NEW SYLLABUS

SEMESTER- 1

UNSOLVED PAPERS

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

STAGE-1 EXAMINATION –SPRING (SUMMER), 2006

SATURDAY, 27TH May, 2006

FUNDAMENTALS OF FINANCIAL ACCOUNTING (S -101)

Time Allowed - 2 Hours 45 Minutes Maximum Marks – 90

i. Attempt ALL questions.
ii. Question No.1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q. 2 (a) What is balance sheet? Describe its contents.

(b) Following is the pre-closing trial balance of Rehmat Traders as on December 31, 2000:

	Debit (Rupees)	Credit (Rupees)
Cash	120,000	
Account receivable	180,000	
Allowance for bad debts		3,000
Merchandising inventory	120,000	
Prepaid advertising	60,000	
Equipment	240,000	
Allowance for depreciation –equipment		15,000
Accounts payable		60,000
Rehmat –capital		300,000
Commission income		60,000
Sales		1,200,000
Cost of goods sold	738,000	
Salaries expenses	90,000	
Office supplies expenses	30,000	
Rent expenses	38,400	
Insurance expenses	21,600	
	1,638,000	1,638,000

Data for adjustments as on December 31, 2005:

1) Office supplies used during the year amounted to Rs.12,000.
2) Salaries expenses for the year amounted to Rs. 72,000.
3) Commission earned during the year amounted to Rs. 48,000.
4) Prepaid advertising amounted to Rs. 24,000.
5) Rent expenses for the year amounted to Rs. 48,000.
6) Insurance expenses represent a 3 years' insurance policy paid on August 1, 2005.
7) Depreciation on equipment was estimated at Rs. 6,000 for the year
8) Doubtful debts for the year were estimated to be Rs. 1,000.

Required:

i. Pass necessary adjusting journal entries.
ii. Prepare income statement for the year ended December 31, 2005.
iii. Prepare balance sheet as at December 31, 2005.

Q.3(a) The Karachi Company, due to certain difficulties, could not conduct physical stock taking at the end of year on December 31, 2005. Physical stock was actually taken on 10th January, 2006 when it was valued at Rs. 51,750/-.

The following transactions took place during 1st January to 10th January, 2006.

1. Net sales were Rs. 14,010. These goods were sold at the gross profit rate of 25% on cost, except sales of Rs. 1,260/- which were mad at gross profit rate 20% on cost.
2. Purchases during the period were Rs. 11,250 of which goods costing Rs. 1,200/- were delivered the company on 12th January, 2006.
3. Sales return during the period were Rs. 2,250/- of which 50% were out of sales at the gross profit rate of 20% on cost as mentioned in 1 above.
4. On 5th January 2006, goods worth Rs. 6,000/- were received, which were to be sold on consignment basis.

Required:
Determine the value of ending stocks to be taken into account in Karachi Company's final accounts for the year ended December 31, 2005.

Q.3 (b) During second half year of operation of Alpha Limited, the monthly sales and applicable collections were as under:

Sales		COLLECTIONS (RS.)						Balance
Month	Amount (Rs)	July	August	September	October	November	December	(Rs.)
July	15,500	6,500	8,000		500			500
August	11,500		4,500	5,500	500	500	200	300
September	15,000			8,000	5,000		1,500	500
October	19,000				9,000	9,000	100	900
November	17,500					10,000	6,500	1,000
December	18,500						9,500	9,000
Total	97,000	6,500	12,500	13,500	15,000	19,500	17,800	12,200

On December 31, 2005, the management of Alpha Limited decided that an allowance for doubtful debts should be estimated amounting to:

75% of balance more than 3 months old.

50% of balance more than 2 months old.

10% of balance more than 1 month old.

2% of receivable on the book originating in the last month of the period.

It was also decided to write-off specific accounts totaling Rs.750/- as uncollectible.

Required:

i. Compute the provision for bad debts expense for the year, 2005.

ii. Pass journal entries to set-up the allowance for bad debts, and to write off the specific accounts.

Q.3 (c) Briefly describes the following;

i. Promissory note
ii. Current ratio
iii. Useful life

Q. 4(a) The Ideal Group has been in existence for four years. Figures for the years 2002, 2003 and 2004 are known but the ledger accounts and supporting workings for 2005 are not available. You have been asked to calculate the cost, accumulated depreciation and written down value (WDV), figures of plant for the year 2005. The following information has been provided to you:

Particulars	YEARS 2002 (Rs.)	2003 (Rs.)	2004 (Rs.)	2005 (Rs.)
Plant at cost	200,000	200,000	225,000	?
Accumulated depreciation	40,000	72,000	102,600	?
Net (written down value)	160,000	128,000	122,400	?

Note: There was no addition to or disposal of plant during 2005.

Required:

i. Identify the method of depreciation employed to depreciate the plant, stating how you have arrived at your conclusion?

ii. Calculate and present the figures which should be filled in the blank spaces for the year, 2005

iii. Record the depreciation expenses for the year 2005 assuming that twelve months period ended on December, 31 each year.

Q.4 (b) Beta Company uses a six-column cash receipts journal. Cash receipts transactions for the month of December 2005 are given below:

December, 3 Cash sales total Rs. 58,000 (cost Rs.34,800)

5 A cheque for Rs. 63,700 received from Javed Company in settlement of an invoice dated November, 26 for Rs. 65,000 terms 2/[illegible], n/30.

9 An additional investment of Rs. 50,000 in cash is made in the business by the proprietor.

10 Cash sales total Rs. 125,190 (cost. Rs. 75,110)

12 A cheque for Rs. 72,750 is received from R.E. & Co. in settlement of an invoice dated December ,3, for Rs. 75,000/-, terms 3[illegible], n/30.

15 An advance of Rs. 7,000/- cash is received from a customer for future sales.

20 Cash sales total Rs. 154,720 (cost. 92,830)

22 A cheque for Rs. 58,800 is received from Badar Company in settlement of invoice dated December 13, for Rs. 60,000 terms 2/10, n/[illegible]

29	Cash sales total Rs. 176,600 (cost: Rs. 105,960)
31	Cash of Rs. 2,000/- received on account of interest earned for July.

Required:

Prepare the cash receipts journal.

Q.5 Define the following in terms of the Income Tax Ordinance, 2001:

a) Tax on Taxable income
b) Capital gains
c) Association of Persons
d) Tax year

Q.6. Zahid is working in a local organization as civil engineer. Further, he is permitted by his employers to operate in a limited way, as an independent consultant to other companies and projects. He pays 25% of the gross consulting fees collected to his employers. He rendered you the following account of his estimated income and taxes for the financial year ending June 30, 2006.

	Amount (Rs)
(1) <u>Receipts from employer:</u>	
a) Basic salary	144,000
b) Conveyance allowance	12,000
c) House rent allowance	60,000
d) Entertainment expenses reimbursed (Actual Expenditure incurred on company's business was Rs. 20,500)	18,000
(2) <u>Consulting business:</u>	
Consultancy fees (Net amount)	54,000
(3) <u>Tax paid/ deducted at source:</u>	
Under Section 149	1,800
Under Section 153	3,600

Required:

Compute taxable income and tax payable for tax year 2006.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN
FOUNDATION-II EXAMINATION-SUMMER 2006
Friday, 26th May 2006
FINANCIAL ACCOUNTING

Q.5. Presented below are the comparative balance sheets for Friends Corporation as at December 31

Friends Corporation
Comparative Balance Sheets

Assets	2005 Rs	2004 Rs
Cash	195,000	225,000
Accounts Receivable	247,500	260,000
Inventory	757,250	710,000
Prepaid expenses	83,900	105,000
Land	500,000	650,000
Equipment	1140,000	775,000
Accumulated depreciation- Equipment	(225,000)	(175,000)
Building	1,000,000	1,000,000
Accumulated depreciation-Building	(300,000)	(200,000)
	3,398,650	**3,350,000**

Liabilities and shareholders' equity	2005 Rs	2004 Rs
Accounts payable	193,650	200,000
TFCs payable	1,250,000	1,250,000
Common shares(Rs. 10 par)	1,000,000	750,000
Retained earnings	955,000	900,000
	3,398,650	**3,350,000**

Additional information

1. Depreciation expense for the year was Rs. 210,000.
2. Land was sold for cash at book value
3. Cash dividend of Rs. 135,000 was paid
4. Net income for 2005 was Rs. 190,000
5. Equipment for Rs. 475,000 was purchased for cash. In addition, equipment costing Rs. 110,000 with a book value of Rs. 50,000 was sold for Rs. 40,500 cash.
6. TFC's were converted at face value by issuing 25,000 common shares of Rs. 10 par.

Required:
Prepare a statement of cash flows for the year ended December 31st 2005 using indirect method as per IAS-7

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN
STAGE -1 EXAMINATION – FALL (WINTER), 2006
MONDAY, 20TH NOVEMBER, 2006
FUNDAMENTALS OF FINANCIAL ACCOUNTING (S -101)

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q.2 (a) Explain the following terms:

i. Going concern
ii. Cost Principle
iii. Consistency
iv. Materiality

(b) Hameed, a sole proprietor uses special journals and general journal. The following transactions occurred during August 2006.

August, 2 Sold merchandise on account to Sajid, invoice No.101, for Rs. 4,800, terms n/30. The cost of the merchandise sold was Rs. 3,000.

10 Purchased merchandise on account from Liaquat for Rs. 6,000, terms 2/10, n/30.

12 Purchased office equipment on account from Bashir for Rs. 65,000.

21 Sold merchandise on account to Pervez, invoice No. 102 for Rs. 8,000, terms 2/10, n/30. The cost of the merchandise sold was Rs. 4,800.

25 Purchased merchandise on account from Faraz Khan for Rs. 9,000, terms n/30.

27 Sold merchandise to Muhammad, for Rs. 7,000 cash. The cost of merchandise sold was Rs. 4,200.

Required:

Record the transactions for August, 2006 that should be journalized in the sales journal and the purchased journal.

Q. 3(a) On October 1, 2005, the debtors ledger balances were Rs. 40,120 debit and Rs. 285 credit respectively and the creditors' ledger balances on the same date were Rs. 31,175 credit and Rs. 525 debit respectively. Following particulars are available for the year ended September 30, 2006:

	Rs.
Sales	318,640
Purchases	199,810
Cash received from debtors	276,060
Cash paid to creditors	186,535
Discount received	7375
Discount allowed	11640

Returns inwards	5,010
Returns outward	2,675
Bad debts written-off	1,630
Cash received in respect of debit balance in creditors ledgers	525
Amount due from customer as shown by debtors ledgers offset against amount due to the same firm as shown by creditors ledgers (Settlement by Contra)	2,170
Cash received in respect of debts previously written off as bad	470
Allowances to customers on goods damaged in transit	1,060

There was no credit balances in the debtors ledger except those outstanding on October 1, 2005 and no debit balances in the creditors ledger, as on September 30, 2006.

