

Accountancy and Auditing Part-I.

Section - I

12

Question No. 2:-

Required:-

- 1) Income statement for the year ended Dec 31st, 2000.
- 2) Statement of owner's equity at Dec 31, 2000.
- 3) Balance Sheet as at Dec 31st, 2000.

Answer No. 1 :-

Part (a):-

Income Statement for the Year Ended Dec 31st, 2000

The Best Agency

Income Statement

For the Year Ended December 31, 2000

Revenue:

Commissions Earned

125,000

Expenses:

Operating Expenses

(105,000)

Net Income

20,000

Part (b):-

Statement of Owner's Equity at Dec 31st, 2000

This statement shows the changes in the owner's equity over the year.

The Best Agency
 Statement of Owner's Equity
 At December 31st, 2000

Owner's Equity at Beginning of Year ✓		300,000 (Saudia initial investment)
Add:		
Additional Investment ×		100,000 (loan from local bank)
Net Income ✓		20,000
Less:		
Withdrawal ✓		(5,000)
Owner equity at the end of year		415,000

Part (c) :-

Balance Sheet as a Dec 31, 2000

(PTO)

The Best Agency
Balance Sheet
as at December 31st, 2000

need to discuss

Assets:

Cash	X	125,000
A/C Receivable	✓	15,000
Land	✓	50,000
Building	✓	100,000
Furniture & Fixture	✓	<u>130,000</u>
Total Assets		<u><u>420,000</u></u>

Liabilities:

A/C Payable	50,000
Bank loan	100,000
Total liabilities	150,000

Owner's Equity

Saadiq, capital	X	295,000
Total owner's Equity	X	270,000

Total Liabilities & Owner's equity 420,000

Part (b):-

A corporation had to stockholder's equity -----
----- 2,500,000.

Required: Prepare journal entries to record ..

Answer :-

Transaction 1: Issued 100,000 shares of common stock
for cash at \$15 per share. X

Question no. 3 Part (a):-

Determined the machine's second-year ----- method

Answer :-

We need to calculate annual depreciation
Straight-line depreciation is:-

Depreciation per year = $\frac{\text{Cost of machine} - \text{salvage value}}{\text{Useful life in years}}$

putting given values

$$\begin{aligned} \text{Depreciation per year} &= \frac{42300 - 6000}{10} \\ &= \frac{36300}{10} = 3630 \checkmark \end{aligned}$$

now for 2nd year depreciation

2nd-year dep = $\frac{\text{Dep per year} \times \text{unit produced in 2nd year}}{\text{Total estimated units over useful life}}$

Units produced in the second year = 35000
Total estimated units over useful life = 363000

$$\text{Second-year dep} = \frac{10}{1210} \times \frac{363000}{363000} \times 35000$$

$$\text{2nd-year dep} = 10 \times 35$$
$$\text{Second-year depreciation} = 350\$$$

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Question No. 3 Part (b):-

1) Current Ratio:-

$$\text{Current Ratio} = \frac{\text{current Assets}}{\text{current Liabilities}}$$

putting values

$$2.0 = \frac{\text{Current Assets}}{100,000}$$

$$2 \times 100,000 = \text{Current Assets}$$

$$\text{Current Assets} = 200,000$$

2) Quick Ratio:-

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

putting values given

$$1.4 = \frac{200000 - \text{Inventory}}{100000}$$

$$1.4 \times 100,000 = 200,000 - \text{Inventory}$$

$$140,000 = 200,000 - \text{Inventory}$$

$$\text{Inventory} = 200,000 - 140,000$$

$$\boxed{\text{Inventory} = 60,000}$$

Inventory Turnover:-

$$\text{Inventory Turn} = \frac{\text{COGS}}{\text{Average Inventory}}$$

$$\text{Inventory Turnover} \times \text{Avg Inventory} = \text{COGS}$$

$$\text{COGS} = \text{Inventory Turnover} \times \frac{\text{Inventory}}{2}$$

$$\text{COGS} = \frac{3}{2} \times 60,000$$

$$\text{COGS} = 180,000$$

now

$$\text{Gross Profit margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$

$$\text{here Gross Profit margin} = 0.20 (20\%)$$

$$\text{and Gross Profit} = \text{Sales} - \text{COGS}$$

$$0.20 = \frac{(\text{Sales} - \text{COGS})}{\text{Sales}}$$

$$0.20 = \frac{\text{Sales} - 180,000}{\text{Sales}}$$

$$0.20 \text{ Sales} = \text{Sales} - 180,000$$

$$180,000 = \text{Sales} - 0.20 \text{ Sales}$$

$$180,000 = (1 - 0.20) \text{ Sales}$$

$$180,000 = 0.80 \text{ Sales}$$

$$\text{Sales} = \frac{180,000}{0.80} \times 100$$

X

$$\text{Sales} = 225,000$$

So firm's sale is 225,000

Section II

Question No. 8:-

Following are ----- per unit cost of goods manufactured:

Answer:-

a) Calculate all missing figures

Direct labour

Work in Process (ending) 30 units

Work in Process (beginning) 25 units

Cost of goods manufactured 800,000

* Cost of goods manufactured (COGM):-

as, COGM is 8/15 of sales, so,

$$\text{COGM} = \frac{8}{15} (\text{Sales Revenue})$$

$$\text{COGM} = \frac{8}{15} (1,500,000)$$

$$\text{COGM} = 800,000$$

In order to find Beginning W-I-P, Ending W-I-P and Direct labour we need to find

Unit manufactured :-

unit in Beginning of W-I-P = 25 units

units in Ending W-I-P = 60 units

units completed = 1000 units (Sales revenue)

unit manufactured = units completed + units in Ending W-I-P -
Beginning W-I-P

Units Manufactured = 1000 + 60 - 25

Units Manufactured = 1035 units.

* Beginning Work in Process :-

= Ending work in Process - (Units manufactured -
units completed)

Beginning work in Process = 60 - (1035 - 1000)

= 60 - 35

Beginning work in Process = 25 units

* Ending work in Process units :-

= Beginning work in Process + (units manufactured - units
completed)

= 25 + (1035 - 1000)

= 25 + 35

Ending work in Process = 60 units

Direct labour = ?

$$= (\text{COGM} + \text{Ending Work in Process}) - (\text{Direct material} + \text{Factory Overhead})$$

$$= (800,000 + 60) - (20,000 + 140,000)$$

$$= 800060 - 160000$$

Direct labor = 639940

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2) Prepare statement of COGS

Beginning Finished goods Inventory	30,000
COGM	800,000
Ending Finished goods Inventory	(80,000)
Cost of Goods Sold	750,000

3) Income Statement

Income Statement
for Year Dec 31st, 2007

Sales Revenue	1,500,000
Cost of goods Sold	(750,000)
Gross Profit	750,000
Admin and general exp	(210,000)
Marketing & selling exp	(20,000)
Net Income	520,000

4) Units Manufactured:-

as solved

Units Manufactured = 1035 units

5) Per Units Cost of goods Manufactured:-

$$\text{Per units cost of goods Manufactured} = \frac{\text{COGM}}{\text{units manufactured}}$$

$$= \frac{800,000}{1035}$$

1035

$$\text{Per units cost of goods manufactured} = 772.95 \text{ units.}$$

6) Gross Profit Per Unit Sold:-

$$= \frac{(\text{Sales Revenue} - \text{COGS})}{\text{units manufactured}}$$

units manufactured

$$= \frac{1500,000 - 750,000}{1035}$$

1035

$$= \frac{750,000}{1035}$$

1035

13/20

$$= 723.19 \text{ per units.}$$

