses A/c To A Bill dishonoured and noting charges payable.		5,000 30	5,030

C's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To A Bill Received from A		5,000	5,000
	A To Bills Receivable A/c To Cash A/c Bill dishonoured and noting charges paid.		5,000 30	5,030

Problem No. 10

A's Journal

Date	Particulars	L.F	Debit	Credit
	B To Sales A/c Goods sales on credit		10,000	10,000
	Bills Receivable A/c To B Acceptance Received		10,000	10,000
(i)	On maturity when bill is dishonoured B To bills receivable A/c Bills dishonoured by B		10,000	10,000
(ii)	When bill is discounted Bank A/c Discount A/c To bills Receivable A/c Bill discounted until bank		9500 500	10,000
	On maturity when bill is dishonoured B To bank Bill is dishonoured		10,000	10,000
(iii)	When bill is sent for collection Bills for collection A/c To bills Receivable A/c Bill sent to Bank for collection		10,000	10,000
	On maturity when the bill is dishonoured B To bank for collection account Bill dishonoured by B		10,000	10,000
(iv)	When the Bill is endorsed C To Bills Receivable A/c Bill endorsed to C		10,000	10,000
	On maturity when the Bill is Dishonoured B To C Bill dishonoured by B		10,000	10,000

Problem No. 11

A's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable a/c To B Acceptance received		5,000	5,000
	Bank a/c Discount a/c To Bills receivable a/c Bill discounted with the bank		4,800 200	5,000
	B To Bank a/c Bill dishonoured by B		5,000	5,000
	B To Interest a/c Interest receivable for the renewal of a bill		100	100
	Bills Receivable a/c To B Acceptance of a new bill received		5,100	5,100

Problem No. 12

A's Journal

Date	Particulars	L.f.	Debit	Credit
	B To Sales a/c Goods sold on credit		6,000	6,000
	Bills Receivable a/c To B Acceptance received		6,000	6,000
	B To Bills receivable a/c Bill dishonoured		6,000	6,000
	Cash a/c To B Part of the amount of the bill received		2,000	2,000
	B To Interest a/c Interest receivable for the renewal of the bill		50	50
	Bills receivable a/c To B Acceptance of a new bill received		4,050	4,050

B's Journal

Date	Particulars	L.F	Debit	Credit
	Purchases a/c To A Goods purchased on credit		6,000	6,000
	A To Bills payable Bill dishonoured		6,000	6,000
	Bills payable a/c To A Bills dishonoured		6,000	6,000
	A To Cash Part of the amount of the bill paid		2000	2000
	Interest a/c To A Interest payable for the renewal of the bill		50	50
	A To Bills payable Acceptance of a new bill given		4,050	4,050

Problem No. 13

"A" JOURNAL

Date	Particulars	L.F	Debit	Credit
2007 July 1	B To Sales A/c Goods sold on credit		2,000	2,000
	Bills Receivable A/c To B Acceptance received		2,000	2,000
/// 10	Bank Account Discount A/c To B/R A/c Bill Discounted		1,970 30	2,000
Oct. 10	B To Bank Account Bill dishonoured and Rs. 25 paid as nothing charges by Bank		2,025	2,025
	B To Interest Account Interest charged on 2025 10% p.a. for 3 months		50.62	50.62
	Bills Receivable A/c To B Acceptance received		2,075.62	2,075.62

B's JOURNAL

Date	Particulars	L.F	Debit	Credit
2007 July 1	Purchases A/c To A Goods purchased on credit		2,000	2,000
	A To Bills Payable A/c Acceptance given		2,000	2,000
11/11/10	Bills Payable Account Traded Expenses A/c To A Acceptance dishonoured and nothing charges paid		2,000 25	2,025
	Interest A/c To A Interest payable for further credit received		50.62	50.62
	A To Bills Payable A/c Acceptance given		2,075.62	2,075.62

Problem No. 14

Solution:

A' Journal

Date	Particulars	L. F	Debit	Credit
2006 Jan. 1	Bills Receivable A/c To B Acceptance of three bill received		6000	6000
Jan. 8	Bank A/c Discount A/c To Bills Receivable A/c Bill discounted with the bank		2900 100	3000
Jan. 10	C Discount A/c To Bills Receivable A/c Bills endorsed to C		1950 50	2000
Jan. 30	Cash A/c Rebate A/c To Bills Receivable A/c Amount of the bill received under 5% rebate.		996 4	1000

If on maturity first and second bills were dishonoured			
2006 May 4	B To Bank A/c Bill dishonoured	3000	3000
April 4	B To C To Discount A/c Bills dishonoured	2000	1950 50

Problem No. 15**A's Journal**

Date	Particulars	L. F	Debit	Credit
2007 Jan. 1	B To Sales A/c Goods sold on credit		2000	2000
	B To interest A/c Interest Recorded		50	50
	Bills Receivable A/c To B Acceptance Received		2050	2050
April 4	B To Bills Receivable a/c Bill dishonoured		2050	2050
	Cash A/c To B Part of the amount of the Bill Received		1050	1050
	B To Interest A/c Interest Receivable for the renewal of a bill		25	25
	Bill Receivable A/c To B Acceptance of a new bill received		1025	1025

Problem No. 16

B's Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	A To Sales Account Goods sold on credit		1,425	1,425
	Bills Receivable Account To A Acceptance received		1,450	1,450
	Purchases Account To C Goods purchased from C		2,250	2,250
	C To Bills Receivable Account To Cash Account Bill endorsed and balance paid in cash		2,250	1425 825
	A To C Bill dishonoured		1,425	1,425

A's Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Purchases Account To B Goods purchased on credit		1,425	1,425
	B To Bills Payable Account Acceptance given		1,425	1,425
	Bills Payable Account To B Bills dishonoured		1,425	1,425

C's Journal

Date	Particulars	L.F	Debit	Credit
	B		Rs.	Rs.
	To Sales Account		1,425	1,425
	Goods sold to B			
	Bills Receivable Account		1,425	
	Cash Account		825	
	To B			2,250
	Bill and cash received			
	B		1,425	
	To Bills Receivable Account			1,425
	Bill dishonoured			

In this question the acceptor, A has refused to make the payment. The holder of the bill C can recover the amount from the drawer and endorser B.

Problem No. 17

M & Co.'s Journal

Date	Particulars	L.F	Debit	Credit
1.	Bills Receivable Account		Rs.	Rs.
	To C		6000	6000
	Acceptance received			
	Cash Account		6000	
	To Bills Receivable Account			6000
	Payment received of the bill			
2.	Bills Receivable Account		6000	
	To C			6000
	Acceptance received			
	Bank Account		5800	
	Discount Account		200	
	To Bill Receivable Account			6000
	Bill discounted.			
3.	Bills Receivable Account		6000	
	To C			6000
	Acceptance received			

4.	B & Co To Bills Receivable Account Bill endorsed	6000	6000
	Bill Receivable Account To C Acceptance received	6000	6000
	Bank for collection Account To Bill Receivable Account Bill sent for collection	6000	6000

When the bill is dishonoured the following further entries would be passed in each of the above circumstances:-

		Rs.	Rs.
1.	C To Bills Receivable A/c Bill dishonoured	6000	6000
2.	C To bank A/c Bill dishonoured	6000	6000
3.	C To B & Co Bill dishonoured	6000	6000
4.	C To Bank for collection a/c Bill dishonoured	6000	6000

Problem No. 18

Tahir's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Yameen Acceptance received		10,000	10,000
	Bank A/c Discount a/c To Bills receivable a/c Bill discounted with the bank		9,875 125	10,000
	Yameen To Bank Cheque sent to Yameen		10,000	10,000

Yameen's Journal

Date	Particulars	L.F	Debit	Credit
	Tahir To Bill Payable a/c Acceptance given		10,000	10,000
	Cash a/c To Tahir Cheque Received from Tahir		10,000	10,000
	Bills payable a/c To Cash a/c Amount of the bill paid at maturity		10,000	10,000

Problem No. 19

Sajid's Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To Majid Acceptance received		50,000	50,000
	Bank A/c Discount a/c To Bills receivable a/c Bill discounted with the bank		48,750 1,250	50,000
	Majid To Cash a/c To Discount a/c Half of the amount of the bill sent to Majid		25,000	24,375 625
	Majid To Cash A/c Cash sent to Majid		25,000	25,000

Majid's Journal

Date	Particulars	L.F	Debit	Credit
	Sajid To Bill Payable a/c Acceptance given		50,000	50,000
	Cash a/c Discount a/c To Sajid Half the amount of the bill received from Sajid		24,375 625	25,000
	Cash a/c To Sajid Cash received from Sajid		25,000	25,000
	Bills payable a/c To Cash a/c Amount of the bill paid at maturity		50,000	50,000

Problem No. 20

A; Journal

Date	Particulars	L.F	Debit	Credit
	Bills Receivable A/c To B Acceptance received		5,000	5,000
	Bank A/c Discount a/c To Bills receivable a/c Bill discounted with the bank		9,850 150	10,000
	B To Cash a/c To Discount a/c Half of the amount of the bill sent to B		5,000	4925 75
	B To Bank A/c Cheque sent to B		5,000	5,000

B; Journal

Date	Particulars	L.F	Debit	Credit
	A To Bills Payable Acceptance given		5,000	5,000
	Bills Receivable a/c To A Acceptance received		5,000	5,000
	Bank a/c Discount a/c To Bills receivable Bill discounted with the bank		4,925 75	5,000
	Bills payable a/c To A Bills dishonoured		5,000	5,000

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FINAL ACCOUNTS BASIC 1.

Problem No. 1

Mr. Saleem & Co.
Trading Account

For the year ending December 31, 2008

Particulars	Amount	Particulars	Amount
To opening stock	40,000	By sales	1,20,000
To purchase	75,500	By Less Sales returns	<u>4,500</u>
To Carriage on Purchases	3,500	By Closing stock	60,000
To Clearing Charges	2,800		
To wages	5,200		
To Octroi Duty	1,200		
To Gross Profit c/d	47,300		
	<u>1,75,500</u>		<u>1,75,500</u>

Problem No. 2

Shalimar & Co.
Profit and Loss Account

For the year ending December 31, 2008

Particulars	Amount	Particulars	Amount
To Salaries	20,500	By Gross profit b/d	90,000
To Rent	12,000	By Discount Received	2,500
To General Expenses	10,500		
To Discount allowed	2,500		
To Bank Charges	500		
To Depreciation	3,100		
To Commission Paid	2,000		
To Bad debts	700		
To Net Profit	40,700		
	<u>92,500</u>		<u>92,500</u>

Problem No. 3

Trading and Profit and Loss Account
For the year ending December 31, 2006

Particulars	Amount	Particulars	Amount
To opening stock	1,350	By sales	11,900
To purchase	5,729	By Less Sales returns	<u>1,480</u>
To less Purchases return	<u>1,000</u>	By Closing stock	12,000
To Carriage	200		
To Gross Profit c/d	16,141		
	22,420		22,420
To Insurance	280	By Gross profit b/d	16,141
To Salaries	850	By Commission	311
To Discount	428		
To Advertising	980		
To Printing and Stationery	250		
To Net Profit transferred to the capital a/c	13,664		
	16,452		16,452

Balance Sheet**As on 31st December 2006**

Liabilities	Amount	Assets	Amount
Sundry Creditors	996	Cash in hand	995
Capital	9,500	Sundry Debtors	2,005
Add Net Profit	<u>13,664</u>	Closing Stock	12,000
	23,164	Furniture	2,830
		Plant & Machinery	6,330
	24,160		24,160

Problem No. 4

Trading and Profit and Loss Account
For the year ending December 31, 2005

Particulars	Amount	Particulars	Amount
To opening stock	21,000	By sales	162,300
To purchases	120,000	By Closing stock	35,000
To Carriage on purchases	1,000		
To Gross Profit c/d	55,300		
	197,300		197,300
To Insurance	1,000	By Gross Profit b/d	55,300
To Salary	18,000	By Commission	690
To Taxes	5,000	By Interest	1,500
To General Charges	6,000		
To Bad Debts	4,500		
To Carriage on Sales	500		
To Net Profit transferred to the capital a/c	22,490		
	62,610		62,610

Balance Sheet
As on 31st December 2005

Liabilities	Amount	Assets	Amount
Sundry Creditors	20,510	Cash in hand	6,000
Capital 100,000		Cash at Bank	18,000
Add Net Profit 22,490		Closing Stock	35,000
122,490		Furniture	17,000
		Building	40,000
Less Drawings 6,000	116,490	Sundry Debtors	21,000
	137,000		137,000

