



**Pakistan Institute  
of Public Finance Accountants**

# **Model Solutions**

**Financial Accounting and  
Analytical Review of Audited  
Accounts**

**AGP**

**Winter Exam-2025**

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Q.1.  
a

Ali & Dilawar		
Appropriation Account for the year ended 30 April 2023		
	Rs.	Rs.
Profit for the year		42,304
<b>Add Interest on drawings: (1)</b>		
Ali	970	
Dilawar	<u>816</u>	<u>1,786</u>
		44,090
<b>Less Interest on Capital: (1)</b>		
Ali	(2,700)	
Dilawar	<u>(1,950)</u>	
	(4,650)	
<b>Less: Salary-Ali (1)</b>	<u>(9,500)</u>	<u>(14,150)</u>
<b>Residual profit (1)</b>		<u><u>29,940</u></u>
<b>Profit Share: (1)</b>		
Ali (29,940 x 60%)	17,964	
Dilawar (29,940 x 40%)	<u>11,976</u>	<u><u>29,940</u></u>

Q.1.  
b

Ali					
Current Account					
Date	Details	Rs.	Date	Details	Rs.
2022 May 1	Balance b/d	2,600	2023 Apr 30	Interest on Capital (1)	2,700
2023 Apr 30	Drawings (1)	19,400		Salary (1)	9,500
	Interest on Drawings (1)	970		Profit share (1)	17,964
	Balance c/d	7,194			
		<u><b>30,164</b></u>			<u><b>30,164</b></u>
			2023 May 1	Balance b/d	7,194

Q.2.

	Rs.	Rs.
Total Inventory at Cost as per Inventory Count (1)		164,300
Slow Moving Inventory-Cost (1)	2,400	
NRV-Selling Price costs to sell (2,400 x 90% - 1,280) (2)	<u>(880)</u>	
Inventory Write Down (1)		(1,520)
<b>Value of Closing Inventories (1)</b>		<u><b>162,780</b></u>



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**Q.3.**  
**a**

<b>Bilal Limited</b>		
<b>Income Statement for the year ended 30 June 2023</b>		
	<b>Rs.</b>	<b>Rs.</b>
Revenue (135,040 - 9,240) (2)		125,800
<b>Less Expenses:</b>		
Wages and salaries (1)	72,000	
Motor expenses (1)	9,820	
Insurance (1/2 x 7,220) + (1/2 x 7,440) (3)	7,320	
General expenses (12,780 + 186) (2)	12,966	
Depreciation of motor vehicles (42,000 - 16,500) x 25% (3)	6,375	
Depreciation of equipment (5,000 × 20%) (2)	<u>1,000</u>	
		(109,481)
<b>Profit for the year (1)</b>		<b><u>16,319</u></b>

**Q.3.** The company provides a service rather than a product. The clients provide their own cleaning materials.  
**b** There were no irrecoverable debts during the year. There are no irrecoverable trade receivables. There are very few trade receivables/trade receivables represent less than a week's revenue. Some customers are paying in advance.

**Q.4.**  
**a**

<b>Kitchen Equipment Account</b>					
<b>2022</b>		<b>Rs.</b>	<b>2022</b>		<b>Rs.</b>
Jan 1	Balance b/d	3,450	Dec 31	Statement of profit or loss / Depreciation (2)	1,180
Dec 31	Cash (1)	<u>1,680</u>	Dec 31	Balance c/d (1)	<u>3,950</u>
		<b><u>5,130</u></b>			<b><u>5,130</u></b>
<b>2023</b>					
Jan 1	Balance b/d	3,950			

**Q.4.** The two reasons are:  
**b**

1. Takes account of the fact that some non-current assets lose most value in earlier years.
2. Matches depreciation to earlier years when non-current asset provides most benefit to business



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Q.4.  
c

Journal Entry (2)		
	Dr (Rs.)	Cr (Rs.)
Statement of profit or loss	9,000	
Provision for depreciation		9,000
<b>Workings: (2)</b>		
Net book value of original delivery vehicle: (Rs. 24,000 – Rs.10,500) = Rs. 13,500		
Cost of new delivery vehicle: Rs 22,500 + Rs. 13,500 = Rs. 36,000		
Depreciation on new delivery vehicle: 25% x Rs. 36,000 = Rs. 9,000		

- Q.5. 1. The unrealized gain on these securities should be reported as Rs. 500,000 in the 2009 income statement. This is calculated by taking the difference between the market value of the securities on December 31, 2009 (Rs. 4,500,000) and the original cost of the securities (Rs. 4,000,000). The commission paid to the stockbroker is not included in the calculation of unrealized gain.
2. The unrealized loss on these securities should be reported as Rs. 600,000 in the 2009 statement of changes in equity. This is calculated by taking the original cost of the securities (Rs. 5,000,000) plus the transaction costs (Rs. 200,000) and subtracting the market value of the securities on December 31, 2009 (Rs. 4,600,000). The resulting difference of Rs. 600,000 represents the unrealized loss on these securities.

Q.6.

#	Ratio Name	Workings	Answer
a)	Gross Margin (2)	$= \frac{112,300 - (12,800 + 72,250 - 14,650)}{112,300} \times 100$	37.31%
b)	Profit Margin (2)	$= \frac{41,900 - 19,820}{112,300} \times 100$	19.66%
c)	Rate of Inventory Turnover (2)	$= \frac{12,800 + 72,250 - 14,650}{(12,800 + 14,650)/2}$	5.13 times
d)	Current Ratio (2)	$(14,650 + 12,700) : (7,125 + 5,375) = 27,350 : 12,500$	2.19:1
e)	Liquid Ratio (2)	$12,700 : (7,125 + 5,375) = 12,700 : 12,500$	1.02: 1

Q.7.

Danial & Jahanzaib							
Capital Accounts							
		Danial	Jahanzaib			Danial	Jahanzaib
2006		Rs.	Rs.	2005		Rs.	Rs.
Jan 1	Current A/c (2)	3,000		Mar 1	Balance b/d (2)	19,000	14,000
Feb 28	Balance c/d (2)	16,000	16,000	Feb 1	Cash(2)		2,000
		<u>19,000</u>	<u>16,000</u>			<u>19,000</u>	<u>16,000</u>
				2006			
				Mar 1	Balance b/d	16,000	16,000



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**Q.8.**

Total Expenditure		3,600,000
Total Average Expenditure	2,500,000	
Less Specific Borrowing	(1,500,000)	
General Borrowing	1,000,000	
Capitalizable interests:		
Specific borrowing (1,500,000 x 6%)		90,000
General borrowing (1,000,000 x 9%)		90,000
Total Cost of the Building		<b>3,780,000</b>

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