Required:

Draw up the following accounts recording the above transactions and bringing down the balance as on 30th September, 2006.

i. Debtors control account

ii. Creditors control account

(b) The inventory of ABC Corporation was destroyed by fire on July 1. From an examination of the accounting records the following data for the first six months of the year have been obtained:

	Rs.
Sales	408,000
Sales returns and allowances	8,000
Purchases	255,600
Freight-in	9,600
Purchases returns and allowances	11,200

Required:

Determine the amount of merchandise lost by fire assuming:

(i) A beginning inventory of Rs. 200,000 and a gross profit rate of 30% on net sales.

(ii) A beginning inventory of Rs. 300,000 and a gross profit rate of 25% on net sales.

Q.4(a) In recent years Blue Line Transportation purchased three used buses, Because of frequent turnover in the accounting department each new accountant selected a different method of recording depreciation for each bus. Information about three buses is summarized below:

Bus No.	Date Acquired	Cost (Rs.)	Salvage Value (Rs.)	Useful Life (Years)	Depreciation Methods used
1	1/1/2002	86,000	6,000	4	Straight line
2	1/1/2002	140,000	10,000	5	Declining balance
3	1/1/2003	80,000	8,000	5	Units of activity

For the declining balance method, the company uses the double declining rate. For the units of activity method, total miles to be covered were estimated to be 120,000; Actual miles of use were as under:

Year	Actual Miles of use
2002	24,000
2003	24,000
2004	30,000
2005	30,000

Required:

i. Computer the amount of accumulated depreciation for each bus as at December 31, 2005.

ii. If Bus No. 2 was purchased on April 1, 2002 instead of January 1, 2002, what is the depreciation expense for bus No.2 in 2002 and 2003 respectively.

(b) At December 31, 2005 the trial balance of XYZ Co. Ltd. Contained the following accounts balance before adjustments.

	Debits Rs.	Credits Rs.
Accounts Receivables	1,400,000	
Allowance for doubtful accounts		6,000
Sales		3,440,000

Required:

Pass adjusting entry as at December 31, 2005 to record bad debt expenses under each of the following independent assumptions:

i. An ageing schedule indicates that Rs. 67,000 of accounts receivable will be uncollectible.

ii. The company estimates that 2% of sales will be uncollectible.

Q.5(a) Goodwill has been defined as the value of all favourable attributes that relate to a business enterprise. What type of attributes could result in goodwill?

(b) The bank statement for the month of July, 2006 sent by the bank to Parkview Company showed a credit balance of Rs. 34,260 as at July 31, 2006 whereas, cash book of the company showed a debit balance of Rs. 8,820 at that date.

A review of the record revealed the following:

(i) A cheque for Rs. 16,480 issued to a creditor not yet presented to bank for payment.

(ii) Dividends on investment in the sum of Rs. 27,140 were directly received by the bank and credited to the company's account.

(iii) Bank charges of Rs. 9,220 were not recorded in cash book.

(iv) A cheque issued to a creditor-Azhar for Rs. 15,390 was recorded in cash book as Rs. 15,930.

(v) A cheque for Rs. 14,500 deposited on July 31, 2006 was credited by bank on August 2, 2006.

(vi) A debtor-Asif, who owed Rs. 5,500 deposited Rs. 5,000 directly with the bank.

Required:

(i) Prepare a bank reconciliation statement for the month of July, 2006.

(ii) Determine the cash balance that would appear in balance sheet on reporting date.

(iii) Pass necessary adjusting entries in the books.

Q.6. Following is the pre-closing trial balance of Qasim Traders as on June 30, 2006:

	Debit (Rupees)	Credit (Rupees)
Cash	50,000	
Accounts receivable	80,000	
Allowance for doubtful debts		400
Merchandise inventory	45,000	
Prepaid insurance	6,400	
Building	250,000	
Accumulated depreciation – building		50,000
Accounts payable		40,000
TFCs payable		20,000
Capital		236,000
Drawings	30,000	
Sales		495,000
Commission income		40,000
Cost of goods sold	300,000	
Salaries expense	40,000	
Rent expense	50,000	
Supplies expense	30,000	
	881,400	881,400

Data for adjustment on June 30, 2006 is given below:

- Prepaid insurance expired by Rs. 4,400.
- The allowance for bad debts was estimated at the rate 5% of the year-end accounts receivable balances.

- Depreciation expense for the year is estimated at the rate of 20% of the cost of building.
- Commission income is unearned to the extent to Rs. 4,000.
- Salaries expenses for the year amounted to Rs. 48,000.
- Rent expense was prepaid by Rs. 5,000.
- Supplies used during the year were Rs. 27,000.

Required:

a) Pass necessary adjusting entries.

b) Prepare income statement for the year ended June 30, 2006.

c) Prepare balance sheet as on June 30, 2006.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN
FOUNDATION-II EXAMINATION-WINTER 2006
Wednesday, 29th November -2006
FINANCIAL ACCOUNTING

Q.4.The following is the Trail Balance of DX Company Limited as at December 31, 2005.

Particular	Debit	Credit
Audit fee	6,100	
Stock on 1-1-2005	45,000	
Freight and carriage-inward	4,000	
Rent and taxes	4,200	
Salaries and wages	28,000	
Accounts receivable	70,000	
Accounts payable		27,000
Share capital (share of Rs. 10 each)		600,000
Bank loan @ 10% P.a		200,000
Interest on bank loan	20,000	
Printing and advertising expenses	4,000	
Income from investment		7,800
Cash at bank	44,000	
Discount allowed	2,000	
Discounts received		4,500
Investments	90,000	
Furniture and fittings	16,000	
Equipment	40,000	
Buildings	600,000	
Delivery vans	280,000	
Share premium		18,000
Advance income tax	20,000	

General expenses	5,400	
Purchases	250,000	
Purchase returns		6,000
Insurance	11,700	
Traveling expenses	4,500	
Postage and telegrams	1,300	
Cash in hand	5,600	
Retained earnings		17,000
Surplus on revaluation of fixed assets		50,000
Accumulated depreciation: furniture & fitting		2,500
Accumulated depreciation: Equipment		14,000
Accumulated depreciation: Building		124,000
Accumulated depreciation: Delivery vans		40,000
Sales		450,000
Sales returns	9,000	
Total	**1,560,800**	**1,560,800**

Data for adjustment are given below:

1) Provision for doubtful debts to be made @ 4% on accounts receivable.
2) Wages payable as at 31st December 2005 were Rs. 500/- and salaries outstanding were Rs. 6000/-
3) 30% of "printing and advertising "expense is to be carried forward to the next year.
4) Stock on 31st December, 2005 was Rs. 90,000.
5) Depreciation using "reducing balance method" is to be charged at following rates per annum:

- Furniture and fittings 10%
- Equipment 15%
- Buildings 05%
- Delivery vans 20%

6) Income tax rate for the year was 40%

Required:

Prepare the following statements for DX co. Ltd. As per the requirements of IAS-1 and the Companies Ordinance, 1984.

i.	Profit and loss account	06
ii.	Balance sheet	09
iii.	Statement of changes in equity	02
iv.	Schedule of fixed assets	03

Q.6. The condensed financial statement of STL Ltd. For the years ended June 30, 2006 and 2005 respectively are presented below:

STL Ltd.
Balance Sheet
As at June 30

	(Rs. In million) 2006	2005
Assets		
Current Assets		
Cash and cash equivalents	277.5	255.6
Accounts receivable (net)	497.8	471.7
Inventories	513.2	440.6
Prepaid Expense and other current assets	166.1	143.2
Total current assets	**1454.6**	**1311.1**
Property, plant and equipment (net)	335.8	265
Investments	27.7	25.9
Intangibles and other assets	694.7	271.1
Total assets	**2512.8**	**1873.1**
Liabilities and Stockholders' Equity		
Current liabilities	837.4	759.5
Long-term liabilities	619	565.9
Stockholders' equity-common	1,056.40	457.7
Total liabilities and stockholders' equity	2,512.80	1,873.10

STL Ltd
Profit and Loss Accounts
For the year ended June 30

	(Rs in million) 2006	2005
Revenue	3,618.00	3,381.60
Cost of expenses		
Cost of goods sold	819.5	765.1
Selling and administrative expenses	2357.6	2224.6
Interest expense	38.1	52.4
Total cost and expenses	3215.2	3042.1
Income before income taxes	402.80	339.50
Income tax expenses	166.0	165.3
Net income	**236.80**	**174.20**

Required:

Compute the following ratios for 2005 and 2006

i. Current ratio. 02
ii. Inventory turnover (Inventory on 20th June, 2004 was Rs.452.8 million) 02
iii. Return on assets (assets on 30th June, 2004 were Rs. 1,799.4 million) 02
iv. Debts to total assets ratio 02
v. Profit margin ratio 02

Present all your working notes

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN
SPRING (SUMMER), 2007 EXAMINATION
THURSDAY, 24TH May, 2007
FUNDAMENTALS OF FINANCIAL ACCOUNTING
STAGE-1

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q. 2 Following information is available from the books of Khalid Enterprises, as at December 31, 2006.

Particulars	**Rupees**
Fixed assets	800,000
Current assets	200,000
Total assets	**1,000,000**
Lon payable	100,000
Current liabilities	300,000
Total liabilities	**400,000**
Net assets	***600,000***

The actual profits for the last four years have been reported as follows:

Years	Profit (Rupees)
2003	150,000
2004	160,000
2005	170,000
2006	180,000

Normal return in the business is 20%.

Required:

Calculate the value of goodwill using the capitalization method.

Q. 3(a) What are the bases for recognition of revenue under the heads interest, Royalties and Dividends as per IAS-18.

(b) Haroon Oil Limited uses palm oil in its manufacturing process. The following figures relate to this material for the year 2006:

Quarter Ended	**Quantity purchased In tones**	**Invoice cost per Ton (Rupees)**	**Quantity Consumed in Tonnes**
March, 31	4,000	620	2,400
June,30	8,400	600	4,800
September, 30	2,800	650	6,000
December, 31	4,800	700	5,400

The stock of material on December 31, 2005 was 2000 Tonnes @ Rs.600/- per ton for accounting purpose. Delivery of goods to the factory is made on the first day of each quarter.

The company maintains its inventory record on perpetual inventory system.

Required:

Calculate the value of the inventory as on December 31, 2006 applying:

(i) Weighted average method

(ii) FIFO method

Q. 4(a) The following information pertains to allied Manufacturing Company:

Particulars	Rupees
Merchandise inventory at the end of the year	166,000
Accounts receivable at beginning of the year	120,000
Cash sales made during the year	75,000
Gross profit on sales	135,000
Accounts receivable written off during the year	5,000
Purchases made during the year	300,000
Accounts receivable collected during the year	390,000
Merchandise inventory at beginning of the year	180,000

Required:

(i) Calculate the amount of credit sales made during the year.

(ii) Calculate the balance of accounts receivable at the end of the year.