Problem No. 5

Trading and Profit and Loss Account
For the year ending December 31st, 2004

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To opening stock	2,920	By sales	11,439
To purchase	10,000	By Closing stock	15,000
To Carriage	100		
To Wages	1,402		
To Gross Profit c/d	12,017		
	26,439		26,439
To Salaries	1,300	By Gross Profit b/d	12017
To Insurance	119	By Discount	627
To Postal Expenses	132		
To Bad Debts	700		
To Net Profit transferred to the capital a/c	10,393		
	12,644		12,644

Balance Sheet
As on 31st December 2004

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Sundry Creditors	13,408	Cash in hand	3,251
Capital	17,390	Debtors	10,690
Add Net Profit	<u>10,393</u>	Closing Stock	15,000
	27,783	Machinery	12,000
Less Drawings	<u>250</u>		
	27,533		
	40,941		40,941

Problem No. 6

Rashid & Co.
Trading and Profit and Loss Account
For the year ending December 31st, 2006

Particulars	Amount	Particulars	Amount
To opening stock	20,000	By sales	60,000
To purchase	30,000	By Less Sales return	1,300
To Less return outwards	500	By Closing stock	
To Carriage Inwards	700		
To Wages	2,900		
To Gross-Profit c/d	30,600		
	83,700		26,439
To Insurance	700	By Gross Profit b/d	30,600
To Commission (Dr.)	1,000		
To Interest on Capital	500		
To Stationery	450		
To Trade Expenses	500		
To Rent and Taxes	750		
To Carriage outwards	1,500		
To Net Profit transferred to the capital a/c	25,200		
	30,600		30,600

Balance Sheet
As on 31st December, 2006

Liabilities	Amount	Assets	Amount
Sundry Creditors	21,650	Cash in hand	500
Bill Payable	10,000	Cash at Bank	4,750
Capital	18,400	Bills Receivable	5,000
Add Net Profit	25,200	Closing Stock	25,000
	43,600	Sundry Debtors	30,000
		Office Furniture	10,000
Less Drawings			
Bills Payable			
	75,250		75,250

Problem No. 7

T Brothers
Trading And Profit And Loss Account
For the year ending 31st December 2005

Particulars	Amount	Particulars	Amount
To Opening Stock	2,68,000	By Sales 6,50,000	
" Purchases 35,000		Less 2,500	6,47,500
" Less 1,000	3,49,000		
" Carriage 5,000			
" Gross Profit c/d 25,500			
	647,500		647,500
" Discount 1,000		By Gross Profit b/d 25,500	
" Rent 6,000		" Discount Received 500	
	61,000	" Net Loss 35,000	
			61,000

T. Brothers
Balance Sheet
As on 31st December 2005

Liabilities	Amount	Assets	Amount
Creditors 35,000		Debtors 3,50,000	
Bank Loan 1,00,000		Plant 3,00,000	
Capital 8,00,000		Furniture 2,00,000	
Less Net Loss 35,000			
7,65,000			
Less Drawing 50,000	7,15,000		
	8,50,000		8,50,000

Revised Trial Balance

Ledger Accounts	L.F	Debit	Credit
Creditors			35,000
Bank Loan			1,00,000
Capital			8,00,000
Debtor		3,50,000	
Plant		3,00,000	
Furniture		2,00,000	
Drawings		50,000	
Net Loss		35,000	
		935,000	935,000

Problem No. 8

INCOME STATEMENT
For the year ending December 31, 2006

Sales		345400	
Less: Returns inwards	1500		
Less: Discount on Sales	3500	5000	
			340400
<u>Less Cost of goods sold</u>		80600	
Merchandise inventory Jan. 1			
Purchases	255400		
Less Purchase returns	450		
	254950		
Add: Carriage on purchases	3600	258550	
Cost of goods available for sale		339150	
Less closing inventory		65700	
Cost of goods sold			273450
Gross Profit			66950
<u>Less Operating Expenses</u>			
<u>Selling Expenses:</u>			
Salesmen Commission	1700		
Advertising	14000		
Total selling expenses	5700		
<u>General Expenses</u>		21400	
Rent Expenses	3100		
Repair Expenses	275		
Insurance Expenses	410	3785	25185
Total operating expenses			
Net Income:			41765

BALANCE SHEET
As on December 2006

ASSETS:			
<u>Current Assets</u>			
Cash at Bank		5745	
Accounts Receivable		18000	
Closing inventory		65700	
Investment		20500	
Total current Assets			109945
<u>Fixed Assets:</u>			
Furniture		12500	
Machinery		20000	
Loose Tools		4100	36600
Total Fixed Assets			146545
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts payable (creditors)		1240	
<u>Long term liabilities</u>			
Mortgage loan		18420	
<u>Owner's Equity</u>			
Capital	97520		
Add Net Income	41765		146545
	139285		
Less: Drawings	12400	126885	
		146545	146545

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FINAL ACCOUNTS WITH ADJUSTMENTS 2

Problem No. 1

Adjusting Entries

Date	Particular	L.F	Debit	Credit
(i)	Salaries A/c To Outstanding Salaries A/c Outstanding salaries taken in account		4000	4000
(ii)	Prepaid Rent A/c To Rent A/c Prepaid rent adjusted.		1000	1000
(iii)	Accrued Interest on Bank Deposit To Interest on Deposit A/c Accrued interest on deposit taken into account		2000	2000
(iv)	Interest on Capital To Capital A/c Interest on capital taken into account.		5000	5000
(v)	Commission A/c To Unearned Commission A/c Unearned commission taken into		1000	1000
(vi)	Depreciation A/c To Building A/c Depreciation on Building taken into account		20000	20000

Problem No. 2**Journal Entries**

Date	Particular	L.F	Debit	Credit
a)	Prepaid insurance A/c To Insurance A/c Being prepaid insurance		300	300
b)	Accrued Interest A/c To Interest A/c Being the interest accrued on investment.		500	500
c)	Interest on Capital A/c To Capital A/c Being the Interest on Capital is outstanding		600	600
d)	Salaries A/c To Outstanding Salaries A/c Being the salaries Accrued		5000	5000
e)	Drawings A/c To Purchases A/c Being the drawings now recorded.		700	700
f)	Capital A/c To Interest on drawings A/c Being the interest on drawings.		150	150

Problem No. 3

Date	Particulars	L.F.	Debit	Credit
	Reserve For Doubtful Debts A/c To Bad Debts Being the transfer of Bad Debts during the year to the former A/c		1,700	1,700
	Profit and Loss A/c To Reserve for Doubtful Debts Being the additional provision made to bring up the reserve to 5% on Rs. 58000		2,200	2,200

Bad Debts Account

Date	Particulars	Amount	Date	Particulars	Amount
2006 Dec. 31	To Sundry Debtors	1,700	2006 Dec. 31	By Reserve for Doubtful Debts- Transfer	1,700
		1,700			1,700

Reserve For Doubtful Debts Accounts

Date	Particulars	Amount	Date	Particulars	Amount
2006 Dec. 31	To Bad Debts	1,700	2006 Jan. 1	By Balance b/d	2,400
	Balance A/c	2,900	Dec. 31	Profit & Loss A/c	2,200
		4,600			4,600

Profit And Loss Account (Debit Side)

To Bad Debts

" Reserve For Doubtful Debts

" Less Old Reserve

Rs.

1,700

2,900

4,600

2,400

Rs.

2,200

Balance Sheet (Asset Side)

Sundry Debtors

Less 5% Reserve For Doubtful Debts

58,000

2,900

55,100

Problem No. 4**Provision For Bad Debts And Discounts**

Date	Particulars	L.F	Debit	Credit
2005 Dec. 31	Profit & Loss A/c To Reserve for Doubtful Debts A/c Being a reserve of 5% on debtors amounting Rs. 50,000		2500	2500
2003 Dec. 31	Reserve for doubtful debts A/c To Bad Debts A/c For transfer of Bad Debts A/c		1400	1400
2003 Dec. 31	Profit & Loss A/c To Reserve for Doubtful Debts A/c Being a reserve of 5% on debtors amounting to Rs. 40,000. (Rs. 2,000) less excess of last year's reserve over actual bad debts. Rs. 1,100.		900	900

2004 Dec. 31	Reserve for Doubtful Debts A/c To Bad Debts A/c For transfer of Bad Debts A/c	600	600
2004 Dec. 31	Reserve for Doubtful Debts A/c To Profit & Loss A/c Balance left in the reserve for doubtful debts A/c after leaving a balance of Rs. 1,250 (5% of Rs. 25,000) transferred to P & L A/c	150	150

Provision For Doubtful Debts Account

Date	Particulars	Amount	Date	Particulars	Amount
2007 Dec. 31	To Balance C/D	2,500	2007 Dec. 31	BY P & L A/C	2,500
2006 Dec. 31	To Bad Debts A/C	1,400	2006 Jan. 1	By Balance B/D	2,500
	To Balance C/D	2,000	Dec. 31	By P & L A/C	900
		3,400			3,400
2007 Dec. 31	To Bad Debts A/C	600	2007 Jan. 1	By Balance B/D	2,000
	To P & L A/C	150			2,000
	To Balance C/D	1,250			1,250
		2,000			
				By Balance B/D	

Profit & Loss Account**For the year ended 31st December, 2007**

Particulars	Rs.	Particulars	Rs.
To Reserve for Doubtful Debts	2,500		

Balance Sheet**As on 31st December 2005**

Liabilities	Amount	Assets	Amount
		Sundry debtors 50,000	
		Less Reserve for Bad Debts 2,500	47,500

Profit & Loss Account
For the year ended 31st December 2006

To Reserve for			
" Doubtful Debts 2,000			
" Add Bad Debts <u>1,400</u>			
3,400			
Less Old Reserve <u>2,500</u>	900		

Balance Sheet
For the year ended
31st December 2006

Liabilities	Amount	Assets	Amount
		Sundry Debtors 40,000	
		Less reserve for Bad	
		Debts <u>2,000</u>	38,000

Profit & Loss Account
For the year ended 31st December 2007

		By Old Provision 2,000	
		" Less Bad Debts 600	
		" Less New Provision <u>1,250</u> <u>1,850</u>	150

Balance Sheet
For the year ended 31st December 2007

Liabilities	Amount	Assets	Amount
		Sundry Debtors 25,000	
		Less reserve for bad	
		debts <u>1,250</u>	23,750

Problem No. 5**Journal Entries**

Date	Particulars	L.F	Debit	Credit
2003 Dec. 31	Profit & Loss A/c To Reserve for Doubtful A/c Being the provision made at 5% Rs. 40000 for doubtful debts.		2000	2000
	Profit & Loss A/c To Reserve for discount on debtors A/c Being the provision made for discount at 5% on Rs. 38,000 viz, the estimated realizable amount of sundry debtors.		1900	1900
2004 Dec. 31	Reserve for Doubtful debts A/c To Bad Debts Being the entry to close bad debts account by transfer to the former account.		1600	1600
	Profit and Loss A/c To Reserve for Doubtful debts Being the additional provision made to bring it up to 5% on Rs. 50,000.		2100	2100
	Reserve for Discount on Debtors A/c To Discount A/c Being the transfer of Discounts during the year to former account.		1700	1700
	Profit and Loss Account To Reserve for Discount on Debtors Being the provision for discounts at 5% on Rs. 47,000 the likely realizable value of Sundry Debtors.		2175	2175

Bad Debts Account

Date	Particulars	Amount	Date	Particulars	Amount
2004 Dec. 31	To Sundry Debtors	1,600	2004 Dec. 31	By Reserve For Doubtful Debt- Transfer	1,600
		1,600			1,600

Reserve For Doubtful Debts Account

Date	Particulars	Amount	Date	Particulars	Amount
2003 Dec. 31	To Balance c/d	2,000	2003 Dec. 31	By reserve for, Doubtful Debts- Transfer	2,000
2004 Dec. 31	To Bad Debts A/c- Transfer	2,000	2004 Jan. 1	By Balance c/d	2,000
	Balanced c/d	1,600	2004 Dec. 31	" Profit & Loss A/c	2,100
		2,500			4,100
		4,100	2005 Jan. 1	By Balance b/d	2,500

Discount Account

Date	Particulars	Amount	Date	Particulars	Amount
2004 Dec. 31	To Sundry Debtors	1,700	2004 Dec. 31	By reserve for Discounts on Debtors- Transfer	1,700
		1,700			1,700

