

Date \_\_\_\_\_

## Section - I

1) Salary expense 1400  
    Salary payable 1400  
(To record Salary Paid)

2) Cash 1200  
    Account receivable 1200  
(To record cash received by customer)

3) Cash 3400  
    Service revenue 3400  
(To record Cash received from Service)

4) Equipment 3000  
    Accounts payable 3000  
(To record equipment purchased on account)

5) Suppliers 1200  
    Suppliers payable 1200  
(To record Suppliers purchased)

6) Accounts Payable 4500  
    Cash 4500  
(To record Payment made to Creditors)

7) Rent expense 500  
    Cash 500  
(To record cash paid for rent)

8) Salaries expense 1250  
    Cash 1250  
(To record salaries paid)



9) Accounts Receivable 1500  
 Service Revenue 1500  
 (To record services on account)

10) Cash 650  
 Unearned Service Revenue 650  
 (To record cash received for future service)

### Cash Account

Bal b/d 4880	Rent expense 500
Account receivable 1200	Salaries expense 500
Service Revenue 3400	Bal c/d 9130
Unearned Service Revenue 650	
<u>10,130</u>	<u>10,130</u>

### Salary A/c

Salary Payable 1700	Bal c/d 2650
Cash 1250	
<u>2650</u>	<u>2650</u>

### Rent A/c

Cash 500	Bal c/d 500
<u>500</u>	<u>500</u>



### Account Receivable A/c

Service Revenue 1500

1500

Cash 1200

Bal c/d 300

1500

### Account Payable A/c

Cash 4500

4500

Equipment 3000

Bal c/d 1500

4500

### Equipment A/c

Account Payable 3000

3000

Bal c/d 3000

3000

3000

### Service Revenue A/c

Bal c/d 4050

4050

Cash 3400

Pr Cash 650

4050

### Supplies Account

Supplies Payable 1200

1200

Bal c/d 1200

1200



Account	Debit	Credit
Cash	9130	
Accounts receivable	3820	
Accounts payable		7900
Salaries expense	900	
Rent	500	
Unearned Service Revenue		2050
Equipment	18000 30000	
Supplies	3200 1200	
Service Revenue		3400
Retained Earnings		3600
Accumulated depreciation		1500
(Salaries Payable)		
Common stock		15000
	<u>35,550</u>	<u>30,450</u>

## B) Adjustment Entries

1) Supplies Expense 800 (1200 - 400)  
Supplies 800

2) Salaries expense 400  
Accrued salaries payable 400

3) Depreciation Expense 100  
Accumulated depreciation 100

4) Unearned Service Revenue 1450  
Service Revenue 1450



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Account	Debit	Credit
Cash	9130	
Account receivables	3820	
Accounts Payable		4900
Salaries Expense	1300	
Rent	500	
Unearned Service Revenue		<del>2050</del> 600
Equipment	18000	
Supplies	3200	
Service Revenue		4850
Retained Earnings		3600
Accumulated depreciation		1600
Depreciate expense	100	
Supplies expense	800	
Commonstock	<del>36,850</del>	15000
Total	36,850	30550

(Q4) Determine Average Profit

$$\text{Average Profit} = \frac{\text{Total Profit}}{\text{Number of Years}}$$

$$\text{Average Profit} = \frac{15000 + 12000 + 18000 + 19000}{4}$$

$$= \frac{64000}{4} = 16000$$

$$\text{Average Profit} = 16000$$

$$\text{Calculate Goodwill} = 16000 \times 3 = 48,000$$

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a) If k pays for the goodwill in cash

i) Entry for k's Capital

Cash (k's Capital)	30,000
Capital Account	30,000

(To record Capital brought into business)

Goodwill Account	48,000
A's Capital Account	36,000
B's Capital Account	12,000

ii) Entry to distribute Goodwill among existing partners

A' Capital Account	36,000
B' Capital Account	12,000
Goodwill Account	48,000

iii) Entry to transfer Goodwill according to New ratio

Goodwill Account debit	48,000
A's Capital Account	82,800
B's Capital Account	96,000
k' Capital Account	9600

13) Entry to Record Non - Cash Asset Contribution

Non - Cash Asset Account	48,000
Goodwill Account	48,000



## Section - II

- Q5a) Fixed Factory OH (Budgeted) = Rs 450,000  
 Variable Factory OH (Budgeted) = Rs 600,000  
 Direct labour Hours (Budgeted) = 200,000 hours  
 Fixed Factory OH (Actual) = Rs 450,000  
 Variable Factory OH (Actual) = Rs 680,000  
 Direct labour Hours (Actual) = 220,000 hours.

