#### Qno 3-Jawaid & Co

		Quantity	Schedule						
Date	;	Description	Units	<b>Unit Cost</b>	<b>Total Cost</b>				
2014									
Jan	1	Beginning Inventory	105,000	6.20	651,000				
Feb	15	Purchases	65,000	6.00	390,000				
Mar	20	Purchases	45,000	6.50	292,500				
May	18	Purchases	20,000	7.00	140,000				
July	26	Purchases	50,000	7.20	360,000				
Aug	15	Purchases	10,000	6.80	68,000				
Sep	10	Purchases	20,000	7.30	146,000				
Oct	16	Purchases	75,000	7.50	562,500				
Dec	31	Purchases	98,000	7.80	764,400				
	Available for sale		488,000		3,374,400				
	Less	s: Units Sold	(305,000)						
	En	ding Units	183,000						
By FIFC	)								
	9	Computation for Cost	t of Ending	<mark>g Inventory</mark>					
10000 u	nits	from purchases of Seg	p 10 @ Rs.'	7.30 each	73,000				
75000 น	nits	from purchases of Oc	t 16 @ Rs.7	7.5 each	562,500				
98,000 ı	anits	from purchases of De	ec 31 @ Rs.	.7.8 each	764,400				
		Cost of Ending Inv	entory		1,399,900				

By LIFO	
Computation for Cost of Ending Inventory	
105000 units from beginning inventory @ Rs.6.20 each	651,000
65,000 units from purchases of Feb 15 @ Rs.6.0 each	390,000
13,000 units from purchases of Mar 20 @ Rs.6.50 each	84,500
Cost of Ending Inventory	1,125,500

Operational Level 1

Fundamentals of Financial Accounting

					· · · · · · · · · · · · · · · · · · ·		
By Weighted Ave							
Computation							
Weighted		Cost of Goods Available for Sale					
Average	=	Units Available for Sale					
Unit Cost							
	=	3,374,400					
		488,000					
	=	6.9148					

Computati	<mark>on for Cc</mark>	ost of Ending Invento	ory	
Cost of Ending Inventory	=	Units in Ending Inventory	х	Weighted Average Unit Cost
Cost of Ending Inventory	=	183,000	х	6.9148
Cost of Ending Inventory	=			1,265,400

Jawaid & Co Income Statement-Comparative												
	For the period ended Dec 31, 2014 Rs.											
		FIF	τO	LII	ΤO	Average						
Revenue							8					
Sales(305,000 x 20)		6,100,000		6,100,000		6,100,000						
Net	Sales		6,100,000		6,100,000		6,100,000					
Less:Cost of Goods	Sold											
Beginning Inventory		651,000		651,000		651,000						
Add:Purchaes		2,723,400		2,723,400		2,723,400						
Cost of Goods availab	ble for Sale	3,374,400		3,374,400		3,374,400						
Less: Ending Invent	tory	(1,399,900)		(1,125,500)		(1,265,400)						
Cost of (	Goods Sold		(1,974,500)		(2,248,900)		(2,109,000)					
Gross	s Profit		4,125,500		3,851,100		3,991,000					
Less:Operating Expe	enses:											
Selling & Administrat	tive Expenses		(500,000)		(500,000)		(500,000)					
Income before tax			3,625,500		3,351,100		3,491,000					
Less:Tax Expense			(1,631,475)		(1,507,995)		(1,570,950)					
Net I	Income		1,994,025		1,843,105		1,920,050					
		1 (	/ 11									

Accounting with Jaweed Hassan (ACMA, MBA) Cell No: 0332-2935798

Email: javed hass and a tooq@gmail.com

fb: https://www.facebook.com/JavedHassanBatooq

### Operational Level 1

## Fundamentals of Financial Accounting

Effects of Overstatement and Understatement of Ending Inventory-Ending inventory is negatively related with cost of goods sold and positively related with Gross profit, net income, current assets, total assets, owner's equity and total equities

If ending inventory is overstated,

1) Cost of good sold is understated

2) Gross profit, net income, current assets, total assets, owner's equity and total equities are overstated.

If ending inventory is understated,

1) Cost of good sold is overstated

2) Gross profit, net income, current assets, total assets, owner's equity and total equities are understated.