Reserve For Discounts On Debtors Account

Date	Particulars	Amount	Date	Particulars	Amount
2003 Dec. 31	To Balance c/d	1,900	2003 Dec. 31	By Profit & Loss A/c	1,900
		1,900			1,900
2004 Dec. 31	To Discount A/c Transfer	1,700	2004 Jan. 1	By Balance b/d	1,900
	Balance c/d	2,375	2004 Dec. 31	" Profit & Loss A/c	2,175
		4,075			4,075
			2005 Jan. 1	By Balance b/d	2,375

Profit And Loss Account (Debit Side), 2003

	Rs.	Rs.
To Reserve For Doubtful Debts		2,000
" Discount		1,900

Profit And Loss Account (Debit Side), 2003

To Bad Debts	1,600	
" Reserve For Doubtful Debts	<u>2,500</u>	
	4,100	
" Less Old Reserve	<u>2,000</u>	2,100
To Discounts	1,700	
" Reserve For Discounts On Debtors	<u>2,375</u>	
	4,075	
" Less Old Reserve	<u>1,900</u>	<u>2,175</u>

Balance Sheet

As at 31st December 2003

(Asset Side)

	Rs.	Rs.	Rs.
Sundry Debtors		40,000	
Less 5% Reserve For Doubtful Debts	2,000		
Less 5% Reserve For Discount On Debtors	<u>1,900</u>		
		<u>3,900</u>	36,000

Balance Sheet

As at 31st December, 2004

(Asset Side)

	Rs.	Rs.	Rs.
Sundry Debtors		50,000	
Less 5% Reserve For Doubtful Debts	2,500		
Less 5% Reserve For Discount On Debtors	<u>2,300</u>		
		<u>4,800</u>	45,130

Problem No. 6**Journal Entries**

Date	Particulars	L.F.	Debit	Credit
2007 Dec. 31	Discount Account To Reserve for Discount on Creditors Being the transfer of Discounts earned during the year to latter account.		1040	1040
	Reserve for Discount on Creditors To Profit & Loss A/c Being the additional provision made to bring up the reserve to $2\frac{1}{2}$ on Rs. 50,000		1090	1090

Discount Account

Date	Particulars	Amount	Date	Particulars	Amount
2007 Dec. 31	To Reserve for Discount on Creditors Account-Transfer	1,040	2007 Dec. 31	By Sundry Creditors	1,040
		1,040			1,040

Reserve For Discount On Creditors Account

Date	Particulars	Amount	Date	Particulars	Amount
2007 Jan. 1	To Balance b/d	1,200	2007 Dec. 31	By Discount Account – Transfer	1,040
Dec. 31	" Profit and Loss Account	1,090		" Balance b/d	1,250
		2,290			2,290
2008 Jan. 1	To Balance b/d	1,250			

Profit And Loss Account
As At 31st December 2007
(Credit Side)

	Rs.	Rs.
By Discounts	1,040	
" Reserve For Discount On Creditors	1,250	
	2,290	
" Less Old Reserve	1,200	1,000

Balance Sheet
As At 31st December, 2007
(Liabilities Side)

	Rs.	Rs.
Sundry Creditors	50,000	
Less $2\frac{1}{2}$ Reserve For Discount On Creditors	1,250	48,750

Problem No. 7**Profit and Loss Account****On 31st December 2006**

New Provision for Bad debts 5% on S. Debtors	2000		
--	------	--	--

Balance Sheet**As On 31st December 2006**

		S. Debtors	40,000	
		Less Balance of		
		Provision	<u>3600</u>	36400
		Old + New Provision		
		Less Bad debts		
		(3000 to 2000 – 1400)		

Problem No. 8**Mr. Yameen & Co.****Trading and Profit and Loss Account****For the year ending December 31, 2005**

Particulars	Amount	Particulars	Amount
To Opening Stock	10,000	By sales	50,000
To purchase	36,000	By Less Sales returns	<u>1,000</u>
To less Purchases return	<u>2,000</u>	By Closing stock	25,000
To Wages	3,000		
To Gross Profit c/d	27,000		
	<u>74,000</u>		<u>74,000</u>
To Salaries	15,000	By Gross profit b/d	27,000
To Add Outstanding	<u>3,000</u>		
To Rent	2,000		
To Depreciation on Machinery	2,000		
To Net Profit transferred to the capital a/c	5,000		
	<u>27,000</u>		<u>27,000</u>

Balance Sheet
As on 31st December, 2005

Liabilities	Amount	Assets	Amount
			Rs.
Sundry Creditors	28,000	Cash	5,000
Outstanding Salary	3,000	Sundry Debtors	12,000
Capital	30,500	Bills Receivable	4,000
Add net Profit	<u>5,000</u>	Closing stock	25,000
	35,500	Machinery	20,000
Less Drawing	<u>2,500</u>	Less Depreciation	<u>2,000</u>
	33,000		18,000
	64,000		64,000

Problem No. 9

Trading and Profit and Loss Account
For the year ending December 31, 2007

Particulars	Amount	Particulars	Amount
To Opening Stock	6,675	By sales	27,500
To purchase	15,000	By Closing stock	7,500
To Wages	2,730		
To Gross Profit c/d	10,595		
	35,000		35,000
To Rent	11,200	By Gross profit b/d	10,595
Add: Outstanding	<u>500</u>	By Commission	1,350
	11,700	Less: Unearned	<u>450</u>
		By Net loss transferred to the capital a/c	205
	11,700		11,700

Balance Sheet
As on 31st December 2006

Liabilities	Amount	Assets	Amount
Creditors	7,000	Cash	315
Loan	20,183	Debtors	16,500
Outstanding Rent	500	Closing stock	7,500
Unearned Commission	450	Machinery	14,025
Capital	31,187	Building	17,750
Less Net Loss	<u>205</u>		
	30,982		
Less: Drawings	<u>3,025</u>		
	27,957		
	56,090		56,090

Problem No. 10

Mr. Kashif
Trading and Profit and Loss Account
For the year ending December 31, 2007

Particulars	Amount	Particulars	Amount
To purchase	12,900	By sales	15,000
To less Purchases return	<u>700</u>	By Less Sales returns	<u>615</u>
To Wages	100	By Closing stock	500
To Gross Profit c/d	2,585		
	14,885		14,885
To Salaries	1,500	By Gross profit b/d	2,585
Add: Outstanding	<u>200</u>	By Net loss transferred	525
To Rent	600	to the capital a/c	
To Commission	385		
Less: Prepaid	<u>100</u>		
To Depreciation on Furniture	525		
	3,110		3,110

Balance Sheet
As on 31st December 2006

Liabilities	Amount	Assets	Amount
Creditors	150	Cash	46,750
Outstanding Salaries	200	Prepaid commission	100
Capital 53,000		Debtors	750
Less Net Loss <u>525</u>	52,475	Furniture 5,250	
		Less Depreciation <u>525</u>	4,725
		Closing stock	500
	52,825		52,825

Problem No. 11

Trading and Profit and Loss Account
For the year ending December 31, 2006

Particulars	Amount	Particulars	Amount
To Opening Stock	12,500	By sales 50,200	
To purchase 42,100		By Less Sales returns <u>200</u>	50,000
To less Purchases return <u>100</u>	42,000	By Closing stock	7,200
To Carriage	1,000		
To Gross Profit c/d	1,700		
	57,200		57,200
To Rent 5,200		By Gross profit b/d	1,700
Less: Prepaid <u>800</u>	4,400	By Interest 1,500	
To Salaries	18,000	Add: Accrued <u>500</u>	2,000
To Advertisement	2,000	To Net loss transferred to the capital a/c	21,200
To Depreciation on Furniture	500		
	24,900		24,900

Balance Sheet
As on 31st December 2006

Liabilities	Amount	Assets	Amount
Sundry Creditors	5,600	Cash	4,500
Capital 46,600		Sundry Debtors	8,500
Less Net Loss 21,200	25,400	Closing stock	7,200
		Furniture 10,000	
		Less Depreciation 500	9,500
		Accrued Rent	800
		Accrued Interest	500
	31,000		31,000

Problem No. 12

Mr. Ishaq
Trading and Profit and Loss Account
For the year ending December 31, 2008

Particulars	Amount	Particulars	Amount
To Opening Stock	2,920	By sales	11,439
To purchase	9,092	By Closing stock	7,928
To Carriage	600		
To wages 1,910			
Add: Outstanding wages 300	2,210		
To Gross Profit c/d	4,545		
	57,200		57,200
To Salaries	1,300	By Gross profit b/d	4,545
To Insurance	119	By Discount	627
To Expenses	132		
To Bad Debts	700		
To Depreciation on Machinery	600		
Net Profit	2,321		
	5,172		5,172

Mr. Ishaq
Balance Sheet
As on 31st December 2008

Liabilities	Amount	Assets	Amount
Creditors	12,408	Bank	3,151
Outstanding wages	300	Debtors	10,690
Capital 18,390		Closing stock	7,928
Add: Net Profit 2,321		Machinery 12,000	
Less: Drawings (250)	20,461	Less Depreciation 600	11,400
	33,169		33,169

Problem No. 13

Mr. Ammad
Trading and Profit and Loss Account
For the year ending June 30, 2009

Particulars	Amount	Particulars	Amount
To Opening Stock	3,800	By sales	17,406
To purchase 12,900		By Closing stock	2,050
Less: Purchase Returns 400	12,500		
To wages 2,580			
Add: Outstanding wages 60	2,640		
To Gross Profit c/d	516		
	19,456		19,456
To Salaries	470	By Gross profit b/d	516
To Repairs 100			
Add: Outstanding Repairs 50	150		
To Interest on Capital	500	By Net Loss	070
To Depreciation on Plant Machinery	114		
To Rent Rate and Taxes	352		
	1,586		1,586

Mr. Ammad
Balance Sheet
As on June 30, 2009

Liabilities		Amount	Assets		Amount
Creditors		10,800	Cash		259
Outstanding Repairs		50	Bank		850
Outstanding wages		60	Debtors		14,895
Capital	10,000		Closing stock		2,050
Add: Interest on Capital	500		Plant and Machinery	1,140	
Less: Net Loss	(1,070)		Less Depreciation	114	1,026
Less: Drawings	(1,260)	8,170			
		19,080			19,080

Problem No. 14

Saeed & Co.
Trading and Profit and Loss Account
For the year ending December 31, 2007

Particulars		Amount	Particulars		Amount
To purchase	21,750		By sales		30,350
Less Goods Taken away by owner	105	21,645	By Closing stock		6,075
To wages	8,500				
Add: Outstanding wages	72	8,572			
To Carriage		275			
To Gross Profit c/d		5,933			
		36,425			36,425
To Salaries	2,000		By Gross profit b/d		5,933
Add: Outstanding Salaries	255	2,255			
To Traveling Expenses		500			
To Commission		325			
To Repair		105			
To Sundry Expense		700			
Net Profit		2,048			
		5,933			5,933

Saeed & Co.
Balance Sheet
As on 31st December 2007

Liabilities	Amount	Assets	Amount
Creditors	2,100	Cash in hand	750
Outstanding Salaries	255	Cash at Bank	2,000
Outstanding wages	72	Sundry Debtors	3,250
Capital	13,705	Closing stock	6,075
Add: Net Profit	2,048	Building	6,000
Less: Drawings	(105)		
	15,468		
	18,075		18,075

Problem No. 15

A & Co.
Trading and Profit and Loss Account
For the year ending December 31, 2006

Particulars	Amount	Particulars	Amount
To Opening Stock	13,350	By sales	55,000
To purchase.	30,000	Less: Sales Returns	<u>2,625</u>
Less: Purchase Returns	<u>990</u>		52,375
To wages	5,459	By Closing stock	15,000
To Gross Profit c/d	19,556		
	67,375		67,375
To Rent	22,400	By Gross profit b/d	19,556
Add: Outstanding Rent	<u>1,000</u>	By Commission	2,700
To Depreciation on Building	3,550	Less: Unearned Commission	<u>900</u>
		Net Loss	5,594
	26,950		26,950

A & Co.
Balance Sheet
As on 31st December 2006

Liabilities	Amount	Assets	Amount
Creditors	14,000	Cash	630
Loan	42,000	Debtors	33,000
Outstanding Rent	1,000	Closing stock	15,000
Unearned Commission	900	Machinery	28,050
Capital	62,375	Building	35,500
Less: Net Loss	5,594	Less Depreciation	<u>3,550</u>
Less: Drawings	<u>6,050</u>		31,950
	50,730		
	1,08,630		1,08,630