(b) On January 1, 2000, M/s. Crescent Steel purchased a machine at an invoice price of Rs. 3,000,000. M/s Crescent Steel also paid Rs. 2,000 on transportation and Rs. 48,000 on installation and testing of the machine. It was estimated that the machine will have a salvage value of Rs. 200,000 at the end of its useful life of 1o years. Company decided to charge depreciation on this machine using straight line method. On July 1, 2005 the company replaced this machine by acquiring a new machine at cost of Rs. 5,000,000. old machine was taken over be the supplier of the new machine at an agreed value of Rs. 2,000,000, the balance amount was paid by M/s. Crescent Steel by cheque.

Required:

(i) Compute cost of machine purchased on January 1, 2000.

(ii) Pass journal entry to record acquisition of machine on January 1, 2000.

(iii) Pass journal entries to record depreciation for the years 2000 to 2004 and to June 30, 2005.

(iv) Computer gain or loss on exchange of machine.

(v) Pass journal entry to record trading-in of old machine.

(c) Briefly explain liquidity ratios.

Q.5 (a): What are the basic principles of accounting? Discuss the nature of these principles.

(b) Macro Company is an old fashioned firm, which manufactures garments and uses a hand-written set of books of accounts. A trial balance is extracted at the end of each month, and profit and loss account and balance sheet was drawn up manually. Last month, however the trial balance was not balanced, the credit side of the trial balance exceeded by Rs. 15,360. For the time being, a suspense account was established and the difference was put into this account to equalize both sides of the trial balance. The Accountant, after checking all of the ledger accounts, discovered following errors:

(i) A balance of Rs. 870 on a debtors account has been omitted from the schedule of debtors, the total of which was entered as debtors in the trial balance.

(ii) A small part of machinery purchased for Rs. 12,000 had been written off to repair and maintenance account.

(iii) The receipt side of the cash book had been undercasts by Rs 7,200.

(iv) The total of one page of the sales day book had been carried forward as Rs. 81,540, whereas the correct amount was Rs. 85,140.

(v) A credit note for Rs. 1,790 received from a supplier had been posted to the wrong side of his account; the schedule of creditors balance was used as the creditors figures in the trial balance.

(vi) A electricity bill in the sum of Rs. 1,520, not yet accrued was discovered from a filing tray.

(vii) Mr. Saleem, whose past debts to the company had been the subject to a provision, at last paid Rs. 7,310 to clear his account, His personal account has been credited but the cheque has not yet been entered in the bank account.

Required:

(i) Pass adjusting entries to correct the above errors.

(ii) Prepare suspense account, and post the related transactions to clear the trial balance difference.

(c) Describe the disclosure requirement for inventories as per IAS-2.

Q. 6. Swift Manufacturers had produced the following data for the year ended as on December 31, 2006:

	Debit (Rupees)	Credit (Rupees)
Cash in hand	40,000	
Cash at bank	350,000	
Accounts receivable	1,170,000	
Raw material (January 1, 2006)	155,000	
Work-in-process (January 1, 2006)	117,000	
Finished goods (January 1, 2006)	280,000	
Purchase of raw material	2,910,000	
Factory wages -- direct	1,540,000	
Factory wages -- indirect	1,060,000	

Plant & machinery – cost	2,240,000	
Accumulated depreciation –Plant and machinery		400,000
Office equipment – cost	160,000	
Accumulated depreciation –Office equipment		64,000
Factory light and power	220,000	
Other factory overhead	148,000	
Lighting	64,000	
Admin – Salaries	352,000	
Salesman salaries	240,000	
Commission on sales	96,000	
Rent expense	120,000	
Insurance expense	32,000	
Other admin. Expenses	80,000	
Bank charges	16,000	
Other sales expenses	88,000	
Accounts payable		1,150,000
Drawings	160,000	
Capital as on January, 1 , 2006		2,024,000
Sales		8,000,000
	11,638,000	**11,638,000**

Other information:

- Stock in hand on December 31, 2006 was:

Raw material (Rs.)	192,000
Work-in-process (Rs.)	120,000
Finished goods (Rs.)	320,000

- Lighting, rent and insurance expenses are charged 80% to production and 20% to admin and selling expenses.
- Depreciation on plant and machinery was estimated at Rs. 224,000 and on office equipment at Rs. 16,000 respectively for the year.

Required:

Prepare the following:

a) Manufacturing account.

b) Profit and loss account.

c) Balance sheet

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISATN

SPRING (SUMMER) 2007- EXAMINATION

Sunday, 27th May, 2007

FINANCIAL ACCOUNTING- (S-301)

Q.5. The following balances have been taken from the books of Fast Sports Club as on March 31, 2005 respectively:

Particulars	31-Mar-06	31-Mar-05
	(Rupees)	
Building	299,250	280,000
Furniture	107,100	140,000
Sport equipments	75,600	84,000
Advance subscriptions	3,500	5,250
Arrears of subscriptions	17,500	10,500
Prepaid expenses	3,500	2,800
Outstanding expenses	4,200	10,500
Investment	42,000	-----
Books	56,700	52,500
Cash-in-hand	59,850	56,000

Additional information pertaining to the year 2005-06 is as under

i. Donations received have been capitalized.

ii. Subscription is payable @Rs. 630 per annum.

iii. Expenses of Rs. 113,050 were paid during the year.

iv. No fresh member was admitted during the year. 10 members left the club on October 1, 2005. The Club had 300 registered members on March, 31, 2006.

v. Old furniture having book value of Rs. 21,000 as on April 1,2005 was sold for Rs. 14,000 on the same date.

vi. Depreciation provided for he year was:

Fixed Assets	Depreciation provided (Rupees)
Building	15,750
Furniture	11,900
Sports equipment	18,900
Books	6,300

Required:

Prepare the following for the year ended March, 31, 2006:

a) Receipts and payments accounts.

b) Income and expenditure account, and

c) Balance sheet.

Q.6. Traii Balance as at December 31, 2006 of Roshni Ceramics Limited, a public limited company quoted on stock exchange is given below:

Particulars	DR	CR
	(Rupees '000)	
Subscription and paid-up capital:		
1,000,000 5% fully paid preference shares of Rs. 100/- each		100,000
35,000,000 fully paid ordinary shares of Rs. 10/- each		350,000

10% terms Finance certificates-repayable 2010		150,000
Building – at cost	552,500	
Equipments – at Cost	40,000	
Motor vehicles – at cost	86,000	
Accumulated depreciation 1-01-2006		
Building		27,825
Equipment		8,000
Motor vehicles		43,000
Stock- in-trade (1-01-2006)	113,450	
Sales		491,000
Purchases	269,550	
Carriage inwards	8,100	
Administrative expenses	17,450	
Selling and distribution expenses	40,600	
Interest on TFC's	7,500	
Trade and other receivables	93,050	
Trade and other payables		56,850
Cash and bank balances	59,450	
General reserves (31-12-2005)		25,000
Share premium (31-12-2005)		70,000
Un-appropriated profit and loss balance (31-12-2005)		43,875
Salaries and wages- Admin	77,700	
Total	1,365,350	1,365,350

Additional Information:

1) Stock-in trade as at December 31, 2006 was Rs. 136.1 million.
2) Fixed assets are to be depreciated at cost at the following rates:

- Building 2.5%
- Equipment 10.0%
- Motor Vehicles 25.0%

   Depreciation charge for the year is apportioned between administrative and selling and distribution expenses on 50:50 basis.

3) Interest on TFC's for 6 months is to be provided.
4) Authorized share capital of company is Rs.100 million and Rs 500 million respectively divided into Rs. 100/- preference and Rs. 10- ordinary Shares each.
5) Estimated income tax liability for current year is Rs. 25 million.

Required:

Prepare the following statements of the company as per the requirements of IAS-1 and the companies Ordinance, 1984.

a) Profit and loss account
b) Balance sheet
c) Statement of changes in equity, and
d) Schedule of fixed assets

Note: Prepare and present necessary working notes, wherever required. Notes to the accounts are not required

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

FALL (WINTER), 2007 EXAMINATION - STAGE -1

THURSDAY, 22nd NOVEMBER, 2007

FUNDAMENTALS OF FINANCIAL ACCOUNTING (S -101)

Time Allowed - 2 Hours 45 Minutes   Maximum Marks – 90

i. Attempt ALL questions.
ii. Question No.1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q.2 (a) Extracts from financial statements of four different companies are given below:

	Company "A"	Company "B"	Company "C"	Company "D"
January 1,2006	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Assets	375,000	450,000	(g)	750,000
Liabilities	250,000	(d)	375,000	(j)
Owners' equity	(a)	300,000	270,000	450,000
December 31, 2006				
Assets	(b)	585,000	900,000	(k)
Liabilities	275,000	310,000	(h)	400,000
Owners' equity	225,000	(e)	550,000	700,000
Changes in owner's Equity during the year:				
Additional Investment	(c)	40,000	50,000	75,000
Drawings	50,000	(f)	60,000	50,000
Total revenues	1,750,000	2,000,000	(i)	2,500,000
Total expenses	1,675,000	1,925,000	1,800,000	(l)

Required:

Determine the missing amounts to be filled in at: a, b, c, d, e, f, g, h, I, j, k and l in the above extracts of financial statements.

(b) Define "Bill of Exchange". List the parties to a bill of exchange.

Q.3 (a) State the requirements of IAS-18-Revenue, regarding recognition of revenue from sale of goods.

(b) State the objectives of internal control of payroll.

(c) Bhayani departmental store uses retail inventory method to estimate its monthly ending inventory. The following information is available for one of its departments as at September 30, 2006.

	Cost Rs.	Retail Rs.
Net Sales	-	5,050,000
Purchases	3,350,000	5,330,000
Purchases returns	130,000	200,000
Purchases discounts	76,800	-
Freight-in	30,000	-
Beginning inventory	223,800	370,000

At December 31, Bhayani departmental store takes a physical inventory and determines its value at retail. The actual retail value of inventory in the above department on December 31, is Rs. 425,000.

Required:

(i) Determine the estimated cost of the ending inventory for the department as at September 30, 2006.

(ii) Compute the ending inventory at cost on December 31, 2006 assuming cost to retail ratio of 60%.

Q. 4(a) Zahid Manufacturing Company purchased a plant for Rs. 285,000 and its residual value is estimated to be Rs. 105,000. Its total production capacity is 100,000 units in the business with best quality of product, with normal repair and maintenance. Schedule of production made during the years was as under:

Year	Units Produced
1	9,000
2	10,000
3	12,000
4	13,000
5	13,000
6	14,000
7	15,000
8	14,000

Required:

(i) Using the above data, compute the depreciation under each of the following methods:

(a) Units of output method

(b) Fixed percentage of 20% applied on diminishing balance method.

(ii) Pass journal entries to record depreciation for first year under each of the above two methods.

(b) Majid & Company use a six-column Cash Receipts Journal. Cash receipt transactions for the month of July 2007 are given a under:

July 3 Cash sales total Rs. 58,000 (cost, Rs. 34,800).

July 5 A cheque for Rs. 63,700 is received from Javed Company in payment of an invoice dated June 26 for Rs. 65,000 terms 2/10, n/30.

July 9 An additional investment of Rs. 50,000 in cash is made in the business by the proprietor.

