

Question No.01

ABC Company has started its operation in January 2022. Following is the unadjusted trial balance of the company as on 31 December 2022.

ABC Company		
Unadjusted Trial Balance		
As on 31 December, 2022		
ACCOUNT HEAD	Amount in PKR	
	Debit	Credit
Stationery & Computer Supplies	85,000	
Vehicle Fuel, Maintenance	140,000	
Salaries expenses	250,000	
Building rent	120,000	
Utility Bill expense	60,000	
Cash	765,000	
Account Receivable	290,000	
Building	540,000	
Sales/Service income		935,000
Capital Account-Ali		200,000
Capital Account-Basit		200,000
Capital Account-Chandu		200,000
Account Payable		315,000
Bank Loan		400,000
	2,250,000	2,250,000

Following are additional information related to accounts:

1. Salaries expense include Rs. 60,000 which is advance payment to some employees.
2. The company received utility bill expenses of Rs. 30,000 which is not recorded in the accounts.
3. 2 % of sales is deemed as bad debts.
4. Depreciation on all fixed assets is calculated @ 20% per annum.
5. Building rent was paid on October 01, 2022 for 1 year in advance.
6. Service income include Rs. 40,000 against which no service has been provided yet.

Instructions:

1. Pass necessary adjusting entries based on the given information.
2. Prepare income statement, balance sheet and cashflow statement of the company.

Answer No. 01

ABC Company				
General Journal				
(Adjusting Entries)				
Date	Account Title	Debit	Credit	Description
31-Dec-22	Prepaid Salaries	60,000		
	Salaries Expense		60,000	
31-Dec-22	Utility Bill Expenses	30,000		
	Utility Bill payable		30,000	
31-Dec-22	Bad Debt Expense (935,000 x 0.5%)	18700		
	Allowance for Bad Debt		18700	
31-Dec-22	Depreciation Expenses	54,000		
	Allowance for Depreciation-Building		54,000	
31-Dec-22	Prepaid Building Rent(120,000÷12 x 9)	90,000		
	Salaries Expense		90,000	
31-Dec-22	Service income	40,000		
	Unearned service income		40,000	

ABC Company
Trial Balance (adjusted)
As on 31 December, 2022

ACCOUNT HEAD	UNADJUSTED		ADJUSTMENTS		ADJUSTED	
	Debit	Credit	Debit	Credit	Debit	Credit
Stationery & Computer Supplies	85,000				85,000	
Vehicle Fuel, Maintenance	140,000				140,000	
Salaries expenses	250,000			60,000	190,000	
Utility Bill expense	60,000		30,000		90,000	
Building rent	120,000			90,000	30,000	
Cash	765,000				765,000	
Account Receivable	290,000				290,000	
Building	540,000				540,000	
Capital Account-Ali		200,000			-	200,000
Capital Account-Basit		200,000			-	200,000
Capital Account-Chandu		200,000			-	200,000
Account Payable		315,000			-	315,000
Bank Loan		400,000			-	400,000
Service income		935,000	40,000		-	895,000
ADJUSTMENTS (New accounts)					-	-
Prepaid Salaries			60,000		60,000	
Utility Bill Payable				30,000		30,000
Bad Debt Expenses			18,700		18,700	
Allowances for Bad Debts				18,700		18,700
Depreciation Expenses			54,000		54,000	
Allowances for Depreciation				54,000		54,000
Prepaid building rent			90,000		90,000	
Unearned Service income				40,000		40,000
					-	-
	2,250,000	2,250,000	292,700	292,700	2,352,700	2,352,700

ABC Company
Balance Sheet
As on 31 December 2022

Assets

Service incomeRs. 895,000

Expenses:

Stationery & Computer SuppliesRs. 85,000

Vehicle Fuel, Maintenance 140,000

Salaries expenses 190,000

Utility Bill expense 90,000

Building rent 30,000

Bad Debt Expenses..... 18,700

Depreciation Expenses..... 54,000

Total Expenses 607,700

Net Profit for the yearRs. 287,300

ABC Company
Balance Sheet
As on 31 December, 2022

<u>Assets</u>	Rs.	Rs.
Cash		765,000
Account Receivable	290,000	
Less: Allowances for Bad Debts	(18,700)	271,300
Prepaid Salaries		60,000
Prepaid building rent		90,000
Building	540,000	
Less: Allowances for Depreciation-Building	(54,000)	486,000
Total Assets		1,672,300
<u>Owner Equities & Liabilities</u>		
Account Payable		315,000
Unearned Service income		40,000
Utility Bill Payable		30,000
Bank Loan		400,000
Total Liabilities		785,000
Capital Account-Ali	600,000	
Add: Net profit for the year	287,300	
Total owner equities		887,300
Total Liabilities and owner equities		1,672,300

ABC Company
Cash Flow Statement
For the period ended on December 31, 2022

1. Cash Flow from Operation

2. Cash Flow from Investing Activities

3. Cash Flow from Financing activities

Net Cash Flow during the period