Problem No. 16

Mr. Jamil
Trading and Profit and Loss Account
For the year ended December 31, 2006

Particulars	Amount	Particulars	Amount
To Opening Stock	1,460	By sales	11,906
To purchase	10,362	By Less Sales returns	<u>210</u>
To less Purchases return	<u>291</u>	By Closing stock	5,000
To Gross Profit c/d	5,165		
	16,696		16,696
To Bad debts	172	By Gross profit b/d	5,165
Add: New Provision	<u>160</u>		
	332		
Less: Old Provision	<u>80</u>		
To General Expenses	252		
To Rent	320		
Add: Outstanding	<u>150</u>		
To Depreciation on Machinery	440		
To Net Profit transferred to the capital a/c	142.5		
	3,860.5		
	5,165		5,165

Mr. Jamil
Balance Sheet
As on 31st December 2006

Liabilities	Amount	Assets	Amount
Creditors	150	Cash	48
Bank Over draft	240	Debtors	3,200
Outstanding Rent	150	Less: Provision	160
Capital	4,250.00	Closing stock	5,000
Add: Net Profit	3,860.50	Machinery	950.00
	8,110.50	Less Depreciation	142.50
Less: Drawings	710.00		807.50
	7,400.50		
	8,895.50		8,895.50

Problem No. 17

Trading and Profit and Loss Account
For the year ending December 31, 2005

Particulars	Amount	Particulars	Amount
To Opening Stock	10,000	By sales	85,000
To purchase	75,000	By Less Sales returns	2,700
To less Purchases return	1,300	By Closing stock	45,000
To Wages	3,500		
To Gross Profit c/d	40,100		
	127,300		127,300
To Trade Expenses	3,675	By Gross profit b/d	40,100
To Salaries	5,600		
To Add Outstanding	200		
To Traveling Expenses	110		
To Advertising	420		
To Taxes and Insurance	2,800		
Less: Prepaid Insurance	50		
To Discount	300		
To Bank Interest	215		
To Bad Debt's	400		
To Depreciation on Machinery	1,000		
To Net Profit transferred to the capital a/c	25,430		
	40,100		40,100

Balance Sheet
As on 31st December 2005

Liabilities		Amount	Assets		Amount
					Rs.
Sundry Creditors		30,000	Cash in hand		1,030
Bank Overdraft		10,000	Sundry Debtors		6,100
Outstanding Salary		200	Closing stock		45,000
Capital	15,000		Prepaid Insurance		50
Add net Profit	<u>25,430</u>		Furniture		2,450
	40,430		Premises		6,000
Less Drawing	<u>11,000</u>	29,430	Machinery	10,000	
			Less Depreciation	<u>1,000</u>	9,000
		69,630			69,630

Problem No. 18

Mr. Karim
Trading and Profit and Loss Account
For the year ending December 31st, 2005

Particulars		Amount	Particulars		Amount
		Rs.			Rs.
To Purchase		10,944	By Sales		25,360
To Wages		4,683	By Closing Stock		5,350
To Gross Profit c/d		15,083			
		30,710			30,710
To Discount		260	By Gross Profit b/d		15,083
To Rent	380		By discount		130
To Less Prepaid	<u>100</u>	280			
To Taxes		1,000			
To Salaries	1,940				
To Add Outstanding	<u>950</u>	2,890			
To Advertising		500			
To Insurance		2,560			
To Bad debts		100			
To Depreciation on machinery		536			
To Interest on capital		600			
To Net profit transferred to the capital		6,487			
		15,213			15,213

Mr. Karim
Balance Sheet
As on 31st December, 2005

Liabilities		Amount	Assets		Amount
Sundry Creditors		4,338	Cash in hand		2,860
Bill payable		1,520	Debtors		8,175
Loans		1,000	Bills Receivable		361
Outstanding Salary		950	Closing Stock		5,350
Capital	10,000		Prepaid Rent		100
Add net profit	6,487		Motor Lorry		2,500
	16,487		Machinery		
Add interest	600		Less Depreciation	5,360	4,824
	17,087			536	
Less Drawing	725	16,362			
		24,170			24,170

Problem No. 19

Trading and Profit and Loss Account
For the year ending December 31st, 2006

Particulars		Amount	Particulars		Amount
To Opening Stock		9,700	By Sales	26,200	
To Purchases	11,400		By Less Sales returns	200	26,000
To less returns	300	11,100	To Closing Stock		2,000
To Carriage		100			
To Gross Profit c/d		7,100			
		28,000			28,000
To Rent	800		By Gross Profit b/d		7,100
To Less Prepaid rent	300	500			
To Salaries and wages	1,300				
To Add outstanding	200	1,500			
To General expenses		700			
To New bad debts	600				
To Add new provision	270				
	870				
To Less old reserve for bad debts	500	370			
To Depreciation on furniture		230			
To Depreciation on Machinery		960			
To Net profit transferred to the capital a/c		2,840			
		7,100			7,100

Balance Sheet
As on 31st December, 2006

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Sundry Creditors	2,400	Cash in hand	1,500
Bank Overdraft	5,000	Cash at bank	6,700
Outstanding salaries	200	Closing stock	2,000
Capital	18,500	Prepaid	300
Add new profit	2,840	Debtors	6,000
	21,340	Less new bad debts	600
Less drawings	2,600		5,400
	18,740	Less new provision	270
		Furniture	2,300
		Less depreciation	230
		Plant & Machinery	9,600
		Less depreciation	960
	26,340		8,640
			26,340

Problem No. 20

Trading and Profit and Loss Account
For the year ending 31st December, 2005

Particulars	Amount	Particulars	Amount
To Opening stock	30,000	By Sales	74,000
To Purchases	45,000	By Closing Stock	45,000
To Gross Profit c/d	44,000		119,000
	119,000	By Gross Profit b/d	44,000
To Trade Expenses	4,895		
To Audit Fee	2,000		
To Interest paid	500		
To Salaries	20,000		
To Repairs	1,500		
To New Reserve	1,875		
To Less Old Reserve	1,000		
To Depreciation on Plant	2,000		
To Depreciation on Building	2,000		
To Depreciation of Tools	750		
To Net Profit Transferred to the Capital a/c	9,480		
	44,000		44,000

Balance Sheet
As on 31st December 2005

Liabilities	Amount	Assets	Amount
Sundry Creditors	20000	Book Debts	15000
Bills Payable	5000	Less Reserve	
		for Bad Debts Stock	1875
Capital	80000	Plant and Machinery	20000
Add Net Profit	9480	Less Depreciation	2000
		Tools	6000
		Less Depreciation	750
		Prepaid Expenses	105
		Building	35000
		Less Depreciation	2000
Total	114480	Total	114480

Problem No. 21

Trading and Profit and Loss Account
For the year ending 31st December, 2006

	Rs.		Rs.
To Stock (Jan. 1 st 2006)	30,000	By Sales	1,25,000
To Purchases	75,000	Less Returns from customers	2,700
Less Returns to creditors	1,300		
	73,700	By Stock	45,000
To Wages	3,500		
Add outstanding	200		
	3,700		
To Gross Profit c/d	59,900		
	1,67,300		1,67,300
To General Trade Expenses	3,675	By Gross profit b/d	59,900
To Salaries	5,600		
To traveling expenses	660		
To Advertising	420		
To Discount	300		
To Taxes and Insurance	2,800		
Add outstanding Taxes	250		
	3,050		
Less Prepaid Insurance	150		
	2,900		

To Bank Interest & Commission		215		
To Reserve for Bad Debts				
Debts	2,285			
Add Bad Debts	800			
	3,085			
Less Old Reserve	550	2,535		
To Depreciation on premises	150			
To Depreciation on Mach and Plant	750			
To Depreciation on Fix & Fittings	245	1,145		
To Net Profit transferred to Capital		42,450		
		59,900		59,900

Balance Sheet
As on December 31, 2006

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Sundry creditors		30,000	Cash in hand		1,030
Bank overdraft		10,000	Sundry Debtors	46,100	
			Less Bad debts	400	
Outstanding expenses (200+250)		450		45,700	
Capital	35,000		Less Bad Debts		
Add N. Profit	42,450		Reserve	2,285	43,415
	77,450		Stock		45,000
			Fixture and Fittings	2450	
Less Drawing	11,000	66,450	Less Depreciation	245	2,205
			Machinery & Plant	10,000	
			Less Depreciation	750	9,250
			Premises	6,000	
			Less Depreciation	150	5,850
			Insurance Prepaid		150
Total:		1,06,900	Total:		1,06,900

13

CAPITAL AND REVENUE

Problem No. 1

S. No.	Capital or Revenue	Reasons
1.	Capital expenditure	Because it is to purchase a fixed asset.
2.	Capital expenditure	Because it is incurred in connection with the carriage and freight of new machinery which is a fixed asset.
3.	Capital expenditure	As the expenses as incurred on fixed assets to make it usable.
4.	Revenue expenditure	Because helps in maintaining to asset in its proper working order.
5.	Revenue expenditure	Because it helps in maintaining the plan in working order.
6.	Capital expenditure	Because the removal of the machinery to the new and better site will enhance the income.

Problem No. 2

S. No.	Capital or Revenue	Reasons
1.	Revenue Expenditure	As it has been incurred in connection with the purchases of goods meant for resale.
2.	Capital Expenditure	Because it is improvement in the fixed asset.
3.	Capital Expenditure	It is capital expenditure because it is the improvement in the fixed asset and the benefits of the expenditure will be available for a number of years.
4.	Capital Expenditure	Cost for the purchase of patent rights are capital expenditure.
5.	Capital Expenditure	This expenditure is necessary in order to bring motor car in working condition.
6.	Revenue expenditure	It is a revenue expenditure because it is incurred in the purchase of goods and raw-material which are ment for resale.

Problem No. 3

S. No.	Capital or Revenue	Reasons
1.	Capital Expenditure	It will increase the earning capacity of the business.
2.	Capital Expenditure	The use of the name of the old business concern will benefit the purchase for a longer time.
3.	Capital Expenditure	It will increase the earning capacity of the business.
4.	Capital Expenditure	It is incurred on the purchase of fixed asset which will be used in business for earning income.
5.	Deferred Revenue Expenditure	The benefit of the expenditure will be available for a number of years.
6.	Capital Expenditure	It is a capital expenditure because it is incurred in heavy amount and to initiate a business.

Problem No. 4

Sr. No.	Capital or Revenue	Reasons
1.	Capital Expenditure	As it will decrease the cost of business operation in future.
2.	Capital Expenditure	As fixed liability is being discharged.
3.	Revenue Expenditure	Because these are incurred in the ordinary course of the business.
4.	Capital Expenditure	As it is incurred to purchase a fixed asset.
5.	Capital Expenditure	Because the investment is a fixed asset.
6.	Revenue Income	Because it is earned in the ordinary course of the business.

Problem No. 5

Sr. No.	Capital or Revenue	Reasons
1.	Capital Expenditure	As the sign board is fixed asset.
2.	Capital Expenditure	Because as landed property is a fixed asset.
3.	Revenue Expenditure	Because being expenses of carrying on the business.
4.	Revenue Receipt	Because it is recovered by the sale of the saleable goods.
5.	Capital Expenditure	Because new machinery is a fixed asset.
6.	Capital Expenditure	Because investment is a fixed asset.

Problem No. 6

Sr. No.	Capital or Revenue	Reasons
1.	Revenue Expenditure	Because the company will get the benefit only for one year.
2.	Capital Expenditure	Because this is a long term loan for business.
3.	Revenue Expenditure	Because it has been incurred in order to keep the Motor Cycle in working condition.
4.	Capital Profit	Because being mount earned on the sale of debentures.
5.	Revenue Capital	Because being the amount paid for business expenses.
6.	Capital Loss	Because a fixed asset has been destroyed.

Problem No. 7

Sr. No.	Capital or Revenue	Reasons
a.	Capital Expenditure	Because it has been incurred in acquisition of an asset.
b.	Revenue Expenditure	Because it is incurred in the ordinary course of the business.
c.	Revenue Expenditure	Because it has been incurred in the purchase of floating asset.
d.	Capital Expenditure	Because it will increase the value of the building.
e.	Capital Expenditure	Because this expenditure will be included in the cost of factory.

