

Abdul Muteen Masood
SP20-BSE-085
Section A

Q1a) Garden Wizards
Income statement
December 31, 2020

Revenues:-

Services Revenues	56,700
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Expenses:-

Insurance	6,200
office Rent	12,000
Supplies	300
Salary	48,000
Depreciation: furniture and fixture	1,200
office and telephone	4,600
Internet service	7,200
legal expense	1,800
Interest	2,700
Miscellaneous	4,300
	<u>88,300</u>

Net income loss	(31,600)
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Q16) Gordon Wyzards
statement of retained
earnings
December 31, 2020

~~Q16~~ Beginning retained earnings : 2000
less net loss 31,600

less dividend 29,600

Q17)

Gordon Wyzards
Balance Sheet
December 31, 2020

Assets

Cash

450

Accounts Receivable

220

Unexpired insurance

1,600

Prepaid Rent

1,200

Office Supplies

900

Furniture and fixtures

10,000

Accumulative Depr

6,600

Total assets

8,370

Liabilities:-

Account payable	7,100
Notes Payable	24,000
Salaries payable	2,100
Interest Payable	170
Unearned Services	600
Total	33,970

Equity :-

Capital Stock	4,000
Retained earnings	29,600
Total	25,600
Total liabilities less	33,970
Equity	25,600
Total	8,370

Q-1)

Balance As Per Cash Book	14,710
Add deposit in transit	4,250
Add error deposit	<u>5,000</u>
	23,960

less outstanding checks

814	115	
816	170	
830	530	<u>815</u>
		23,145

Balance As per Cash Book	21,805
Add Notes Receivable	5,000
Add Over Payment	<u>1,000</u>
	27,805

less

Service Charges	600	
NSF check	4,170	
Check Recording Error	90	(4,660)
		23,145

Q3)

Average Cost

Date	Purchase			Cost of Goods			Inventory		
	Unit	Unit Cost	Total	Unit	Unit Cost	Total	Unit	Unit Cost	Total
11 March	500	20	10,000				500	20	10,000
19 March	1200	23	27,600				1700	22.1176	26,541
31 March				800	22.1176	17,694	400	22.1176	8,847

FIFO

Date	Purchase			Cost of Goods			Inventory		
	Unit	Unit Cost	Total	Unit	Unit Cost	Total	Unit	Unit Cost	Total
11 March	500	20	10,000				500	20	10,000
	1200	23	27,600				1200	23	27,600
				500	20	10,000			
				300	23	6,900	900	23	20,700

LIFO

Date	Unit	Unit Cost	Total	Unit	Unit Cost	Total	Unit	Unit Cost	Total
11 March	500	20	10,000				500	20	10,000
19 March	1200	23	27,600				1200	23	27,600
31 March				800	23	18,400	500	20	10,000
							400	23	9,200

Q36)

Lifo results in less net income 9200.

Fifo is 20700.

AVCO = 19905

Q4)

$$\text{Vehical cost} = 35,000$$

$$\text{Useful life} = 6$$

$$\text{Residual value} = 3500$$

$$(1) \frac{\text{Cost - value}}{\text{life}} = \frac{35000 - 3500}{6}$$

$$\text{Depreciation Per year} = 5250$$

$$(2) \frac{1}{6} \times 100 = 16.6667 \times 2 = 33.33\%$$

$$33.33\% \text{ NBV} \times 33.33\%$$

$$\text{Year 1} = 35000 \times 33.33 = 11,666.665$$

$$\text{Year 2} = 23,333 \times 33.33 = 7777.770$$

$$\text{Year 3} = 15,555 \times 33.33 = 5185.187$$

$$\text{Year 4} = 10,370.36 \times 33.33 = 3456.78$$

$$\text{Year 5} = 6913.58 \times 33.33 = 2304.50$$

$$\text{Year 6} = 4609.07 \times 33.33 = 1963.62$$

$$\text{Year 7} = \text{Book value } 3500$$

$$(3) \text{Units} = 85,000 \text{ miles}$$

$$Y_1 = 20,000 = 7,412$$

$$Y_2 + Y_3 = 15,000 = 5,559$$

$$Y_4 = 20,000 = 7,412$$

$$Y_5 = 20,000 = 7,412$$

Book Value

$$\begin{aligned}\text{Cost} &= 35000 - 3500 \\ &= 31,500\end{aligned}$$

$$\frac{31500}{85000} \times 0.37$$

Qnb) Double decline balance is the best and tax friendly

For example

	Line Straight	DD B	Unit of Output
Operating Expenses	30,000	30,000	30,000
Depreciation	10,000	10,000	10,000
Taxable	5250	11,667	6,300
Less: Taxes	1475	8,333	13700
Net income	4425	25,000	4,110
	10,352	5833	9590