(i) Total Factory O.H Variance

$$\text{Total Factory O.H Variance} = \text{Actual FOH} - \text{Budgeted FOH}$$

$$\begin{aligned} \text{Total Factory O.H Variance} &= (\text{Actual fixed FOH} + \text{Actual Variable Factory O.H}) - (\text{Budgeted fixed} \\ &\text{Factory O.H} + \text{Budgeted Variable Factory O.H}) \\ &= 450,000 + 680,000 - 450,000 + 600,000 \end{aligned}$$

$$\text{Total Factory O.H Variance} = 1,130,000 - 1,050,000 = 80,000 \text{ Unfavourable.}$$

(ii) Capacity Variance

$$\text{Capacity Variance} = \text{Actual hours} - \text{Budgeted Hours} \times \text{Fixed O.H rate}$$

$$\text{Capacity Variance} = (\text{Actual labour hours} - \text{Budgeted Hours} \times \text{Fixed O.H rate})$$

$$\text{Fixed O.H rate} = \frac{450,000}{200,000} = 2.25$$



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$$\text{Capacity Variance} = (220,000 - 200,000) \times 2.25$$
$$= 45,000 \text{ (Favorable)}$$

ii) Budget Variance

Budget Variance: Budgeted FOH - Applied FOH

$$\text{Budget Variance} = (\text{Budgeted Fixed F.OH} + \text{Budgeted Variable Factory O.H}) - (\text{Actual Fixed Factory O.H} + \text{Actual Variable Factory O.H})$$

$$\text{Budget Variance} = (450,000 + 600,000) - (450,000 + 680,000)$$
$$= 1,050,000 - 1,130,000 = 80,000 \text{ (Unfavorable)}$$

B) Total fixed Cost of the Shipping department

Salaries  $800,000 \times \frac{75}{100}$

$$\text{Salaries} = 600,000$$

Rent of Warehouse = 250,000 Annual lease

$$\text{Total fixed cost} = 600,000 + 250,000 = 850,000$$



Q No 6)

a) Breakeven

$$\text{Breakeven (in units)} = \frac{\text{Fixed Costs}}{\text{S.P per unit} - \text{Variable Cost per unit}}$$

Selling price per set = Rs 600

Variable costs per set =  $\frac{160,000}{400} = 400$ 

Fixed costs = Rs 50,000

$$\text{Breakeven point (in Units)} = \frac{50,000}{600 - 400} = 250$$

He should sell 250 units to reach breakeven

b) Sales Budget

Quarter	Budgeted Unit Sales	S.P unit	Total Sales
1st	20,000	22.00	\$ 440,000
2nd	15,000	22.00	\$ 330,000
3rd	25,000	22.00	\$ 550,000
4th	15,000	22.00	\$ 330,000

Schedule of Cash Collections

Quarter	Collections in Quarter	Collections in Next Quarter
1st	330,000 (75%)	88,000 (20%)
2nd	(247,500 + 88,000) (75%)	66,000 (20%)
3rd	412,500 + 66,000	110,000 (20%)
4th	247,500 + 110,000	66,000 (20%)



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## Production Budget

Beginning finished goods inventory (1st Quarter) = 3200  
Desired ending finished good inventory = 20% of the  
Follow quarter

### Budgeted unit sales

1st Quarter	20,000
2nd Quarter	15,000
3rd Quarter	25,000
4th Quarter	15,000

### First Quarter (Q1)

Production needed:  $20,000 + (0.20 \times 15,000) - 3200$   
Production needed:  $20,000 + 3,000 - 3200 = 19,800$

### Second Quarter (Q2)

Production needed:  $15,000 + (0.20 \times 25,000) - 0$   
Production needed:  $15,000 + 5,000 = 20,000$

### Third Quarter (Q3)

Production needed =  $25,000 + (0.20 \times 15,000) - 0$   
Production needed:  $25,000 + 3,000 = 28,000$

### Fourth Quarter (Q4)

Production needed =  $15,000 + (0.20 \times 15,000) - 0$   
Production needed:  $15,000 + 3,000 = 18,000$

Therefore, Production Budget is

Quarters 1st	19,800
2nd	20,000
3rd	28,000
4th	18,000