Problem No. 8

Sr. No.	Capital or Revenue	Reasons
1.	Capital Expenditure	Because benefits from this air conditioning will be received for many years to come.
2.	Capital Expenditure	Because benefits from this goodwill will be received for many years to come.
3.	Revenue Expenditure	Because this has been incurred as damages for infringement of a patent.
4.	Revenue Receipt	Because the amount of this debt was previously written off as a revenue loss.
5.	Capital Receipt	Because loan taken from the bank is repayable, therefore it is a liability.
6.	Revenue Expenditure	Because these expenses are incurred to carry on business and they do not chance the revenue earning capacity of the concern in any way.

Problem No. 9

Sr. No.	Capital or Revenue	Reasons
1.	Capital Expenditure	Because compensation paid to retrenched employees will enable the business to be carried on more economically.
2.	Revenue Expenditure	Because it has not been earned in the ordinary course of business.
3.	Revenue Expenditure	Because they are the expenses incurred in the ordinary course of trading.
4.	Revenue Receipt	Because it has been received from the cultivation of crops.
5.	Capital Receipt	Because Rs. 10000 being the proceeds of capital issued.
6.	Revenue Receipt	Because it is a source of income during the course business.

Problem No. 10

Sr. No.	Capital or Revenue	Reasons
1.	Capital Expenditure	As they have been incurred in securing capital for the business.
2.	Revenue Expenditure	As they have been incurred for the maintenance of an asset.
3.	Capital Expenditure	Because legal expenses incurred in connection with the purchase of a landed.
4.	Revenue Expenditure	Because being expenses of carrying on the business.
5.	Revenue Expenditure	Because being expenses of carrying on the business.
6.	Capital Expenditure	Because legal expenses incurred in raising a loan for the business.

Problem No. 11

Sr. No.	Capital or Revenue	Reasons
1.	Revenue Expenditure	As it is incurred to maintain the asset in working condition.
2.	Capital Expenditure	Because it is necessary to put the machine in working order.
3.	Revenue Expenditure	As it has been incurred in connection with the purchase of merchandise meat for resale.
4.	Capital Expenditure	As it is incurred to acquire the machinery.
5.	Capital Expenditure	Collect profit on sale of fixed assets.
6.	Revenue Expenditure	Because profit earned on sale on merchandise.

Problem No. 12

Sr. No.	Capital or Revenue	Reasons
1.	Capital Expenditure	Because these expenditure are made for construction of fixed asset.
2.	Capital Expenditure	Because this expenditure is made for obtain a fixed asset.
3.	Capital Expenditure	Because this expenditure are made for extension of fixed asset.
4.	Revenue Expenditure	Because these are the running expenditure of business.
5.	Capital Expenditure	Because this expense is made on purchase of fixed asset.
6.	Revenue Expenditure	Because this is the maintenance cost of asset.
7.	Revenue Expenditure	Because loan is taken for short term.
8.	Capital Expenditure	Because these expenditures are made to put the asset in the working condition.

Problem No. 13

1. Compensation paid to person injured by the company's car is revenue expenditure because it is incurred in the ordinary course of business.
2. Compensation paid to a retrenched employee for loss of employment will enable the business to be carried on more economically; therefore, it is capital expenditure.
3. The necessary alterations made in the location of windows under order from municipal authorities would not in any way add to the capital value of the building, therefore, it is Revenue expenditure.
4. It is a capital expenditure because it has been incurred on the painting of newly constructed building to bring it in working condition.
5. It is capital expenditure because it has been incurred on the renewal of the patent, which is a fixed asset.
6. It is revenue expenditure because merchandise has been purchased for the purpose of resale.

Problem No. 14

Sr. No.	Capital or Revenue	Reasons
1.	Revenue Expenditure	Because wages are incurred in manufacturing of goods.
2.	Revenue Expenditure	Because the regular fee of the legal advisor of the company is paid in the ordinary code of the business.
3.	Capital Receipt	Because it is from the sales of old machinery which is a fixed asset.
4.	Deferred Revenue Expenditure	Because heavy amount has been incurred on the intensive advertising to popularized a new product.
5.	Revenue Expenditure	Because it has to be incurred again and again to decorate the cinema hall.
6.	Capital Expenditure	Because these expenses has been incurred in purchasing a building, which is a fixed asset.

Problem No. 15**Journal**

Date	Particulars	L. f.	Debit	Credit
1.	Building Account To Cash Account Building purchased and brokerage paid therein.		102000	102000
2.	Building Account To Cash Account Cost of Demolishing the old building		4000	4000
3.	Building Account To Cash Account Cost of Construction of a new building.		403000	403000
4.	Building Account To Cash Account Cost of Sewerage and Water Connection		3000	3000
5.	Rates and Taxes Account To Cash Account Rates and Taxes paid.		1000	1000
6.	Cash Account To Building Account Building sold for cash.		600,000	600,000

Building Account

Particulars	Amount	Particulars	Amount
To Cash Account	102000	To Cash Account	600,000
To Cash Account	4000		
To Cash Account	403000		
To Cash Account	3000		
To Profit and Loss A/c (Balancing Figure)	90,000		
	600,000		600,000

RECTIFICATION OF ERRORS

Problem No. 1

Date	Particulars	L.F.	Debit	Credit
			Rs.	
(a)	Sales Returns A/c To Rashid Being the entry necessary to record the goods returned by him.		2000	2000
(b)	Mr. Hamid To Mr. Irshad Being the rectification of the wrong credit given.		3000	3000
(c)	Repairs A/c To Machinery A/c Rectification of the Repairs of Machinery was wrongly debited to Machinery A/c.		1000	1000
(d)	Interest A/c To Commission A/c Commission Received but wrongly credited to interest account rectified.		125	125
(e)	Furniture A/c To purchases A/c Being the Rectification of Furniture purchased was charges to purchases.		15000	15000

Problem No. 2

Date	Particulars	L.F.	Debit	Credit
			Rs.	Rs.
(a)	Drawing A/c To salaries A/c Rectification of the Drawing wrongly charged to salaries Account.		1,000	1,000
(b)	Salaries A/c To Manager personal A/c Rectification of the salaries paid wrongly debited to his Account.		500	500
(c)	Plant and Machinery A/c To wages A/c Rectification of the wrong debit given to wages Account.		10,000	10,000
(d)	Sundry creditors A/c To purchases A/c Rectification of the amount paid to creditors have been debited to purchases Account.		20,000	20,000
(e)	Debtors personal A/c To provision for bad debts A/c Being the Rectification of the wrong credit given to the debtors personal Account.		800	800

Problem No. 3

Date	Particulars	L.F.	Debit	Credit
			Rs.	
(a)	Building A/c To Repairs A/c Capital expenditure wrongly charged to Repairs.		30,000	30,000
(b)	Office equipment A/c To Purchases A/c Rectification of the wrong debit given to the purchases Account.		2,000	2,000
(c)	Discount A/c To Reserve A/c Rectification of the wrong debited given to Reserve A/c		200	200
(d)	A. Karim To Allowance A/c Rectification of the wrong debit given to allowance Account.		1,000	1,000
(e)	Creditors A/c To Purchases A/c Rectification of the wrong debit given to purchases account.		15,000	15,000

Problem No. 4

Date	Particulars	L.F.	Debit	Credit
(a)	Sales a/c To purchase a/c Being the rectification of the wrong credit given to sales account.		1,500	1,500
(b)	Purchases a/c Sales a/c To Saleem Being the rectification of the goods purchased wrongly credited to sales account.		500 500	1,000
(c)	Karim a/c To Sales a/c To Purchases a/c Being the rectification of the goods sold wrongly debited to purchase a/c		600	300 300
(d)	Sales a/c To plant and machinery a/c Rectification of the wrong credit given to Sales a/c		10,000	10,000
(e)	Partner To Customer Rectification of the wrong credit given to partner.		9,000	9,000

Problem No. 5

S. No.	Particulars	L.F	Debit	Credit
(i)	Suspense a/c To Sales Rectification of the undercasting of the Sales Book		1000	1000
(ii)	Purchases a/c To suspense a/c Rectification of the undercasting of the purchase Book		2000	2000
(iii)	Sales a/c To suspense a/c Rectification of the recasting of the Sales Book		1500	1500
(iv)	Suspense a/c To Purchases a/c Rectification of the recasting of the purchase Book.		4500	4500
(v)	Returns Inwards a/c To Suspense a/c Rectification of the undercasting of the Returns inwards		2600	2600
(vi)	Suspense a/c To Returns outwards a/c Rectification of the undercasting of the Returns outstanding a/c		3000	3000
(vii)	Suspense a/c To Returns Inwards a/c Rectification of the reacting of the Returns Inwards a/c		1800	1800
(viii)	Returns outwards a/c To Suspense a/c Rectification of the recasting of the returns outwards		1000	1000

Problem No. 6

Date	Particulars	L.F	Debit	Credit
(a)	Drawing /c To General expenses A/c Owner's drawings wrongly debited to general expenses Account.		Rs. 500	500
(b)	Purchases A/c To suspense A/c Rectification of the undercasting of the purchase Journal.		200	200
(c)	Suspense A/c To wages A/c To Rectify double posting to wages Account.		2,200	2,200
(d)	Sales A/c To suspense A/c Rectification of the overcasting of the sales Journal.		300	300
(e)	Discount allowed A/c To suspense A/c Rectify under debit discount Account.		10	10
(f)	Sales Returns A/c To suspense A/c Carry forward in sales returns Journal was rectified.		36	36

SUSPENSE ACCOUNT

Particulars	Rs.	Particulars	Rs.
To Balance b/d	360	By purchases Account	200
To Wages Account	2,200	By Sales Account	300
		By Discount Account	24
		By Sales Returns	36
		By Balance c/d	2,000
Total:	2,560	Total:	2,560

Problem No. 7

Date	Particulars	L.F	Debit	Credit
(a)	Saleem To Allowance A/c Rectification of the amount of dishonoured cheques was wrongly charged to Allowance Account.		Rs. 1,000	1,000
(b)	Petty cash A/c To suspense A/c Correction of omission of balance Rs. 21		21	21
(c)	Repairs A/c To plant and Machinery A/c To Suspense A/c Rectification of Repairs of Rs. 110 debited to plant and Machinery Account as Rs. 110.		110	110 9
(d)	Returns Inwards A/c To suspense A/c Rectification of understanding of Returns Inward book.		50	50
(e)	Suspense A/c To Mr. X Rectification of the purchase of Rs. 1,500 from Mr. X was wrongly debited to him.		300	300

SUSPENSE ACCOUNT

To Mr. X	3,000	By difference in books	2,920
		By petty cash	21
		By Repairs Account	9
		By Returns Inwards	50
Total:	3,000	Total:	3,000

Problem No. 8

Date	Particulars	L.F	Debit	Credit
			Rs.	
(i)	Salaries A/c To Rent A/c Rectification of wrong debit given to rent account		10,000	10,000
(ii)	Suspense A/c To Discount A/c Rectification of discount Received wrongly debited to discount account		200	200
(iii)	Furniture A/c To Purchases A/c Rectification of wrong debit given to the purchases account.		12,000	12,000
(iv)	Ali To Sales A/c To Purchases A/c Rectification of the goods sold to Ali wrongly debited to the purchases account		2,000	1,000 1,000
(v)	Purchases A/c To Suspense A/c Rectification of the undercasting of the purchase a/c.		1,000	1,000

Problem No. 9

S. No.	Particulars	L.F	Debit	Credit
(a)	Drawings A/c To Miscellaneous Exp. A/c Rectification of the wrong debit given to miscellaneous expenses.		50000	50000
(b)	Furniture A/c To Carriage A/c Rectification of the wrong debit given to carriage A/c		100	100
(c)	Drawings A/c To Electricity A/c Rectification of the wrong debit given to Electricity A/c		300	300
(d)	Premises A/c To Furniture A/c Rectification of the wrong debit given to Furniture A/c		1000	1000
(e)	Repairs A/c To Manufacturing Wages Rectification of the wrong debit given to Manufacturing A/c		100	1000
(f)	Debtor A/c To Suspense A/c Rectification of the omission of the customer from the list of the debtor		1000	1000
(g)	Sales A/c To Suspense A/c Rectification of the omission of the excess credit given to Sales A/c		18	18