July 10 Cash sales total Rs. 125,190 (cost, Rs. 75,110).

July 12 A cheque for Rs. 72,750 is received from R. E. & Co., towards payment of a Rs. 75,000 invoice dated July 3, terms 3/10, n/30.

July 15 An advance of Rs. 7,000 cash is received from a customer against future sales.

July 20 Cash sales total Rs. 154,720 (cost, Rs. 92,830).

5) Cheques deposited by a customer directly into the bank but not recorded in the cash book total Rs. 10,000.

6) Deposited a cheque for Rs. 10,000 into the bank, but erroneously recorded in the cash book for Rs. 5,000.

Required:

(i) Prepare a bank reconciliation statement as at August 31, 2007.

(ii) Pass necessary adjusting entries.

Q.6. Presented below is the unadjusted trail balance of Rasheed Sons as at the end of the year, December 31, 2006.

	Debit Rs.	Credit Rs.
Cash	8,000	
Accounts receivable	24,000	
Merchandise inventory January 1,2006	240,000	
Office supplies	20,000	
Vehicles	1,600,000	
Accumulated depreciation – vehicles		60,000
Accounts payable		20,000
Rasheed – capital		1,600,000
Rasheed – drawings	12,800	
Sales		1,523,200
Purchases	1,152,000	
Freight-in	4,000	
Salaries expense	46,400	
Rent expense	48,000	
Repair &maintenance – vehicle	33,600	
Utilities	14,400	
	3,203,200	**3,203,200**

Data for adjustments as at December 31, 2006:

- Merchandise inventory Rs. 208,000.
- General repairs & maintenance expense for the year was Rs. 38,600.
- Office supplies expense for the year was Rs. 15,000.
- Salaries includes Rs. 12,000 not yet earned by the employees.
- Depreciation on vehicles is recorded @ Rs. 2 per kilometer. During the year vehicle was run for 20,000 kilometer.
- Utilities include a bill of Rs. 2,000 paid for owner's private residence.

Required:

(a) Prepare the following:

(i) A profit and loss account for the year ended December 31, 2006.

(ii) A balance sheet as at December 31, 2006.

(b) Compute current ratio and quick ratio.

July 22	A cheque for Rs. 58,800 is received from Badar Company towards payment of Rs. 60,000 invoice dated July 13, terms 2/10, n/30.
July 29	Cash sales total Rs. 176,600 (cost, Rs. 105,960)
July 31	Cash of Rs. 2,000 is received on account of interest earned for July.

Required:

Post the above transactions in the Cash Receipts Journal.

Q.5(a) An analysis of accounts receivable at the year end showed the following:

Aging of Receivables	(Rupees)
Not yet due	600,000
1 – 30 days past due	300,000
31 – 60 days past due	180,000
61 – 90 days past due	60,000
Over 90 days past due	40,000

Percentage considered uncollectible in each category is as follows:

Not yet due	=	2 %
1 – 30 days past due	=	3 %
31 – 60 days past due	=	10 %
61 – 90 days past due	=	15 %
Over 90 days past due	=	30 %

Required:

(i) Compute the estimated amount of uncollectible accounts based on above estimates.

(ii) Pass adjusting and closing entries to record bad debt expense, assuming that allowance for bad debts had a debit balance of Rs. 1,600 (before adjustment).

(b) What are the objectives of cash control? Discuss

(c) ABC Traders report the following balances as at August 31, 2007:

Balance per bank statement	Rs. 60,000
Balance per cash book	Rs. 40,000

Differences between bank statement and the cash book entries are summarized below:

1) Cheques issued but not yet presented for payment total Rs. 10,000.

2) Cheques deposited but not yet cleared total Rs. 15,000.

3) Bank has collected a note receivable for Rs. 20,000. This has not been recorded in the cash book.

4) Cheques issued, and paid by the bank but not recorded in the cash book total Rs. 10,000.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN
FALL (WINTER) 2007 EXAMINATION - Stage - 3
Sunday, 25th November, 2007
FINANCIAL ACCOUNTING- (S-301)

Q.3. An entrepreneur does not keep proper books of account. The bank payments and receipts during the year to December 31, 2006 were as follows:

Receipt (Rs)	Bank Accounts		Payments (Rs)
Balance January 1, 2006	3,000	Cash withdraw	2,000
Cheque from sales	12,000	Purchases	8,000
Cash deposited	10,000	Expenses	2,000
		Drawings	1,000
		Delivery van (bought October 1, 2006)	8,000
		Balance December 31, 2006	4000
	25,000		25,000

From a cash note book you note the following:

	(Rs)
Cash in hand January 1, 2006	600
Cash takings	15,000
Purchases paid in cash	4,600
Expense paid in cash	1,100
Cash in hand December 31, 2006	500
Drawings by proprietor in cash	Unknown

You discover that assets and liabilities were as follows:

	1-1-2006 Rs.	31-12-2006 Rs.
Accounts Receivable	2,800	2,950
Accounts payable	1,600	1,300
Creditor for expenses	700	250
Stock	3,500	4,600

The entrepreneur says that he has no hope of receiving an amount of Rs. 300 due from one customer and that a provision of 20% of accounts receivable would be prudent. Depreciation on the van is to be provided at the rate of 20% per annum

Required:

Prepare profit and loss account for the year ended December 31, 2006 and a balance sheet at that date.

Q.6. Trial balance as at December 31, 2006 of Moosani Hotels Ltd. A public limited company quoted on stock exchange, which owns a large number of hotels throughout the country is given below:

	Dr.	Cr.
	(Rs. in 000)	
Cash and bank balance	1,300	
Hotel building cost	490,000	
Accumulated depreciation		46,200

	18,000	
Hotel furniture and fitting – cost		9,400
Accumulated depreciation		110,000
Long terms loan repayable 2014		1,700
Trade and other payables		
Share capital: Fully paid, ordinary		220,000
Share of Rs. 10/-each		65,000
General reserve		21,000
Un-appropriated profit		68,500
Sales of accommodation and food	2,100	
Purchases of food items	400	
Inventory as at December 31, 2005	3,000	
Heating and lighting	4,000	
Selling, marketing and distribution expenses	3,000	
Administrative expenses	6,000	
Salaries/ wages Administrative staff		
House keeping and		
Restaurant staff	9,000	
	4,950	
Interest on loan	50	
Taxation (under provision for prior year)		
	541,800	**541,800**

ADDITIONAL INFORMATION:

- During the year, the company had spent a sum of Rs. 12 million on construction and completion of a new block of hotel and had purchased new fixtures for Rs. 7 million. These amounts are included in the relevant trail balance totals.]]
- Hotel buildings are depreciated @ 2% of cost, and fixtures and fittings are depreciation @ 25% of the reducing balance.
- Full year's depreciation is charged in the year of acquisitions of fixed assets.
- Closing inventories of food stuff and other consumables were valued at Rs.470,000 on December 31, 2006.
- The balance in taxation account represents under provision for the year ended December 31, 2005.
- Company's tax liability for the year ended December 31, 2006 is estimated to the Rs. 10.2 million.
- Authorized shares capital of the company is Rs. 250,000,000 divided in 25,000,000 ordinary share of Rs 10/- each

Required:

Prepare the following statements of the company as per the requirements of IAS-1 and the companies Ordinance, 1984:

i) Profit and loss account

ii) Balance sheet

iii) Statement of change in equity

iv) Schedule of fixed assets

Note: Prepare and present necessary working notes, wherever required. Note to the accounts are not required.

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

SPRING (SUMMER) 2008 EXAMINATION - STAGE-1

THURSDAY, 22nd May, 2008

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Time Allowed - 2 Hours 45 Minutes — Maximum Marks - 90

i. Attempt ALL questions.
ii. Question No 1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q. 2 Following is the Trail Balance and additional information of Hanif Khan Traders as on December 31, 2007.

	Debit (Rupees)	Credit (Rupees)
Sundry debtors	16,000	
Sundry creditors		22,600
Administration and general expenses	31,500	
Bad debts	1,200	
Motor vehicle	120,000	
Accumulated depreciation - motor vehicle		27,000
Printing and stationery	8,600	
Advertisement	6,000	
Insurance	2,000	
Postage and telephone	1,800	
Salaries	86,000	
Vehicle expenses	13,400	
Rent and taxes	21,000	
Drawings	42,000	
Hanif Khan - capital		123,600
Purchases	311,000	
Sales		541,000
Stock as on 01-01-2007	40,200	
Cash / bank balances	13,500	
	714,200	714,200

Additional information for adjustment on December 31, 2007:

(1) Rs.2,100 was payable for repair of motor vehicle.

(2) A provision for bad and doubtful debts is to be created to the extent of 2-½ % on sundry debtors.

(3) Depreciation is charged on Motor Vehicle under straight line method @ 20% per annum.

(4) Rent and taxes includes Rs.16,000 for next year.

(5) During the year, the goods costing Rs.12,000 were destroyed by flood and this claim has been agreed with the insurance company. The claim has not been paid as on closing date of accounts.

(6) Stock as on December 31, 2007 was valued at Rs.48,600.

Required:

Prepare the following:

a) Adjusting Journal Entries

b) Trading and Profit and Loss Account

c) Balance Sheet

Q. 3 (a) Write a short sentence explaining each of the following concepts:

(i) Relevance

(ii) Reliability

(iii) Faithful representation

(iv) Neutrality

(v) Prudence

(vi) Completeness

(vii) Comparability

(viii) Understandability

(b) For the month of January 2008, the payroll records of Khan & Company show that employees earned total salaries of Rs.190,000. Amount withheld consisted of social security taxes computed at an assumed rate of 6%, medicare taxes computed at an assumed rate of 1.5%, federal income taxes of Rs.21,200, child support payments of Rs.12,500 and employees' contribution to provident fund is Rs.10,900. Khan & Company contributes an amount equal to the amount of provident fund deducted from employees. The monthly payroll is recorded on last day of the month and paid to employees on 5th of next month.

Required:

Prepare separate general journal entries to record:

(i) Salaries earned by the employees, amounts withheld, and liability for net pay;

(ii) Employer's contribution to provident fund; and

(iii) Payment of salaries on due date.

Q. 4 (a) Define the following terms:

- Accrued expenses
- Depreciation
- Intangibles

(b) On March 31, 2008 a fire occurred in the premises of Arif Traders which destroyed its inventory completely. From the record, the following information is available:

	Rupees
Sales (January 1, 2008 to March 31, 2008)	1,500,000
January 1, 2008 Inventory	400,000
Purchases (January . March)	1,600,000
Purchase returns & allowances	20,000
Gross profit average rate	20%

Required:

Calculate the value of stock lost by fire.

(c) S. R. W. partnership firm maintains a petty cash fund to control small cash payments. The firm does not use a voucher system, however, management wished to replenish the fund at the end of every month. Shown below are the transactions involving the establishment of the fund and its replenishment at March 31, 2008:

March 02 A cheque for Rs.10,000 was issued and cashed to establish a petty cash fund.