Effects of Overstatement and Understatement of Beginning Inventory-Beginning inventory is positively related with cost of goods sold and nagatively related with Gross profit, net income etc If beginning inventory is overstated, 1) Cost of good sold is overstated 2) Gross profit, and net income are understated and capital is counter-balanced. If beginning inventory is understated, 1) Cost of good sold is understated, 2) Gross profit, and net income are overstated and capital is counter-balanced.

# Operational Level 1

# Fundamentals of Financial Accounting

500,000	500,000	Revenue Sales		600,000		_
	500,000			600,000		
	500,000	Ne				
		110	et Sales		600,000	
		Less:Cost of G	Less:Cost of Goods Sold			
200,000		Beginning Inventory		350,000		
600,000		Add:Purchaes		500,000		
800,000		Cost of Goods available for Sale		850,000		
(350,000)		Less: Ending I	Less: Ending Inventory			
(	(450,000)	Cost of	Cost of Goods Sold		(500,000)	
	50,000	Gro	Gross Profit		100,000	
	<u>600,000</u> 800,000 (350,000)	600,000       800,000       (350,000)       (450,000)       50,000	600,000     Add:Purchaes       800,000     Cost of Goods       (350,000)     Less: Ending I       (450,000)     Cost of Goods       50,000     Grow	600,000 Add:Purchaes   800,000 Cost of Goods available for Sale   (350,000) Less: Ending Inventory   (450,000) Cost of Goods Sold   50,000 Gross Profit	600,000     Add:Purchaes     500,000       800,000     Cost of Goods available for Sale     850,000       (350,000)     Less: Ending Inventory     (350,000)       (450,000)     Cost of Goods Sold     600,000       50,000     Gross Profit     600,000	600,000     Add:Purchaes     500,000       800,000     Cost of Goods available for Sale     850,000       (350,000)     Less: Ending Inventory     (350,000)       (450,000)     Cost of Goods Sold     (500,000)       50,000     Gross Profit     100,000

Original-Year 1-Ending inv	ventory is ov	erstated	Original-Year 2-Be	ginning invento	ry is overstated
Revenue			Revenue		
Sales	500,000		Sales	600,000	
Net Sales		500,000	Net Sales		600,000
Less:Cost of Goods Sold			Less:Cost of Goods Sol	d	
Beginning Inventory	200,000		Beginning Inventory	400,000	
Add:Purchaes	600,000		Add:Purchaes	500,000	
Cost of Goods available for Sale	800,000		Cost of Goods available	for Sale 900,000	
Less: Ending Inventory	(400,000)		Less: Ending Inventory	(350,000)	
Cost of Goods Sold		(400,000)	Cost of Goods So	old	(550,000)
Gross Profit		100,000	Gross Profit		50,000

Original-Year 1					Original-Year 2				
Revenue			[	Revenue	e				
Sales		500,000		Sales			600,000		
Net	Sales		500,000		Net Sales			600,000	
Less:Cost of Goods Sold				Less:Co	Less:Cost of Goods Sold				
Beginning Inventory		200,000		Beginnin	Beginning Inventory		350,000		
Add:Purchaes		600,000		Add:Pur	Add:Purchaes		500,000		
Cost of Goods available	for Sale	800,000		Cost of Cost o	Cost of Goods available for Sale		850,000		
Less: Ending Inventory	7	(350,000)		Less: Er	Less: Ending Inventory		(350,000)		
Cost of Goods Sold			(450,000)	(	Cost of Goods Sold			(500,000)	
Gross Profit			50,000		Gross Profit			100,000	

Driginal-Year 1-Ending invento	lerstate	Original-Year 2-Beginning inventory is overstated					
<u>Revenu</u> e			Revenue				
Sales	500,000		Sales		600,000		
Net Sales		500,000	Net	Net Sales		600,000	
Less:Cost of Goods Sold			Less:Cost of Go	Less:Cost of Goods Sold			
Beginning Inventory	200,000		Beginning Inven	Beginning Inventory			
Add:Purchaes	600,000		Add:Purchaes	Add:Purchaes			
Cost of Goods available for Sale	800,000		Cost of Goods av	Cost of Goods available for Sale			
Less: Ending Inventory	(320,000)	320,000) Less: Ending Inventory		(350,000)			
Cost of Goods Sold		(480,000)	Cost of Goods Sold			(470,000)	
Gross Profit		20,000	Gross	s Profit		130,000	

Accounting with Jaweed Hassan (ACMA, MBA) Cell No: 0332-2935798 Email: javed hass and a tooq@gmail.com fb: https://www.facebook.com/JavedHassanBatooq