Problem No. 10

S. No.	Particulars	L.F	Debit	Credit
(a)	Sales A/c To Plant and Machinery A/c Rectification of the wrong credit given to Sales A/c		5000	5000
(b)	Suspense A/c To Mr. Rashid Rectification of the goods purchased from Rashid wrongly debited to his A/c		63	63
(c)	Accrued Interest on Investment A/c To Interest A/c Rectification of the Accrued Interest now recorded		1000	1000
(d)	Suspense A/c To Discount Discount received posted to the wrong side corrected.		200	200
(e)	Kaleem To Karim Rectification of the wrong credit given to Kaleem		2000	2000
(f)	Drawing A/c To Trade Expenses A/c Rectification of the wrong debit given to Trade Expenses A/c.		2000	2000

Problem No. 11

S. No.	Particulars	L.F	Debit	Credit
(a)	Repairs A/c To Building A/c Rectification of the wrong debit given building account.		2000	2000
(b)	Sales Return A/c To Customer Rectification of the goods returned by customer recorded.		585	585
(c)	M. Saleem To Suspense A/c Rectification of the Saleem debit balance now recorded		1930	1930
(d)	Stationery A/c To Suspense A/c Rectification of the less debit govt. stationery.		140	140
(e)	Sales A/c To Smith A/c Rectification of the wrong credit given to Sales account.		3000	300
(f)	Suspense A/c To Bank overdraft Rectification of the less credit given to bank overdraft.		10	10

Problem No. 12

S. No.	Particulars	L.F.	Debit	Credit
(a)	Creditors A/c To Purchases A/c Purchases account has been wrongly recorded now rectified.		200	200
(b)	Suspense A/c To Sales A/c Sales book has been undercasted.		1,100	1,100
(c)	Rahim & sons To Suspense A/c Rahim & sons has been overcasted		378	378
(d)	Discount A/c To Cash A/c Amount was wrongly entered in discount column now rectified.		500	500
(e)	Sales A/c To suspense A/c Sales book was overcastted now rectified.		100	100

Problem No. 13

Date	Particulars	L.F.	Debit	Credit
(a)	M. Fahad To suspense A/c Rectification of wrong debit by Rs. 50 instead of Rs. 250		Rs. 200	200
(b)	Machinery A/c To Purchases A/c Rectification of the wrong debit given to purchases Account.		1,250	1,250
(c)	Suspense A/c To Purchases A/c Purchase book overadded.		400	400
(d)	Sales Return A/c To Suspense A/c Rectification of Sales Return book added Rs. 200 short.		200	200

Effect on Profit

ITEM	INCREASE	DECREASE
(a)	—	—
(b)	1,250	—
(c)	400	—
(d)	—	200
	<u>1,650</u>	<u>200</u>

Net Effect = 1650 - 200 = 1450
 The adjusted Net Profit would be = (27,879 + 1,450) = Rs. 29,320

Problem No. 14

S. No.	Particulars	L.F.	Debit	Credit
(a)	Unexpired Insurance A/c To Insurance A/c Being the amount of Unexpired Insurance taken into account.		300	300
(b)	Machine A/c To wages A/c Rectification of the Wrong debit given to Wages Account.		1,100	1,100
(c)	Reserve for Bad debts A/c To Profit and loss A/c Excess Reserve transferred to Profit and loss Account.		800	800
(d)	Sales Return A/c To Rahim A/c Omission of sales Return Recorded.		500	500
(e)	Drawing A/c To Purchases A/c Rectification of the goods Taken as drawing recorded.		700	700

Adjust Profit and Loss Account

ITEM	INCREASE	DECREASE
(a)	300	—
(b)	1100	—
(c)	800	—
(d)	—	500
(e)	700	—
	<u>2900</u>	<u>500</u>

Net Increase = 2900 - 500 = 2400
 Adjusted Profit = 7000 + 2400 = 9400

Problem No. 15

S. No.	Particulars	L.F	Debit	Credit
(a)	Sales A/c To Suspense A/c Rectification of the wrong credit given to sales A/c		2,000	2,000
(b)	Commission A/c To Suspense A/c Rectification of the commission paid wrongly credit to commission A/c		2,000	2,000
(c)	Suspense A/c To Aleem Rectification of the credit not given to Aleem credited to Aleem A/c		1,200	1,200
(d)	Purchase A/c To Suspense A/c Rectification of the undercasting of the purchase book		3,500	3,500
(e)	Machinery A/c To Wages A/c Rectification of the wrong debit given to wages A/c		1,500	1,500
(f)	Sales Returns A/c To Suspense A/c Rectification of the undercasting of the sales returns book		1,000	1,000

Suspense Account

(d)	To Aleem	1,200	(a)	By Sales A/c	2,000
			(b)	" Commission A/c	2,000
			(d)	" Purchase A/c	3,500
	" Difference T.B	7,300	(f)	" Sales A/c	1,000
		8,500			8,500

Effect On Net Profit After Rectification of Error

S. No.	Increase In Profit	Decrease In Net Profit
(a)	-----	2,000
(b)	-----	2,000
(c)	No Effect	No Effect
(d)	-----	3,500
(e)	1,500	-----
(f)	-----	1,000
	1,500	8,500

Decrease in Net Profit	Rs. 7,000
Profit before rectification	Rs. 60,500
Less Net decrease in Profit	Rs. 7,000
Correct Profit	Rs. 53,500

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Work Sheet

Problem No. 1

MOON BROTHERS
WORK SHEET
 as on 31st December, 2005

Name of Account	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	12110				12110				12110	
Acc. Receivable	8000				8000				8000	
Furniture	16000				16000				16000	
Machinery	20000				20000				20000	
Prepaid Commission	2170				170				170	
Accounts Payable		7618				7618				7618
Capital		40000				40000				40000
Services revenue		27240				28440		28440		
Interest income		942				942		942		
Salaries expenses	8760		a. 500		9260		9260			
Advertisement	1560				1560		1560			
Transporting exp.	7200				7200		7200			
	150									
Total:	75800	75800								
Outstanding salary				a. 500		500				500
Depreciation (M)					1000	500	1000			
Acc. Dep. (M)			b. 1000			1000				1000
Depreciation (F)			b. 200		200	200	2000			
Acc. Dep. (F)				b. 200						200
Services receivable			c. 1200		1200				1200	
Commission Exp.			d. 2000		2000		2000			
			4900	4900	78700	78700	21220	29382		
Net Income							8162			
							29382	29382		49318
										8162
							1750		57480	57480

**SNOW WHITE DRY CLEANING
WORK SHEET
as on 31st December, 2006**

Problem No 2

Items	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	2105				2105				2105	
AR	506			20	486				486	
Supplies	810			700	110				110	
Advertising	900			300	600		600			
Utilities expenses	300				300		300			
Furniture	4000				4000				4000	
Telephone charges	200				200		200			
Electric charges	400				400		400			
Drawing	500				500				500	
Machinery	20000				20000				20000	
Printing & Stationery	221				221		221			
Bad Debts	100		20		120		120			
Service revenue		16000				16000		16000		
Account Payable		700				700				700
Acc. Dep (machine)		1000				1000				1000
Capital		12342	25	617		12934				12934
Total:	30042	30042								
Interest on capital			617		617		617			
Interest on drawing				25		25		25		
Con. expired advert.			300		300		700		300	
Supplies expenses			700		700		12867			
Net income										
TOTAL:			1662	1662			16025	16025	27501	27501

Problem No. 3

AL-FAROOQ HAIR DRESSER
WORK SHEETFor three months ending on 31st December, 2004

Items	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	4000				4000				4000	
Cash at bank	2500				2500				2500	
A/R	500				500				500	
N/R	600				600				600	
Supplies	1700				1700				1700	
Advertisement	1000				1000					
Shop rent	1500				1500					
Newspaper exp.	300				15600					
Salaries	4500				300		1000			
Dry cleaning equip.	15000				4500		1500			
Supplies consumed	1000				15000		4500			
Service revenue		21000			1000		1000		15000	
Capital		12380								
A/P		1120								
Water charges	390									
Telephone Charges	470									
Electric Charges	930		150		390		390			12380
Misc. Expenses	110				620		620			1120
Total:	34500	34500			930		930			
Accrued expenses (Tele. Charges)					110		110			
Acc. Income (ser. rev)				150						150
Dep. exp. (equip.)			1230							
Acc. dep. (equip.)			500						1230	
Net Income				1500			15000			
TOTAL:					10380		22230		25530	25530

Problem No. 4

SHABNAM CINEMA WORK SHEET As on 30th June, 2006

Items	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	50000				50000				50000	
Cash at Bank	15000				15000				15000	
Advertisement	3970			970	3000		3000			
Paid to Painter	20000				5000		5000			
Salaries	30000				20000		20000			
Excise duty	1000000				30000		30000			
Building	50000				1000000				1000000	
Furniture		4500			50000	4500			50000	
Rent shops		7000				7000				
Receipt from cycle st	900						900			
Utilities expenditure	14000				14000					
Office equipments	15000				15000				140000	
Drawing	8000				8000		8000		150000	
Electric charges	570				570		570			
Water bill	900				900		900			
Telephone charges	700				700		700			
Newspaper Exp.		170000				170000		17000		
Sales of tickets		13000				13000				13000
A/c Payable		1019540				1019540				1019540
Capital										
Total.	1204040	1204040								
Acc. Interest (on deposit)			250		250				250	
Interest on deposit								250		
Un-expired adv.										
Dep. exp. (Furniture)			970	250	970				970	
Dep. exp. (equip.)			2500		2500					
Dep. exp. (Furniture)			750		750					
Acc. De. (Furniture)				2500						2500
Dep. (Equipments)				750						750
Net Income							109430	181750		109430
TOTAL:							181750	181750	1145220	1145220

Problem No. 5

DEE MOTORS
WORK SHEET
As on 30th June, 2007

Items	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	70000				70000				70000	
A/R	5000				5000				5000	
News paper exp.	625				625		625			
Electric expenses	1470				1470		1470			
Salaries	13230				13230		13230			
Building	90000				90000				90000	
Office equipment	30000				30000				30000	
Furniture	20000				20000				20000	
Advertising	1300				1300		1300			33000
Bank Loan		30000		30000		30000				10000
A/P		10000				10000				
Com. revenue		50000		2000		52000		52000		141625
Capital		141625				141625				
Total:	231625	231625								
Acc. comm.			2000		2000		3000		2000	
Interest on loan			3000		3000		1000			1000
Dep. (Furniture)			1000		1000					
Acc. Dep. (Furniture)				1000		1000				
App. revenue (bldg.)				9000		9000		9000		
Acc. App (Building)			9000		9000		40375			40375
NET INCOME							61000	61000	226000	226000
TOTAL:							61000	61000	226000	226000

WORK SHEET
From 1st January 31st March 2006

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Problem No. 7**WORK SHEET**

For the year ended as on December 31, 2005

Items	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Opening Inventory	300				3000		3000		22000	
Machinery	22000				22000				690	
Bills Receivable	690				690					
Purchases	9012				9012		9012			
Chas at Bank	1351				3151				3151	
Drawings	350				350				350	
Carriage in	500				500		500			
Office Salaries	1200				1500		1500			
Selling Salaries	1910		(c) 300		1910		1910			
Insurance Prepaid	219			(a) 119	100				100	
Accounts Payable		6408				6408				6408
Bills Payable		6000			6000					6000
Discount Received		627				627		627		
Sales		11439				11439		11439		
Capital		18390				18390				18390
Purchases Return		210				210		210		
Purchases Discount		140				140		140		
Loan		3000				3000				3000
Acc. Dep. (Mach.)		400				400				400
Acc. Dep. (furniture)		100				100				100
Postal expenses	232						232			232

Problem No. 8

MOON BROTHERS
WORK SHEETAs on 31st December, 2007

Items	Trial Balance		Adjustments		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	12110				12110				12110	
Acc. Receivable	8000				8000				8000	
Furniture	16000				16000				16000	
Machinery	20000				20000				20000	
Prepaid commission	2170				170				170	
Account Payable		7618				7618				7618
Capital		40000				40000				40000
Services revenue		27240				28440		28440		
Interest income		942				942		942		
Salaries expenses	8760		a 500		9260		9260			
Advertisement	1560				1560		1560			
Transport exp.	7200				7200		7200			
	150									
Total	75800	75800								
Outstanding salary				a 500		500				500
Depreciation (M)					1000		1000			1000
Acc. Dep. (M)			b 1000							
Depreciation (F)			b 200		200		200			200
Acc. Dep. (F)				b 200						
Services receivable			c 1200		1200				1200	
Commission Exp.			d 2000		2000		2000			
			4900	4900	78700	78700	21220	29382		
							8162			
Net income							29382	29382		49318
										8162
							1750		57480	57480