March 31 Following payments were made through petty cash fund during the month:

	Rupees
Office supplies expenses	1,500
Postage expenses	400
Entertainment expenses	1,950
Conveyance expenses	2,050
Stationery expenses	1,950
Staff welfare expenses	1,000
Miscellaneous expenses	450

Required:

Prepare journal entries in general journal form to record the establishment of petty cash fund on March 02, 2008 to record the expenses incurred through petty cash fund during the month and also to record its replenishment as on March 31, 2008.

Q. 5(a) Define special journal and explain their usefulness.

(b) Following balances were appearing in the books of Super Ideal Exports Co., as on January 01, 2007:

		Rupees
Accounts Receivable Control Account	Dr.	80,240
Accounts Payable Control Account	Cr.	62,350

For the year ended December 31, 2007 the following particulars are available:

Sales	637,280
Purchases	399,740
Cash received from trade accounts receivable	552,120
Cash paid to trade accounts payable	373,070
Discount received	14,750
Discount allowed	23,280
Return inward	10,020
Return outward	5,350
Irrecoverable debts written off	3,260
Amount due from a customer as shown by receivables ledger, offset against amount due to the same firm as shown in payable ledger (settlement by contra)	4,340
Allowance to customers on goods damaged in transit	2,120

Required:

You are required to write up the following accounts recording the above transactions bringing down the balances as on December 31, 2007.

1) Accounts Receivable Control Account.
2) Accounts Payable Control Account.

Q. 6 (a) Saira Limited purchased a new machine on January 1, 2008 and paid the following expenses also:

	Rupees
Net cash price of machine	100,000
Sales Tax on machine	15,000
Custom duty on machine	25,000
Property tax on machine for one year	5,000
Cost of repairing the machine damaged during installation	2,000
Installation and testing cost	8,000
Fire insurance one year policy for machine	2,700
Insurance in transit	5,000
Freight-in	5,000

Required:

(i) Prepare separate schedule of capital expenditures and revenue expenditures.

(ii) Give journal entry to record acquisition of machine on January 1, 2008.

(iii) Give journal entry to record revenue expenditure. Use General Expense Control Account for debiting expenses.

(b) Ghayas Corporation has office equipment that costs Rs.150,000 and it has depreciated amount of Rs.96,000.

Required:

Record the disposal of the office equipment under each of the following assumptions:

(i) It is scrapped as having no value.

(ii) It is sold for Rs.20,000.

(iii) It is sold for Rs.70,000.

(iv) It is exchanged with similar office equipment. The old office equipment has a fair market value of Rs.64,000 and Rs.10,000 was paid.

(v) It is exchanged with similar office equipment. The old office equipment has a fair market value of Rs.35,000 and Rs.25,000 was paid.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN
SPRING (SUMMER) 2008 EXAMINATIONS
Sunday, 25th May, 2008
FINANCIAL ACCOUNTING

Q.4(a) The following information has been taken from the record of M/s. Adnan Traders as at December 31, 2007:

Current ratio	2.5
Liquidity ratio	1.5
Net working capital	Rs.300,000
Stock turnover ratio	6
Ratio of gross profit to sales	20%
Ratio of turnover to fixed assets (net)	2
Average debt collection period	2 months
Fixed assets to net worth	0.8
Reserves and surplus to capital	0.5

Required:

Using the above data, you are required to draw up the Balance Sheet of the concern. (Also show your working notes / computations).

Q. 6 M/s. K. K Limited maintains its office at Liberty Plaza. On 1st July 2007, it was destroyed by fire and all records were burnt. Employees got benefit of destruction of record and stolen the stocks of the company. The company is in the struggle of maintaining fresh record and found the data from the following sources:

a) The company had its marketing office at another plaza from where following sales data received:

- Sales . . . . (January to June 2007) Rs.1,050,000

b) The company's directors had balance sheet for the year 2006 and were able to pick the following data:

- Closing stock 31-12-2006 Rs. 117,500
- Trade creditors 31-12-2006 Rs. 98,750

c) The company had policy of making gross profit of 25% on the sales value.

d) The creditors have demanded for the payment worth Rs.138,750.

e) From the bank, it has come to know that company had issued cheques for Rs.710,000 during January to June 2007.

Required:

(a) Prepare profit & loss account from 01-01-2007 to 30-06-2007.

(b) Find out the amount of stolen stock.

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

Fall (Winter), 2008 Examination Stage -1

Thursday, 20th November, 2008

FUNDAMENTALS OF FINANCIAL ACCOUNTING (S -101)

Time Allowed - 2 Hours 45 Minutes **Maximum Marks - 90**

i. Attempt ALL questions.
ii. Question No.1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q.2 (a) State the required steps in the accounting cycle.

(b) What are accruals and prepayments? Give two examples of each one.

(c) Following cases for adjustments at the year ended December 31, 2007 have been taken from the records of Century Traders.

i) Rent expired during the year Rs.9,000. Rent was paid in advance and was initially recorded as an asset.

ii) Fees earned amounted to Rs.16,000. Fees received in advance were initially credited to unearned fees account.

iii) Salaries paid in advance were initially charged to the expense account. On December 31, 2007, Rs.11,000 were reported as prepaid.

iv) Of the commission income, Rs.7,600 were reported as unearned.

v) Depreciation on equipment is charged by sum-of-the-years-digits method.

vi) Equipment cost is Rs.40,000. Salvage value is Rs.10,000 at the end of useful life of 5 years. The year ending December 31, 2007, is the second year of its use. Charge depreciation, for the year, by using sum-of-the-years-digits method.

vii) The company uses the perpetual inventory system and FIFO method for inventory valuation. The cost of inventory at year end was determined as Rs.25,000 and cost of goods sold as Rs.185,000.

Required:

Give adjusting entries and reversing entries, where necessary.

Q.3 (a) When Ahmad arrived at his store on the morning of January 29, 2008, he found empty shelves and display racks. The thieves had broken in during the night and stolen the entire inventory. Ahmed.s accounting records showed that he had Rs.55,000 inventory on January 1, 2008 (cost value). From January 1, 2008 to January 29, 2008, he had made net sales of Rs.200,000 and net purchases of Rs.142,800. The gross profit during the last several years had consistently been averaged 30% of the net sales. Ahmad wishes to file an insurance claim for the theft loss.

Required:

Use the gross profit method to estimate the cost of his inventory at the time of the theft. Show all necessary workings.

(b) During the second half of the financial year of Millat Corporation Limited, the monthly credit sales and their collections were as under:

Sales (Rs.)		Collections (Rs.)						
Month	Amount	July	Aug	Sept	Oct	Nov	Dec	Balance
July	35,000	14,000	17,000	-	1,000	-	-	3,000
August	25,000	-	8,000	12,000	1,000	2,000	400	1,600
September	36,000	-	-	15,000	11,000	1,000	5,000	4,000
October	36,000	-	-	-	16,000	17,000	200	2,800
November	38,000	-	-	-	-	20,000	15,000	3,000
December	39,000	-	-	-	-	-	19,000	20,000
Total	209,000	14,000	25,000	27,000	29,000	40,000	39,600	34,400

On December 31, 2007, the management of the corporation decided that an allowance for doubtful accounts should be established, amounting to:

- 75% of balance more than 4 months old.
- 65% of balance more than 3 months old, but less than 4 months old.
- 40% of balance more than 2 months old, but less than 3 months old.
- 10% of balance more than 1 month old, but less than 2 months old.
- 2% of balance less than 1 month old.

It was also decided to write off specific Ahmad accounts totaling to Rs.2,500 as uncollectible.

(**Note**: The balance due from Ahmed, amounting to Rs 2,500, is not included in the above table).

Required:

(i) Compute the bad debts expense for the year, and

(ii) Give the journal entries to set up the allowance for doubtful accounts and to write off specific Ahmed accounts.

Q. 4 Perwaz & Company purchased a factory machine at a cost of Rs.180,000 on January 01, 2004. The machine is expected to have a salvage value of Rs.20,000 at the end of its 4-year useful life.
During its useful life, the machine is expected to be used for 160,000 hours. The machine was used as under:

YEAR	Hours Used
2004	40,000
2005	60,000
2006	35,000
2007	25,000

Required:

Prepare depreciation schedules on the bases of the following methods:

(a) Straight-line.
(b) Units-of-activity, and
(c) Declining-balance using double the straight-line rate.

Q.5(a) State the requirement of IAS-16 relating to upward and downward revaluation of property, plant and equipment.

(b) Kamran wants to purchase a running business of Mahmood. Mahmood's assets are worth Rs.1,600,000 and liabilities are of Rs.400,000. Mahmood's net incomes for the last four years were as follows:

Year	Income (Rs.)
2004	150,000
2005	120,000
2006	180,000
2007	200,000
Total Income	**650,000**

Required:

Compute the amount of goodwill to be paid by Kamran under each of the following methods for the computation of goodwill:

(i) Kamran requires an average rate of return of 10% on net assets purchased. Excess average annual earning of four years is treated as goodwill.

(ii) Average annual earning is capitalized at 10% to determine the fair value of net assets and goodwill.

(iii) Give journal entry in the books of Kamran to record purchase of Mahmood's business under (ii) above.

(c) Give the correcting entries that should be made in 2008, when each of the following errors are discovered:

(i) On December 21, 2007, a Rs.12,000 non-interest bearing note due in 90 days was received from a customer. The note was recorded at its face value, the interest income was credited for Rs.180, and the customer's account was credited for the difference.

(ii) No adjustment was made on December 31, 2007 for the interest on a 60-day, 6%, Rs.3,000 note receivable that would be due on January 12, 2008.

(iii) During December 2007, goods of Rs.500 were received. These goods were included in the year end inventory, but no entry was made for this purchase, until the invoice was received in January 2008. At that time purchases account was debited.

(iv) Prepaid insurance was debited for Rs.360, representing the premium for three years from October 1, 2007. No adjustment was made on December 31, 2007.

Q. 6 Following is the adjusted trial balance of Tufail Industries on December 31, 2007:

	Debit (Rs.)	Credit (Rs.)
Cash	810,000	
Accounts receivable	1,878,000	
Allowance for doubtful accounts		90,000
Direct materials inventory, January 1	375,000	
Work-in-process inventory, January 1	450,000	
Finished goods inventory, January 1	333,000	
Prepaid expenses	54,000	
Factory equipment	5,880,000	
Accumulated depreciation - Factory equipment		1,695,000
Office equipment	1,842,000	
Accumulated depreciation - Office equipment		738,000
Accounts payable		1,113,000
Miscellaneous expenses payable		366,000
Tufail Capital		7,167,000
Sales (net)		16,290,000
Purchases of direct materials	3,201,000	
Direct labour	4,605,000	
Factory overheads	3,687,000	
Selling expenses	2,616,000	
Administrative expenses	978,000	
Income Tax	750,000	
	27,459,000	**27,459,000**

Inventories on December 31, 2007 are:

Direct materials inventory	Rs. 453,000
Work-in-process inventory	Rs. 294,000
Finished goods inventory	Rs. 402,000

Required:

Prepare the following statements:

(a) Cost of goods manufactured and sold statement for the year ended December 31, 2007.

