

## Accountancy &amp; Auditing

General Journal		Dr	Cr
Sep 8	Salary expense	900	
	Prepaid Salary	500	
	cash		1,400
Sep 10	Cash	1,400	
	Account Receivable		1,400
Sep 12	cash	3,400	
	Services		3,400
Sep 15	Store equipment	3,000	
	Accounts payable		3,000
Sep 17	Supplies	1,200	
	Accounts payable		1,200
Sep 20	Accounts payable	4,500	
	cash		4,500
Sep 22	Rent	500	
	cash		500
Sep 25	Salaries	1,250	
	cash		1,250

		Dr	Cr
Sep 27	A. Receivable	1,500	
	Services		1,500

Sep 29	Cash	650	
	Unearned revenue		650

Trial balance at September 30

	Dr	Cr
Cash	2,480	
Accounts Receivable	3,820	
Supplies	320	
Store Equipment	1,800	
Prepaid Salary	500	
Salary	2,150	
Rent	500	
<del>Services Revenue</del>		<del>7,900</del>
Accumulated Depreciation		1,500
Accounts Payable		3,100
Unearned Service Revenue		2,050
Salaries Payable		500
Common Stock		15,000
Retained Earnings		360
		5,850
	<u>30,200</u>	
	28,000	<u>28,000</u>

b)

General Journal

	Dr	Cr
Accounts payable	1200	
cash		1200
Salary	400	
Salary payable		400
Depreciation expense	100	
Accumulated depreciation		100
Revenue	1450	
Unearned revenue		1450

Adjusted Trial Balance

	Dr	Cr
Cash	1280	
Accounts Receivable	3800	
Supplies	3200	
Store equipment	18,000	
Prepaid salary	500	
Accumulated depreciation		1600
Accounts payable	1900	1900
Unearned Service revenues		600
Salaries payable		900
Common Stock		15,000

	Dr	Cr
Retained Earnings	<u>26800</u>	<u>6800</u> <u>26800</u>

Q. NO. 3

$$\text{Double declining method} = 2 \times \left( \frac{\text{Cost of Asset} - \text{Salvage Value}}{\text{useful life}} \right)$$

$$\begin{aligned} \text{Year 2015 Annual depreciation expense} &= 2 \times \left( \frac{85000 - 10,000}{4} \right) \\ &= \text{Rs. } 37500 \text{ Ans.} \end{aligned}$$

$$\text{Depreciation rate} = \frac{37500}{85,000} = 44\%$$

$$\begin{aligned} \text{Year 2016 Annual depreciation expense} &= 47500 \times 44\% \\ &= \text{Rs. } 20900 \text{ Ans.} \end{aligned}$$

$$\begin{aligned} \text{Year 2017 Annual depreciation expense} &= 26600 \times 44\% \\ &= \text{Rs. } 11704 \end{aligned}$$

$$\begin{aligned} \text{Year 2018 Annual depreciation expenses} &= 14896 \times 44\% \\ &= \text{Rs. } 6554.24 \end{aligned}$$

### Accumulated depreciation

Year 2015	=	Rs. 37500
Year 2016	=	Rs. 58400
Year 2017	=	Rs. 70104
Year 2018	=	Rs. 76658.24

### 2) Balance Sheet at December 31, 2015

Non-current Assets	Rs	Rs
Excavator		85000
Less: Accumulated Depreciation	37,500	
Book value of Excavator		47500

### General Journal

		Dr	Cr
	Asset Excavator	85,000	
	Cash		85,000
2015	Depreciation expense	37,500	
	Accumulated depreciation		37,500
2016	Depreciation expense	20,900	
	Accumulated depreciation		20,900
2017	Depreciation expense	11,704	
	Accumulated depreciation		11,704

		Dr	Cr
Year 2018	Depreciation expense	6554.24	
	Accumulated depreciation		6554.24

	Cash	10,000	
	Book value of asset		8341.76
	Profit on Sale of asset		1658.24

B

Cost of machine = \$42,300

$$\begin{aligned} \text{Depreciation expense} &= \frac{42,300 - 6000}{10} \\ &= \$3630 \end{aligned}$$

Machine's second year depreciation  
= \$3630

Book value of the machine in the  
second year

$$\begin{aligned} &= 42,300 - 3630 \\ &\quad - 3630 \\ &= \$35040 \end{aligned}$$

## Section II

Q5

g) i) Total factory overhead variance :-  
Actual total factory overhead -  
Budgeted total factory overhead  
= 1130000 - 1050000  
= Rs 80000

Budgeted fixed overhead absorption rate  
=  $\frac{1050000}{20,000} = 5.25$

ii) Capacity Variance =  $5.25 (220000 - 20,000)$   
= 525 (20000)  
= 10500 Favorable

iii) Budget variance = 80,000 + 105,000  
= 185,000

b) Total fixed cost of the shipping department of  
Areba & Co:  
= Rs. 800,000 X 0.75 + Rs. 2,50,000  
annual lease  
= 600,000 + 250,000  
= Rs. 850,000 Ans //

Q no 6

$$\begin{aligned} \text{a) Break-even units} &= \frac{50,000}{\text{contribution per unit}} \\ &= \frac{50,000}{200} \\ &= 250 \text{ units Ans.} \end{aligned}$$

b) The company's sales budget

	1st Q	2nd Q	3rd Q	4th Q
Budgeted Sales	\$440,000	\$330,000	\$550,000	\$330,000

Schedule of expected cash collection

	1st Q	2nd Q	3rd Q	4th Q
Sales	\$330,000	247,500	412,500	247,500
Accounts Receivable	\$66,000	1st Q Sales 88,000	2nd Q Sales 66,000	3rd Q Sales 110,000
Total cash collection	<u>396,000</u>	<u>335,500</u>	<u>478,500</u>	<u>357,500</u>



Productions budget for the upcoming fiscal year:

	1st Q	2nd Q	3rd Q	4th Q
opening inventory	3,200 units	3000	5000	3000
Units produced	19 800 units	17 000	23 000	15 400
Total units	23 000 units	20 000	28 000	18 400
less: units sold	(20 000) units	(15 000)	(25 000)	(15 000)
Closing Inventory	<u>3000</u> units	<u>5000</u> units	<u>3000</u> units	<u>3400</u> units