Problem No. 9

Work Sheet

For The Year Ended 31st December 2006

Accounts Title	Trial Balance		Adjustment		Adjusted Trial Balance		Income Statement		Balance Sheet	
	Debit Rs.	Credit Rs.	Debit Rs.	Credit Rs.	Debit Rs.	Credit Rs.	Debit Rs.	Credit Rs.	Debit Rs.	Credit Rs.
Goodwill	3000				3000				3000	
Notes Receivable	20000				20000				20000	
Income Tax	1550				1550				1550	
Drawings	4500				4500				4500	
Accounts Receivable	13000				13000				13000	
Plant & Machinery	25000				25000				25000	
Land & Building	35550				35550				35550	
Cash	75				75				75	
Advertisement	1400				1400		1400			
Discount On Sales	555				555		555			
Wages	5459				5459		5459			
Rent	9000		1000		9000		9000		9000	
Salaries	12000		3000		12000		12000		55000	
Carriage On Purchase	750				750		750	1875	1800	
Sales Return	1875				1875			30000		
Purchases	30000				30000					
Opening Inventory	13350				13350					
Purchases Returns		990				990	990			62374
Sales		55000				55000	55000			14000
Commission		2700	900			1800	1800			27000
Capital		62374				62374	62374			15000
Accounts Payables		14000				14000	14000			
Mortgage Payables		27000				27000	27000			
Loan		15000				15000	15000			
	177064	177064								
Closing Inventory			15000		15000			12400	15000	900
Income & Summary			2600			15000		900		
Unearned Commission									1000	3000
Prepaid Rent			1000			3000		2600		2600
Salaries Payable									6199	
Allowance For Uncollectible										
Net Loss							76389	195064	124874	124874
			22500		22500		76389			

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FINANCIAL STATEMENTS

Problem No. 1

Solution:

ADJUSTING JOURNAL ENTRIES

Date	Particular	L.F	Debit Rs.	Credit Rs.
(i)	Investment		150	
	Interest on Investment			150
	Interest accrued on investment			
(ii)	Salary Expenses		500	
	Salary Payable			500
	Salary Payable			
(iii)	Commission Income		1000	
	Un-earned commission			1000
	Commission received but not earned.			

Gold auto commission

INCOME STATEMENT

As on 31st December 2006

	Rs.	Rs.
Commission Income		
Less un-earned commission	30000	
	1000	
Net Commission Income		29000
Less Operative Expenses		
Advertising	1370	
Salaries expenses	1930	
+ Salary Payable	500	
Electric Expenses	425	
Telephone charges	729	
Miscellaneous Expenses	215	
Insurance Expenses	2500	
Total Operative Expenses		7669
Operative Profit		21331
Add other Incomes		
Interest on Drawing	500	
Accrued Interest on investment	150	
Total Other Incomes		650
Net Income		21981

GOLD Auto Commission
BALANCE SHEET
As on 31st December 2006

Assets	Rs.	Equities	Rs.
Current Assets		Liabilities	
Cash	20000	Salary payable	500
A/R	2630	Unearned Comm.	1000
Prepaid Insurance	3000	A/P	1230
Non-current Assets		Bank Loan	5000
Investment	15000	Owner's equity	
+ Int. on Investment	150	Capital	63859
Fixed Assets		Less Drawing	5000
Office Equipment	3000		58859
Building	40000	+ Net Income	21981
Furniture	4790		80840
Total Assets	88570	Total Liabilities	88570

Problem No. 2**Solution:****ADJUSTING JOURNAL ENTRIES**

Date	Particular	Debit Rs.	Credit Rs.
(1)	Prepaid Insurance Insurance Expenses Insurance not yet expired	300	300
(2)	Salary Expenses Salary Payable Salary not yet paid	900	900
(3)	Commission Unearned Commission Commission not yet earned	300	300
(4)	Accrued Interest Interest Interest accrued	200	200
(5)	Depreciation Expenses (Building) Accumulated depreciation (building) Depreciation 10% (building)	5000	5000
(6)	Income and Expenses Summary Allowance for Bad Debts Provide allowance for bad debts at 2% on A/R	300	300
(7)	Merchandise inventory Income & Expenses Summary Closing Inventory	1500	1500

Usman Manufactures
INCOME STATEMENT
As on 31st December 2005

		Rs.	Rs.
Sales		55000	
Less sales return		990	
Net Sales			54010
Less cost of merchandise sold			
i) Opening inventory		3000	
ii) Purchases	45000		
Less Purchases return	880		
Net Purchases		44120	
iii) Direct Expenses			
Freight		1700	
Cost of merchandise available for sales		48820	
Less closing inventory		1500	
Cost of merchandise sold			47320
Gross Profit on Sales			6690
Less Operative Expenses			
i) Selling Expenses			
Advertisement		1800	
Salaries	2100		
+ Salaries Payable	900	3000	
Manufacturing expenses		9900	
Depreciation Exp. (Building)		5000	
Provision for Bad Debts		300	
ii) Administration & general Exp.			
Insurance	1900		
Less prepaid	300	1600	
Total Operative Expenses			21600
Operative Loss			14910
Add Other Incomes			
Interest	1900		
+ Interest Accrued	200	2100	
Commission	2300		
Less un-earned commission	300	2000	
Net Loss			4100
			10810

Usman Manufactures
BALANCE SHEET
As on 31st December 2005

Assets		Rs.	Rs.
<u>Current Assets</u>			
Cash at Bank		19000	
A/R	15000		
Less Pro. For bad bets	300		
		14700	
Prepaid Insurance		300	
Accrued Interest		200	
Closing inventory		1500	
Total Current Assets			35700
<u>Non Current Assets</u>			
Investment			35000
<u>Fixed Assets</u>			
Furniture		5000	
Machinery		40000	
Building	50000		
Less Fixed Assets	5000	450000	
Less Depreciation			90000
Total Assets			160700
<u>EQUITIES</u>			
<u>Liabilities</u>			
A/P	1395		
Mortgage Loan	43000		
Salary Payable	900		
Un-earned Commission	300		
Total Liabilities:		45595	
<u>Owner's Equity</u>			
Capital	126700		
Less Drawing	785		
	125915		
Less net Loss	10810		
		115105	
TOTAL EQUITIES			160700

Problem No. 3

Ahsan Traders
Post Closing Trial Balance
As on 1st January 2006

Accounts Title	Debit Rs.	Credit Rs.
Cash at Bank	13950	
Accounts Receivable	15000	
Closing Inventory	9000	
Prepaid Insurance	175	
Building	37000	
Furniture	1700	
Machinery	20805	
Investment	5150	
Patents	1900	
Accounts Payable		1950
Bank O/D		13000
Capital		89430
Provision for B/d		3000
Total:	104680	104680

Solution:**ADJUSTING JOURNAL ENTRIES**

Date	Particular	Debit Rs.	Credit Rs.
(1)	Merchandise Inventory (closing)	9000	
	Income & Expenses Summary		9000
(2)	Closing Inventory		
	Dep. Exp. (Machinery)	1095	
	Acc. Dep. (Machinery)		1095
	Depreciation on Machinery By 5%		
(3)	Income & Expenses Summary	300	
	Provision for bad debts		300
	Provision at 2% on A/R		
(4)	Prepaid Insurance	175	
	Insurance Expenses		175
	Insurance not yet expired		
(5)	Investment	150	
	Accrued interest on Investment		150

Ahsan Traders
INCOME STATEMENT
As on 31st December 2006

	Rs.	Rs.
Sales	51000	
Less Discount on sale	750	
Net Sales		50250
Less cost of merchandise sold:		
Purchases	21950	

Key to Fundamental Principles of Accounting

Less discount on purchases			
+ Direct Expenses	150	21800	
Carriage			
Direct factory	750		
Cost of merchandise available for sales	1700	2450	
Less closing inventory		24250	
Cost of merchandise sold		9000	
Gross profit on sales			15200
Less Operative Expenses			35000
Taxes			
Insurance		1300	
Less prepaid	3500		
Carriage on sales	175	3325	
Repair		1100	
Bad debts		2100	
+ News Provision	175		
	300		
Depreciation on machinery		475	
Total Operative Expenses		1095	
Operative Profit			9395
Add other Income			25605
Interest			
Interest on investment		150	
		150	
Net Income			300
			25905

Ahsan Traders
BALANCE SHEET
 As on 31st December

Assets		Rs.	Equities		Rs.
Current assets			Liabilities		
Cash at Bank		13950	A/P		1950
A/R	15000		Bank O/D		13000
Less prov. For B/d	300	14700			
Closing inventory		9000			
Prepaid insurance		175			
Fixed Assets			Owner's Equity		
Building		37000	Capital	67425	
Furniture		1700	Less Drawing	1400	
Machinery	21900			66025	
Less Dep.	1095	20805	Less income tax	2500	
Investment	5000			63525	
+ Interest on investment	150	5150	Add Net Income	25905	
Intangible assets					89430
Patents		1900			
Total		104380			104380

CLOSING ENTRIES

Date	Particular	Debit Rs.	Credit Rs.
2006 31 st Dec.	Income & Expenses Summary	24250	
	Purchases		21800
	Carriage in		750
	Direct Factory Expenses		1700
	Purchases & direct expenses closed		
	Closing Inventory	9000	
	Income & Expenses Summary		9000
	Closing inventory credited to Income & Expenses Summary		
	Income & Expenses Summary	9395	
	Taxes		1300
	Insurance		3325
	Carriage on sales		1100
	Repair		2100
	Bad debts (75+300)		475
	Dep. on Machinery		1095
	All indirect expenses closed		
	Sales Revenue	50250	
	Income & Expenses Summary		50250
	Sales revenue closed		
	Interest Income	150	
	Interest on deposit	150	
	Income & Expenses Summary		300
	Other Income closed		
	Income & Expenses Summary	25905	
	Capital		25905
	Net Income Transfer to Capital		

Problem No. 4

Farhan Departmental Store
INCOME STATEMENT
As on 31st December 2006

Particulars	Debit Rs.	Credit Rs.
Net sales		
Sales Revenue	25000	
Less Discount as sales	500	
Net Sales		24500

Less cost of merchandise sold			
Opening inventory		9600	
+ Purchases	12000		
Less discount on purchases	400	11600	
+ Direct Expenses			
Wages	1100		
Railway charges	600	1700	
Cost of merchandise available for sales		22900	
Less closing inventory		3500	
Cost of merchandise sold			19400
Gross profit on sales			5100
Less Operative Expenses			
Sales Salary		200	
Advertising		160	
Traveling Expenses		500	
Rent		200	
Interest Expenses		120	
Office Expenses		500	
News Bad debts	400		
+ News Provision for B/d	310		
	710		
Less old provision for Bad debts	600	110	
Depreciation Exp. (on plant)		2100	
Interest on Capital (800 + 50)		850	
Total Operative Expenses			4740
Net Income			360

Farhan Departmental Store

BALANCE SHEET

As on 31st December 2006

Assets		Rs.	Equities		Rs.
Current assets			Liabilities		
Cash in hand		250	A/c Payable		330
A/R	3500		Bills Payable		600
Less new B/d	400		Bank Loan		400
Less New	3100		Owner's Equity		
Provision for B/d	310		Capital	45000	
		2790	+ Int. on Capital	850	
Bills receivable		600		45850	
Closing		3500	Less Drawing	500	
Inventory				45350	
Fixed Assets			Net Income	360	
Plant & Mach.	42000			45710	
Less Dep.	2100	39900			
Total		47040	Total		47040

Problem No. 5

Solution:

ADJUSTING JOURNAL ENTRIES

Date	Particular	Debit Rs.	Credit Rs.
(1)	Merchandise Inventory	8000	
	Income and Expenses Summary		8000
(2)	Bad Debts Expenses	300	
	Allowance for Bad debts		300
(3)	Selling Supplies Expenses	200	
	Selling Supplies		200
(4)	Insurance Expenses	40	
	Unexpired Insurance		40
(5)	Depreciation Expenses	50	
	Accumulated Depreciation		50