(b) Income statement for the year ended December 31, 2007.

(c) Balance sheet as at December 31, 2007.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Fall (winter) 2008 Examinations

Sunday, 23rd November 2008

FINANCIAL ACCOUNTING

Q. 5 The financial statements of Nishat Mills are given below. Use these statements to prepare a comprehensive ratio analysis. The market price of shares of Nishat Mills is Rs.16 each:

NISHAT MILLS
Comparative Balance Sheets
As at December 31, 2007 and 2006

	2007 (Rs.)	2006 (Rs.)
ASSETS		
Current Assets		
Cash	500,000	370,000
Accounts receivable	350,000	290,000
Inventories	90,000	110,000
Total current assets	**940,000**	**770,000**
Property, plant and equipment		
Land	200,000	200,000
Building	650,000	650,000
Equipment	950,000	900,000
	1,800,000	**1,750,000**
Less: Accumulated depreciation	(365,000)	(325,000)
Total property, plant and equipment	**1,435,000**	**1,425,000**
Total assets	**2,375,000**	**2,195,000**
LIABILITIES		
Current liabilities		
Accounts payable	160,000	200,000
Interest payable	40,000	30,000
Total current liabilities	**200,000**	**230,000**
Long-term liabilities		
Long-term notes payable	800,000	700,000
Total liabilities	1,000,000	930,000
SHAREHOLDERS' EQUITY		
Ordinary share capital (Rs.0.50 at par)	100,000	100,000
Share premium	655,000	655,000
Retained earnings	620,000	510,000
Total shareholders' equity	1,375,000	1,265,000
Total Liabilities and equity	2,375,000	2,195,000

NISHAT MILLS
Income Statement
For the year ended December 31, 2007

	(Rs.)	(Rs.)
Revenues		1,685,000
Cost of goods sold		(980,000)
Gross profit		705,000

Operating expenses:		
Salaries	(245,000)	
Interest	(65,000)	
Depreciation	(40,000)	
Other operating expenses	(155,000)	(505,000)
Profit before tax		200,000
Less: income tax expense		(40,000)
Profit for the year		160,000

NISHAT MILLS
Statement of Retained Earnings
For the year ended December 31, 2007

	(Rs.)
Retained earnings, January 1	510,000
Add profit for the year	160,000
	670,000
Less: dividends	(50,000)
Retained earnings, December 31	**620,000**

Required:

Based on the data given above, calculate the following for Nishat Mills:

i. Current ratio
ii. Quick ratio
iii. Debt ratio (or investment ratio)
iv. Debt to total equity ratio
v. Times interest earned
vi. Accounts receivable turnover
vii. Inventory turnover
viii. Net profit on sales
ix. Gross profit margin
x. Return on assets
xi. Return on equity
xii. EPS
xiii. P/E ratio
xiv. Dividend yield
xv. Dividend payout ratio
xvi. Book value per share
xvii. Return on capital employed
xviii. Capital gearing
xix. Leverage
xx. Dividend cover

Q.6(a) The following balances have been extracted from the accounting records of Nob Company, a limited liability company, at December 31, 2007:

	(Rs.)
Sales revenue	4,289,000
Opening inventory	360,000
Purchases	2,184,000
Carriage inwards	119,000

Carriage outwards	227,000
Office equipment at January 1, 2007:	
Cost	1,200,000
Accumulated depreciation	520,000
Trade receivables	620,000
Allowance for doubtful accounts at January 1, 2007	20,000
Bad debts written off during the year	15,000
Sundry administrative expenses	416,000

The following additional information is available:

(1) Closing inventory amounted to Rs.450,000.

(2) Some office equipment, which had cost Rs.200,000, with accumulated depreciation at January 1, 2007 of Rs.140,000, was sold for Rs.150,000 during the year. The sale proceeds were included in the sales revenue.

(3) The cost of new equipment, purchased on July 1, 2007 for Rs.60,000, was included in the purchases account.

(4) The company depreciates its office equipment @ 20% per year on straight-line basis, with proportionate depreciation in the year of purchase but none in the year of sale. None of the equipment, held at January 1, 2007, was more than three years old.

(5) The allowance for doubtful accounts at December 31, 2007 is to be 5% of trade receivables.

(6) Accruals and prepayments on sundry administrative expenses at December 31, 2007 were:

- Accrued expenses Rs.28,700
- Prepaid expenses Rs.14,400

(7) The directors proposed a dividend of Rs.6 per share on the ordinary share capital (40,000 shares of Rs.25 each) to be paid in July 2008.

(8) No dividends were paid in 2007.

Required:

(i) Prepare the income statement for the year ended December 31,2007.

(ii) State the total amount of the proposed dividend and explain how it would be dealt with, in the company's financial statements for publication.

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

SPRING (SUMMER), 2009 EXAMINATION

SUNDAY, 24th May, 2009

FUNDAMENTALS OF FINANCIAL ACCOUNTING

STAGE-1

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No 1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q.2(a) List out the criterion regarding revenue recognition from sale of goods as laid down in IAS 18 *Revenue*.

(b) When can an enterprise deviate from International Accounting Standards?

(c) Below are some typical transactions incurred by Hyder Company Limited:

(i) Payment to accounts payable
(ii) Return of goods sold for credit
(iii) Collection on account from customers
(iv) Sale of land for cash
(v) Sale of goods for cash
(vi) Sale of goods on account
(vii) Issue of ordinary shares for cash
(viii) Revaluation of land
(ix) Payment of employees, wages
(x) Cash dividend paid
(xi) Depreciation on building
(xii) Purchase of goods for cash
(xiii) Purchase of goods on account

Required:

Show the impacts of the above transactions on both sides of the accounting equation. Use the following format filling the relevant boxes with symbols of "+" (for an increase in an individual account) and "-" (for a decrease in an individual account).

Transactions	Cash	Accounts Receivable	Inventory	Land / Building	=	Accounts Payable	Sharehol equi
(i)							
(ii)							
(xiii)							

Q. 3 The cash transactions and cash balances of Sufi Corporation for July were as follows:

- The ledger account of cash showed a balance of Rs. 125,568 at July 31.
- The July bank statement showed a closing balance of Rs. 114,828

- The cash received on July 31, amounted to Rs.16,000. It was deposited in the bank after banking hours on July 31 and, therefore, was not recorded by the bank in the July bank statement.
- Also included with the July bank statement was a debit memorandum from the bank for Rs.50 representing service charges for July.
- A credit memorandum enclosed with the July bank statement indicated that a noninterest bearing note receivable for Rs. 4,000 from Mahmood left with the bank for collection, had been collected and the proceeds credited to Sufi Corporation Account.
- A cheque issued by Sufi Corporation amounting to Rs.519 in respect of repairs of office equipment was erroneously entered in the Sufi Corporation s books at Rs.915.
- Examination of the bank statement revealed that three cheques, all issued in July had not yet been paid by the bank No.811 for Rs.314, No.814 for Rs.625 and No.823 for Rs.175.
- Included with the July bank statement was a Rs.200 cheque drawn by Hamid, a customer of Sufi Corporation. This cheque was dishonoured. It had been included in the deposit of July 27 but had been charged back against the company's account on July 31.

Required:

(a) Prepare bank reconciliation statement for Sufi Corporation for the month ended July 31.

(b) Prepare necessary adjusting journal entries.

Q. 4 (a) What are the advantages of accounting packages / ERPs as compared with the manual system?

(b) Qasim is a sole trader and usually sells goods on credit. In order to meet his working capital requirement, he draws bills of exchange on his customers and after their acceptance, gets them discounted by his banker.

On January 1, 2009 Qasim sold goods to one of his customers, Asim, for Rs. 25,000 on credit. On the same date, he drew a bill of exchange on the customer, payable on April 1, 2009. Asim accepted and sent it back to Qasim.

On January 2, 2009, Qasim got the bill discounted by his banker and received Rs. 23,800 cash.

Required:

Prepare journal entries in the books of Qasim and Asim under the following situations:

(i) If the bill was honoured.

(ii) If the bill was dishonoured and the bank paid cost of noting of Rs.200.

Q.5(a) (i) In accordance with IAS 38 *Intangible Assets*, under what conditions an enterprise can recognize development expenditure as an asset?

(ii) Define *Inventories* as per IAS 2 *Inventories*.

(b) Fortune company acquired a machine on January 1, 2000 for Rs. 1,500,000 with an estimated life of 10 years. Salvage value was estimated to be Rs. 150,000.

On January 1, 2005, the company spent Rs.100,000 on a major overhauling of the machine. As a result the useful life is expected to extend by additional 5 years. Salvage value remains unchanged.

Required:

Compute depreciation expense for the year ended December 31, 2005.

(c) Star Satellite sells satellite tracking systems for receiving television broadcasts from communications satellites in space. At December 31, 2008, the company's inventory amounted to Rs.440,000. During the first week in January 2009, Star Satellite made only one purchase and one sale. These transactions were as follows:

January 3 Sold a tracking system to Mystery Mountain Resort for Rs.220,000 cash. The system consisted of seven different devices, which had cost Rs.112,000 to Star Satellite.

January 7 Purchased two model-400 and four model-800 satellite dishes from Yamna Corporation.

The total cost of this purchase amounted to Rs.100,000, the terms being 2/10, n/30. Star Satellite records purchases of goods at net cost. The company has full time accounting personnel and uses a manual accounting system.

Required:

Prepare journal entries to record these transactions assuming that Star Satellite uses the:

(i) perpetual inventory system.

(ii) periodic inventory system.

Q. 6 The trial balance of Ibrahim Wholesale Company contained the following accounts at December 31, 2008:

	Dr. (Rs.)	Cr. (Rs.)
Cash	254,000	
Accounts receivable	376,000	
Inventory	900,000	
Land	920,000	
Buildings	1,970,000	
Accumulated depreciation : building		540,000
Equipment	835,000	
Accumulated depreciation : equipment		424,000

Notes payable		500,000
Accounts payable		375,000
Ibranim, capital		2,678,000
Ibrahim, drawings	100,000	
Sales		9,041,000
Sales discount	46,000	
Cost of goods sold	7,099,000	
Salaries expense	698,000	
Utilities expense	194,000	
Repairs expense	59,000	
Gas & oil expense	72,000	
Insurance expense	35,000	
	13,558,000	**13,558,000**

Adjustment data:

1. Depreciation is Rs.100,000 on building and Rs.90,000 on equipment (both are used for administrative purpose).
2. Interest of Rs.70,000 is due and unpaid on notes payable at December 31, 2008.
3. Inventory on hand is Rs.892,000.

Other data:

1. Salaries are 80% selling and 20% administrative.
2. Utilities expense, repair expense, and insurance expense are 100% administrative.
3. Rs.150,000 of the notes payable are payable next year.
4. Gas and oil expense is a selling expense.

Required:

Work out the followings:

(a) Income statement for the year ended December 31, 2008 (using classification of expenses by functions).

(b) Statement of financial position as at December 31, 2008.

