

SEMESTER SPRING 2014

SOLUTION OF ASSIGNMENT# 01

1)

Gross sales:

$$\begin{aligned} &= \text{Net sales} + \text{Return inwards} \\ &= 2,500,000 + 50,000 \\ &= \text{Rs. } 2,550,000 \end{aligned}$$

2)

Selling Expenses:

$$\begin{aligned} &= \text{Advertising expenses} + \text{Distribution expenses} \\ &= 200,000 + 100,000 \\ &= \text{Rs. } 300,000 \end{aligned}$$

3)

Administration Expenses:

$$\begin{aligned} &= \text{Rent} + \text{Salaries to staff} \\ &= 300,000 + 250,000 \\ &= \text{Rs. } 550,000 \end{aligned}$$

4)

Current Liabilities:

$$\begin{aligned} &= \text{Salaries payable} + \text{Sundry Creditors} \\ &= 45,000 + 35,000 \\ &= \text{Rs. } 80,000 \end{aligned}$$

5)

Fixed Assets:

$$\begin{aligned} &= \text{Plant \& Machinery} + \text{Building} \\ &= 350,000 + 600,000 \\ &= \text{Rs. } 950,000 \end{aligned}$$

6)

Operating Profit:

$$\begin{aligned} &= \text{Gross profit} - \text{Selling expenses} - \text{Administration expenses} \\ &= 1,500,000 - 300,000 - 550,000 \\ &= \text{Rs. } 650,000 \end{aligned}$$