Income Statement
In the year ending 1st Dec. 2005

Date	Particular	Debit Rs.	Credit Rs.
	Sales	55000	
	Less Sales Returns	1000	
	Net Sales		54000
	Less cost of Ends Sold		
	Opening Inventory	7000	
	Purchases Inventory 40000		
	Less Purchase Returns 1200	38800	
	Freight	1700	
	Less Closing Stock	47500	
		8000	
	Gross Profit		39500
	Less Operating Exports		14500
	Sales Salaries	4500	
	Advertising Expenses	1800	
	Office Salaries Expenses	3500	
	Rent Expenses	600	
	General Expenses	350	
	Bad debts	300	
	Suffier Expenses	200	
	Depreciation Expenses	50	
	Income Expenses	40	11340
			3160

Balance Sheet
As on 31st December 2005

Assets				
Current Assets				
Cash			1000	
Accounts Receivables	1500			
Less Bad debts	300		14700	
Closing Stock			8000	
Supplies			700	
Prepaid Income			80	2448
Fixed Assets				
Furniture	2000			
Less allowance for Depreciation	250			175
Liabilities & Owner's Reputy				
Current Liabilities				
Accounts Payables				1200
Owner's reputy				
Capital Karim & Co			11470	
Net Profit	3160			
Less Drawngs	400		2760	
Net Increase in Capital				1423
				2623

Problem No. 6

INCOME STATEMENT
For the ended on December 31, 2005

	Rs.	Rs.
Sales		160000
Less Cost of Merchandise Sold		
Merchandise Inventory (1.1.2005)	40000	
Purchases	92000	
Total Merchandise available for sales	132000	
Less Ending Inventory	30000	
Cost of merchandise sold		102000
Gross Profit		58000
Less Operative Expenses		
Selling Expenses		
Sales Salaries Expenses	9600	
Sales Supplies Expenses	1000	
Depreciation or Equipment	5000	
Advertisement	4000	
General Expenses		
Insurance Expenses	400	
Office Salaries	4000	
Allowance for Bad Debts	3000	
Total Operative Expenses		27000
Net Income		31000

BALANCE SHEET
As on 31st December 2005

Assets		Rs.	Equities		Rs.
Current Assets			Current liabilities		
Cash at Bank		6400	A/C Payable		18000
A/c Receivable	40000				
Less All. For B/d	3000	37000			
Prepaid Insurance		400	Capital		
Merch. Inventory		30000	Capital	50000	
Sales Supplies		200	Add net income	31000	81000
Fixed Assets					
Sales Equipment	30000				
Less Dep.	5000	25000			
Total		99000	Total		99000

Problem No. 7**Solution:****ADJUSTING JOURNAL ENTRIES**

Date	Particular	Debit Rs.	Credit Rs.
2004 Dec. 31	Merchandise Inventory Income and Expenses Summary Being the value of unsold merchandise at the end of year.	45000	45000
	Taxes Expenses Wages Expenses Accrued Liabilities Being the amount of expenses payable at the end of year	250 200	450
	Prepaid Insurance Insurance Expenses Being the amount of Unexpired insurance.	150	150
	Bad Debt Expenses Accounts Receivable Being the amount of actual bad debts written off.	400	400
	Bad debts Expenses Allowance for bad debts Being the amount of estimated allowance for Bad Debts.	2535	2535
	Depreciation Expenses Acc. Dep. (Building) Acc. Dep. (Machinery) Acc. Dep. (Furniture) Being the amount of depreciation written off at various assets.	1,145	150 750 245

INCOME STATEMENT

For the year ended on 30.12.2004

		Rs.	Rs.
Sales	125000		
Returns	2700		122300
<u>Cost of merchandise sold</u>		30000	
Mer. inventory (opening)			
Purchases	75000		
- Returns	1300		
Net Purchases		73700	
Wages		3700	
Cost of Mer. available for sale		107400	
- Merchandise inventory (closing)		45000	
Cost of merchandise sold			62400
GROSS PROFIT ON SALES			59900
<u>Operative Expenses</u>			
<u>Selling Expenses</u>			
General Trade Expenses	3675		
Advertisement Expenses	420	4035	
<u>General Expenses</u>			
Salaries	5600		
Trade and Insurance	660		
Taxes and Insurance	2900		
Bad Debts Expenses	2535		
Depreciation expenses	1145	12840	
Total Operative Expenses			16935
Net Operative Income			42965
<u>Other Expenses</u>			
Discount (Dr.)		300	
Bank Interest		215	515
NET INCOME			42450

BALANCE SHEET**As on 31.12.2004**

Assets		Rs.	Equities		Rs.
<u>Current Assets</u>			<u>Current liabilities</u>		
Cash		1030	Bank Overdraft		10000
A/c Receivable	45700		A/c Payable		30000
- Allows B/d	2285	44415	Accrued Liabilities		450
Merchandise Inv.		45000	<u>Owner's Equity</u>		
Prepaid Insurance		150	Capital	35000	
<u>Fixed Assets</u>			+ Net Income	42450	
Furniture	2450			77450	
- Acc. Dep.	245	2205	- Drawings	11000	
Mach. & Plant	10000				
- Acc. Dep.	750	9250			
Buildings	6000				
- Acc. Dep.	250	5850			
TOTAL		106900	TOTAL		106900

Problem No. 8**ADJUSTING JOURNAL ENTRIES**

Date	Particular	Debit Rs.	Credit Rs.
(a)	Merchandise Inventory Income & Expenses Summary	23600	23600
(b)	Store Supplies Used Stores Supplies	280	280
(c)	Depreciation of Stores Furniture Allowance for depreciation	355	355
(d)	Advertising Accrued Advertising	65	65
(e)	Prepaid Tax Tax	100	100
(f)	Taxes Accrued Tax	215	215
(g)	Interest Expenses Accrued interest on notes payable	75	75
(h)	Accrued interest on notes receivable Interest Income	105	105
(i)	Bad Debts Allowance for Bad Debts	125	125

M/S Khan & Chaudhry
INCOME STATEMENT

For the year ended December 31, 2005

		Rs.	Rs.
Sales			60000
<u>Cost of Merchandise Sold</u>			
Purchases	67000		
Less Purchases Return	1650		
Less Purchases Discount	<u>2300</u>	3950	
Less Merchandise inventory		60050	
December 31, 2005		23600	39450
Gross Profit on Sales			25550
<u>Less Operating Expenses</u>			
<u>Selling Expenses</u>			
Sales Salaries	8000		
Stores Supplies used	320		
Dep. of stores Furniture	355		
Advertising	<u>65</u>	8740	
<u>General and Admn. Expenses</u>			
Taxes	715		
Bad Debts	125		
General Expenses	<u>12600</u>	13440	
Total Operating Expenses			22180
Net Operating Income			3370
Add Interest Income			255
			<u>3625</u>
Less Interest Expenses			575
NET INCOME			42454

M/S Khan & Chaudhry
BALANCE SHEET

For the year ended December 31, 2005

ASSETS	Rs.	Rs.
<u>Current Assets</u>		
Cash	4650	
Notes Receivable	1600	

A/c Receivable	2500		
Less Allowance for B/d	125		
		2375	
Accrued Interest on notes Receivable		105	
Merchandise Inventory		23600	
Prepaid Expenses			
Store supplies	280		
Taxes	100	380	
Total Current Assets			32170
Fixed Assets			
Stores Furniture		3700	
Less allowance for depreciation		355	3345
Total Assets			36055
LIABILITIES AND CAPITAL			
Current Liabilities			
Notes Payable		6000	
Accounts Payable		12600	
Accrued Expenses			
Advertising	65		
Taxes	215		
Interest on Notes Payable	75	355	
Total Liabilities			18955
Capital			
Khan's Capital	10000		
Add net Profit	1525		
	11525		
Less Drawings	2400	9125	
Chaudhry's Capital	7350		
Add Net Profit	1525		
	8875		
Less Drawings	900		
		7975	17100
Total			36055

Problem No. 9

INCOME STATEMENT

For the year ended on 31st December 2006.

Description		Amount			
	Revenue form sale			57000	
Less	Sales return			500	56000
	Cost of Merchandise sold				
	Merchandise inventory (1.1.06)			150000	
Add	Purchases		32000		
Less	Purchases Returns		200		
	Net Purchases			31800	
	Direct expenses:				
	Carriage				
	Railway freight		700		
			1000	1700	
Less	Merchandise available for sale			48500	
	Merchandise inventory			7000	
	Cost of merchandise sold				41500
Less	Gross profit sales				15000
	Operative expenses:				
	Interest				
	Discount		1200		
	Salary		350		
	Outstanding salary		1500		
	Rates and taxes		300		
Less	Prepaid rates and taxes	800			
	Insurance	200	600		
	Stationary		500		
	Bad debts		1000		
Add	New allowance for bad debts	150			
		105			
Less	Old allowance for B/d	255			
	Depreciation building	200	55		
	Depreciation fixture	1125			
	Total operative expenses	75	1200		
Add	Net income				6705
	Other income				8295
	Commission				
	Discount	300			
	Net income	800			1100
					9395

BALANCE SHEET

For on 31st December 2006.

Assets:		Rs.	Rs.	Rs.	Rs.
Current assets:					
	Cash at bank				
	Cash		5000		
	Account receivable		2500		
Less	Reserve	2100			
		105	1995		

	Closing stock		7000		
	Prepaid rent		200	16695	
	Fixed assets:				
	Building	45000			
Less	Depreciation	1125	43875		
	Fixtures	3000			
Less	Depreciation	75	2925		
	Furniture		1200	48000	64695
	Liabilities				
	Current liabilities				
	Account payable		4000		
	Bank overdraft		6000		
	Outstanding salary		300	10300	
	Capital	48000			
Add	Net income	9395			
		57395			
Less	Drawing	3000		54395	64695

Problem No. 10**INCOME SUMMARY**For the year ended on 31st March, 2007.

Description		Amount		
	Sales revenue		2100	
Less	Sales return		100	2000
	Cost of Merchandise sold			
	Purchase	2500		
Less	Purchase return	500		
	Merchandise available for sale		2000	
Less	Closing inventory		200	
	Cost of merchandise sold		1800	
	Grossing income			200
	Operating expenses			
	Selling expenses:			
	Salaries		900	
	Advertisement		1200	
	Allowance for uncollectible (100 + 50 - 100)		50	
	Total selling expenses		2150	
	Administrative expenses:			
	Depreciation (100 + 50)		150	2300
	Total operating expenses:			2100
	Other revenue:			
	Revenue from fees	1200		
Add	Accrued fee	100	1300	
	Commission	800		
Less	Unearned commission	500	300	1600
	Net loss			500

BALANCE SHEET
For on 31st December 2007.

Description		Amount		
<u>Current Assets:</u>				
	Cash in hand		4500	
	Cash at bank		3700	
	Account receivable	2500		
Less	Uncollectible	50		
		2450		
Less	Allowance for uncollectible	100	2350	
	Prepaid rent			1500
	Closing inventory			200
	Fees receivable			100
	Total current assets			123500
	Furniture	2700		
Less	Accumulated depreciation	50	2650	
	Machinery	4000		
Less	Accumulated depreciation	600	3400	
	Land		5000	
	<u>Total Assets:</u>		11050	23400
<u>Liabilities and capital:</u>				
	Accounts payable		1000	
	Notes payable		2000	
	Unearned commission		500	
	Unpaid salary		400	
	Loan		2000	
	Total liabilities			5900
	Capital		18000	
	Loss net loss		500	17500
	Total capital & liabilities			23400

BY THE SAME AUTHOR

- ✓ FUNDAMENTAL PRINCIPLES OF ACCOUNTING I.COM-I
- ✓ KEY TO FUNDAMENTAL PRINCIPLES OF ACCOUNTING I.COM-I
- ✓ FUNDAMENTAL PRINCIPLES OF ACCOUNTING I.COM-II
- ✓ KEY TO FUNDAMENTAL PRINCIPLES OF ACCOUNTING I.COM-II
- ✓ FUNDAMENTAL OF ACCOUNTING FOR B.COM -I
- ✓ KEY TO FUNDAMENTAL OF ACCOUNTING FOR B.COM -I
- ✓ OBJECTIVE ACCOUNTING I.COM.- I
- ✓ OBJECTIVE ACCOUNTING I.COM.-II
- ✓ SHORT ANSWER AND QUESTIONS ACCOUNTING B.COM.-I

چودھری محمد حنیف	جدید اصول بنکاری	✓
چودھری محمد حنیف	جدید اصول تجارت	✓
چودھری محمد حنیف	معروضی اصول تجارت	✓
چودھری محمد حنیف	معروضی اصول بنکاری	✓
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