(c) Notes to the financial statements.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISATN

Spring (Summer) 2009 Examinations Stage - 3

Sunday, 24th May 2009

Financial Accounting

Q. 2 (b) From the following information of M/s. Saleem and Company, find out the value of credit sales:

	Rs.
Accounts receivable at 1-1-2008	25,000
Returns inwards	7,000
Cash received from customers	38,000
Discount allowed	3,500
Bills receivable from customers	20,000
Bad debts	2,500
Bills receivable dishonored	4,000
Accounts receivable at 31-12-2008	15,000

Q. 5 Fawad Industries Limited prepares its financial statements on December 31, each year. At December 31, 2006, the machinery was reported as follows:

	Machine A	Machine B	Total
Cost	450,000	300,000	750,000
Accumulated Depreciation	(180,000)	(45,000)	(225,000)
Net Book Value	270,000	255,000	525,000

Both machines are measured at cost and depreciation is charged at 10% on a straight-line basis. On June 30, 2007, the directors decided to change the basis of measuring machinery to the revaluation model. At that date machine A was revalued at Rs.270,000 with an expected remaining useful life of six years, and machine B was revalued at Rs.232,500 with an expected useful life of five years.

On December 31, 2008, machine A was assessed to have a value of Rs.200,000 and machine B, a value of Rs.165,000.

Required:

Prepare journal entries to account for the machinery for the year ended December 31, 2007 and December 31, 2008 respectively.

Q. 6 The financial year of Alpha Limited ended on June 30, 2008. The following balances were extracted from the books of accounts:

ALPHA LIMITED
Trial Balance
For the year ended June 30, 2008

Particulars	(Rs.) Dr.	Cr.
Provision for staff gratuity (unfunded)		530,000
General expenses	805,000	
Ordinary share capital		7,000,000
Preference share capital		3,000,000
Share premium		1,000,000
Profit & loss account, July 1, 2007		3,880,000
10% Debentures 2001/2010		4,000,000
Land & building (at cost)	7,850,000	
Plant & machinery (at cost)	13,520,000	
Office equipment (at cost)	2,750,000	
Trade investment at cost (unlisted)	1,240,000	
Mark-up on investment		100,000
Inventory (July 1, 2007)	980,000	
Accounts receivable	3,630,300	
Bank & cash	135,000	
Accounts payable		2,250,000
Allowance for doubtful accounts		200,000
Sales		29,200,000
Purchases	19,740,000	
Purchase returns		510,000
Power, heat & light	2,320,000	
Stationary & telephone	195,000	
Rates	325,000	
Debenture mark-up (paid)	400,000	
Wages & salaries	3,890,000	
Accumulated depreciation:		
Land & building		320,000
Plant & machinery		5,100,000
Office equipment		900,000
Preference dividend (paid)	210,000	
Total	**57,990,000**	**57,990,000**

Additional information:

I. Inventory at June 30, 2008 was Rs.1,730,000.

II. A debt of Rs 30,000 has been confirmed as bad debt and is to be written off.

III. The allowance for doubtful accounts is to be adjusted to 5% of the accounts receivable.

IV. General expenses include:

		(Rs.)
• Auditor's fee and out of pocket expenses	:	140,000
• Directors' Fees	:	60,000
• Managing director's remuneration	:	470,000

V. Depreciation is to be provided as follows:

		(Rs.)
• Land and building	:	80,000
• Plant and machinery	:	1,340,000
• Office equipment	:	320,000

VI. Provision for taxation on current year's profit is Rs.360,000.

VII. Authorized share capital consists of:

		(Rs.)
• 500,000 7% preference shares of Rs.10 each	:	5,000,000
• 1,500,000 ordinary shares of Rs.10 each	:	15,000,000

VIII. Non-current assets movement for the year was:

			(Rs.)
Purchase :	Plant and machinery	:	3,650,000
	Office equipment	:	290,000
Disposal :	Plant and machinery	:	1,870,000
	Office equipment	:	20,000

Required:

(a) Profit and loss account including appropriations of the profit for the year ended June 30, 2008.

(b) Statement of financial position as at June 30, 2008.

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

FALL (WINTER), 2009 EXAMINATION

SUNDAY, 22nd NOVEMBER, 2009

FUNDAMENTALS OF FINANCIAL ACCOUNTING (S -101)

STAGE -1

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q.2(a) (i) What is the prime objective of financial statements as per *IAS's Framework*?

(ii) '*Accrual basis*' and '*going concer*' are two basic assumptions of financial statements. Explain them

(b) Following payments were made by Mr. Sajid for the month of July 2009, credit terms being 3/10, n/30:

July 8 Paid Asgher Company.s invoice amounting to Rs. 1,500 dated July 2, issued cheque No. 234.

July 12 Paid freight charges on goods purchased, Rs.120, and issued cheque No. 235.

July 15 Paid Feroze Company.s invoice of Rs. 4,000 dated July 8 and issued cheque No. 236.

July 22 Purchased goods for cash amounting to Rs. 2,000 and issued cheque No. 237.

July 23 Mr. Sajid withdrew Rs.500 from business, issuing cheque No. 238.

Required:

Record the transactions for the month of July using cash payments journal. Foot and rule the journal.

Q. 3(a) (i) What is meant by NRV as per IAS-2.?

(ii) A firm bought inventory at a cost of Rs. 500,000. The goods have been damaged and in order to sell them, the firm expects selling cost of Rs. 160,000 and additional cost of Rs.200 000 to put them into saleable condition. The firm also estimates selling price of these goods as Rs. 800,000.

Required:

How should the Inventory be valued in the statement of financial position? Show your computations.

(b) The balance of sales ledger control account is Rs. 874,450 while the total of sales ledger balances of customers Accounts is Rs. 1,788,250. On re-checking, following errors were discovered:

- Discount allowed to a customer amounting to Rs.23,200 had been posted to the debit side of the customer s account.
- A sales invoice for Rs. 126,000 had been completely omitted from the books.

- A purchases ledger control account of Rs.754,000 had been set-off against sales ledger control account but nothing had been recorded in the customer's account.
- Sales figure was overcast by Rs.450.
- Sales return of Rs.251,000 was recorded as Rs.125,000 in the customer's account.
- A customer balance of Rs.9,900 had not been posted to the customer's account.
- A customer account was under cast by Rs. 16,250.
- An amount for Rs.14,000 due from a customer had proved bad but no entry had been made in his personal account.

Required:

(i) Show the adjusted sales ledger control account.

(ii) Prepare a statement showing the reconciliation of total of sales ledger balance of customers' accounts with the sales ledger control account (adjusted).

Q.4(a) On August 1, 2009, Mumtaz Traders accepted a bill, payable after one month, for Rs.100,000 to finance his friend, Ishaq Brothers. On August 2, 2009, Ishaq Brothers discounted the bill with his bank @ 18% per annum. On September 1, 2009, Ishaq Brothers remitted cash to Mumtaz Traders who honoured the bill.

Required:
Prepare journal entries in the books of Mumtaz Traders and Ishaq Brothers.

(b) Ahmed traders exchanged its old equipment paying Rs.205,000 cash for a new equipment. The old equipment originally cost Rs.180,000 and accumulated depreciation at the date of exchange was Rs.115,000. Fair market value of the old equipment was Rs.25,000.

Required:

(i) Compute the cost of new asset

(ii) Compute gain or loss on exchange

(iii) Give journal entry to record the exchange

(c) Give journal entries to record the following transactions:

- Established a petty cash fund of Rs.10,000.
- Expenses incurred and paid out of petty cash fund were as follows:
  - Store supplies expense Rs.1,150
  - Office supplies expense Rs.1,620
  - Miscellaneous expense Rs.4,830
- Petty cash expenses were reimbursed to the petty cashier. 06

Q. 5(a) Mr. Kabeer makes allowance for doubtful debts at 2.5% of net credit sales. On January 1, 2008, the accounts receivable account balance was Rs. 100,000 and the allowance for doubtful debts account showed a credit balance of Rs.3,000. During the year 2008, transactions relating to accounts receivable were as under:

(i) Total sales (including cash sales of Rs. 50,000), Rs. 400,000.

(ii) Sales returns and allowances, Rs. 10,000.

(iii) Sales discount allowed to customers, Rs. 5,000.

(iv) A customer's account was written off during the year Rs. 2,500.

(v) Cash collected from customers (including Rs.400 from a customer written off in the previous period), Rs. 335,400.

(vi) Credit balances in customer'. Accounts. Rs. 10,000.

(vii) Promissory notes received from customers, Rs. 5,000.

Required:

Prepare accounts receivable, allowance for doubtful debts and bad debts expense accounts. Close and balance the accounts on December 31, 2008.

(b) Given below is the income statement of M/s Sulman Traders for the year ended June 30, 2009:

	Rs. '000'
Sales	1,000,000
Cost of sales	(550,000)
Gross profit	450,000
Operating expenses	
(including depreciation of Rs.100,000)	(250,000)
Net profit	200,000

During the year accounts receivable were decreased by Rs. 85,000, inventory increased by Rs. 55,000 and accounts payable decreased by Rs. 65,000. All sales were made on credit.

Required:

Prepare cash flows from operating activities section of the statement of cash flows.

Q. 6 Following is the pre-closing trial balance of Zulnurain Traders as on June 30, 2009:

	Dr. (Rs. 000)	Cr. (Rs.000)
Cash	50	
Bank	1,000	
Accounts receivable	375	
Inventories:		
Raw materials	100	
Work-in-process	450	
Finished goods	500	
Stores, spare parts & loose tools	150	
Building	6,000	
Accumulated depreciation-building		100
Machinery	3,000	

Accumulated depreciation-machinery		175
Notes payable		2,000
Accounts payable		3,000
Capital-Zulnurain		4,300
Raw materials purchases	300	
Stores purchases	200	
Direct labour	350	
Indirect labour	200	
Marketing staff salaries	400	
Administrative staff salaries	300	
Miscellaneous factory overhead	200	
Utility charges	250	
Miscellaneous marketing expenses	150	
Miscellaneous administrative expenses	100	
Sales revenue		4,300
Rental income		200
	14,075	**14,075**

Adjustment data:

(i) Accrued interest on notes payable, Rs. 80,000.

(ii) Provide Rs. 125,000 for income tax.

(iii) Depreciation on fixed assets is charged @ 5% per annum.

(iv) Stores, spare parts & loose tools as on June 30, 2009, Rs. 100,000.

(v) Inventories as on June 30, 2009:

	Rs.
• Raw materials	80,000
• Work-in-process	490,000
• Finished goods	540,000

Required:

Prepare the following:

(a) Income statement for the year ended June 30, 2009 (using classification of expenses by nature).

(b) Statement of financial position as at June 30, 2009.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Fall (Winter) 2009 Examinations

Sunday, 22nd November 2009

FINANCIAL ACCOUNTING

Q. 4 (a) Mr. Aftab, a small trader maintains his records on single entry basis. He supplies you the following information:

Particulars	January 1, 2008	December 31, 2008
	Rs.	Rs.
Capital	740,000	?
Accounts payable	180,000	100,000
Inventory	172,000	204,000
Accounts receivable	420,000	410,000
Furniture	28,000	28,000
Buildings	292,000	292,000
Cash in hand	2,000	5,600
Cash at bank	6,000	8,000

Summary of Cash Book for 2008:

Receipts	(Rs.)	Payments	(Rs.)
Received from accounts receivable	508,000	Cash purchases	128,400
Cash sales	292,000	Paid to accounts payable	298,000
		Drawings	40,000
		Salaries & wages	168,000
		Stationery & printing	10,000
		Office expenses	126,000
		Rent	24,000

Other Information:

- Creates 5% reserve for doubtful debts.
- Provides 10% depreciation on furniture & building.

Required:

Prepare trading and profit and loss account for the year ended December 31, 2008.

(b) XYZ Limited (registered with an authorized capital of Rs. 5,000,000 divided into ordinary shares of Rs.10 each) made an issue of its ordinary shares during the year 2008 as under:

- 15,000 ordinary shares issued to the promoters for the services rendered.
- 20,000 ordinary shares issued for purchase of machinery, market value being Rs.15 per share.
- Offered 400,000 ordinary shares to the public at 20% premium. Applications (along with application money) received for 500,000 ordinary shares. The company allotted the ordinary shares and refunded the excess money through bank.

Required:

Pass necessary journal entries to record the above transactions.

Q.6 The following trial balance has been extracted from the books of Allied Limited as on June 30, 2009.

Rs. '000'

	Debit		**Credit**
Freehold Land	10,000	Income from investments	100
Buildings	3,750	Allowance for doubtful debts (July 1, 2008)	100
Furniture	1,000	Accounts payable	1,500
Accounts receivable	2,500	Accumulated depreciation (July 1, 2008)	
Inventory (June 30, 2009)	2,000	Building	250
Cash at bank	250	Furniture	200
Cash in hand	50	Equity share capital	18,500
Cost of goods sold	15,000	6% cumulative preferred shares capital	4,000
Salaries and wages	750	Share premium	500
Miscellaneous expenses	400	Secured bank loan for 10 years (Rs.250,000 payable on June 30, 2010)	2,500
Long-term investment	9,000	Sales	17,500
Interest	150	Profit & Loss A/c (July 1, 2008)	125
Bad debts	50		
Repairs and maintenance	75		
Advance income tax	300		
Total	**45,275**	**Total**	**45,275**

Additional Data:

(i) The land was re-valued on April 1, 2009 at Rs.15,000,000 by an expert but no effect had been given in the books, although the directors had decided to adjust the re-valued amount.

(ii) Allowance for doubtful debts is to be adjusted to 5% on the amount of accounts receivable.

(iii) Provision for taxation is to be made at 30%.

(iv) Market value of investment was Rs.9,250,000 as at June 30, 2009.

(v) The company is managed by directors who are entitled to a remuneration calculated at 3% of the annual net profits before tax after charging their remuneration.

(vi) Depreciation is to be charged on building at 2% and furniture at 10%, both on cost.

(vii) The land and buildings of the company were mortgaged in favour of the bank as security for bank loan.

Required:

In accordance with the requirement of 4th Schedule of the Companies Ordinance, 1984, prepare the following:

(a) Income Statement for the year ended June 30, 2009.

(b) Statement of Financial Position as at June 30, 2009.

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

SPRING (SUMMER), 2010 EXAMINATION - STAGE-1

MONDAY, 17th May, 2010

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 "Multiple Choice Question" printed separately is an integral part of this paper.

Q.2(a) Identifiable net assets and estimated earnings by companies A, B, and C are as follows:

	Company 'A'	Company 'B'	Company 'C'
Identifiable net assets (Rs.)	3,000,000	1,500,000	1,500,000
Estimated Annual Earning (Rs.	300,000	165,000	135,000

Required:

Compute goodwill of each company assuming the following for a prospective vendor who plans to buy these companies:

(i) Earning of each company in excess of 6% of net assets are to be capitalized at 20%.

(ii) Earning are to be capitalized at 7.5%.

(b) ABC Company recently adopted an incentive plan. Factory workers are paid @ Rs.40 per unit with a minimum wage of Rs.10,000 per week. Following is a report on employees' productivity for the week ending March 12, 2010. All employees had worked the full 40 hours.

Weekly Summary:

Name	Units Produced
kram	240
aseem	275
ulsher	250
ateef	285
oshan	225
Yasir	265
Total units	1540

Required:

Compute each employee's gross wage

Q. 3 (a) As per IAS 2, define the following terms:

(i) Net realisable value

(ii) Fair value

(b) Records of Ali Baba Company shows the following data for the month of April, 2010.

April 1	Inventory	500 units @ Rs.4.00
April 4	Purchases	700 units @ Rs.4.20
April 9	Sales	600 units @ Rs.6.00
April 15	Purchases	900 units @ Rs.4.10
April 21	Purchases	100 units @ Rs.4.50
April 27	Sales	700 units @ Rs.6.20
April 30	Purchases	200 units @ Rs.4.40
April 30	Sales	300 units @ Rs.6.30

The company follows perpetual inventory system.

Required:

Compute the cost of ending inventory as on April 30, 2010 under each of the following methods:

(i) First-In-First-Out

(ii) Weighted Average

Q. 4 (a) Briefly define the following:

(i) Amortization.

(ii) Revenue expenditure and capital expenditure.

(iii) Errors that may occur in respect of financial transactions.

(b) Right Trading Company reported net income of Rs. 120,900 for the current year ending December 31, 2009. An analysis of the records discloses that the following items were omitted for consideration, when the net income was determined:

- Rent income unearned at the end of the year amounts to Rs.4,200. The original credit was to rent income.
- The amount of supplies based on a physical count on December 31, 2009 was Rs.600.
- Salaries earned by a worker but not paid amounted to Rs.2,500.
- Rs.6,000 paid as advance on February 1, 2009 for one year advertisement has been charged to advertising expense.
- Wages amounting to Rs.2,000 chargeable to machinery installation account is still lying in the wages expense account.

Required:

(i) Give the adjusting journal entries.

(ii) Compute the corrected net income after the above adjustments for the year ended December 31, 2009.

Q. 5 Shining Stars Corporation bought a machine at the beginning of the year at a cost of Rs.64, 000. The estimated useful life was four years, and the residual value was Rs.8,000. Assume that the estimated productive life of the machine is 80,000 units. Following data is relevant:

Year	Expected Units
1	28,000
2	22,000
3	18,000
4	12,000

Required:

Prepare separate depreciation schedules under each of the following alternative methods:

(i) Straight-line.

(ii) Units of production.

(iii) Double declining balance.

Q. 6 The following is the pre-closing Trial Balance of Aftab & Company on December 31, 2009:

Amount in Rs.

Title of Account	Debit	Credit
Cash	20,000	
Accounts receivable	30,000	
Allowance for bad debts		2,000
Office supplies	3,000	
Merchandise inventory (1.1.2009)	12,000	
Prepaid insurance	6,000	
Sales equipment	30,000	
Allowance for depreciation sales-equipment		10,000
Accounts payable		35,000
Aftab capital		33,000
Aftab drawings	3,000	
Sales		180,000
Sales return and allowances	13,000	
Discount allowed	2,000	
Purchases	105,000	
Transportation in	5,000	
Purchase return and allowance		3,000
Discount received		5,000
Commission income		4,000
Salaries expense	20,000	
Rent expenses	18,000	
Advertising expenses	5,000	
	272,000	272,000

Additional data for Adjustments:

i. Merchandise inventory on December 31, 2009 was valued at Rs.7,000.

ii. Salaries expense for the year amounted to Rs.27,000.

iii. Expired Insurance Rs.3,500.

iv. Provide depreciation on sales-equipment for the year Rs.2,000.

v. The allowance for bad debts was estimated at the rate of 8% of the year-end accounts receivable.

vi. Commission income includes Rs.1,000 received in advance.

vii. Rent expense for the year amounted to Rs.16,000.

viii. An item of purchase returns of Rs.1,000 was wrongly credited to sales account.

Required:

(a) Prepare Income Statement for the year ended December 31, 2009.

(b) Prepare Closing Entries as on December 31, 2009.

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Spring (Summer) 2010 Examinations - Stage - 3

Saturday, 24th May 2010

Financial Accounting

Q. 4 Following data pertains to the statement of financial position of a sports club as on January 1, 2009:

	Rupees in thousand
Ground rent payable	480
Cash at bank	1,800
Salaries payable	720
Investment in 10% Government Securities	2,400
4% long-term loan	12,000
Subscription receivable	600
Rent receivable	1,200
Office equipment:	1,200
Accumulated depreciation	250
Advance subscription	120
Sports equipment:	6,000
Accumulated depreciation	1,500
Accumulated fund	12,530
Building:	18,000
Accumulated depreciation	3,600

During the year cash receipts and payments as shown by the bank statement, were as under:

Receipts	Rs. '000'	Payments	Rs. '000'
Subscriptions	22,800	Sports equipment	2,400
Entrance fees	1,800	Salaries expenses	19,200
Rent revenue	5,400	Ground rent	2,400
Donation	2,400	Office supplies	600
Interest on investment	120	Interest on long-term loan	240
		Insurance expense	600
		Miscellaneous expenses	600

Supplementary data as on December 31, 2009:

a) Accrue interest on investment and long-term loan.

b) Donation is a part of accumulated fund.

c) Ground rent payable Rs. 600,000.

d) Subscription and rent receivable Rs. 120,000 and Rs 600,000 respectively.

e) Provide depreciation on office equipments, sports equipments and building @ 10%, 20% and 2% per annum respectively.

f) Subscription and rent received in advance Rs. 720,000 and Rs. 360,000 respectively.

g) Office supplies in hand Rs. 240,000.

Required:

Prepare Income and Expenditure Account for the year ended December 31, 2009.

(b) Muhammad Ali owns a retail shop. On 31st December 2009, his books and vouchers were totally destroyed by fire with the exception of his cheque book stubs, which were at home. Following are relevant figures from the statement of financial position as at 31st December 2008:

	Rs.		Rs.
Cash in hand	14,000	Accounts payable	94,000
Cash at bank	275,200		
Accounts receivable	19,000		
Inventory	115,000		

On 31st December 2009, the following analysis of payments was prepared on the basis of bank statement obtained:

	Rs.
Goods for resale	2,158,000
Rent	75,000
Rates	14,400
Electricity	9,200
Repairs	8,400
Insurance	4,000
Miscellaneous expenses	5,200
Drawings	90,000

Total banking for the year amounted to Rs. 2,450,200.

Additional information from Muhammad Ali is as follows:

a) All cash receipts were banked, except:

   i) Salary of Rs.13,000 per month to an employee.
   ii) Rs.5,200 paid to casual labor during the year.
   iii) A total of Rs.7,800 paid for miscellaneous expenses.
   iv) Cash purchases were Rs.2,000 per week.
   v) He was not certain about his drawings but they ranged between Rs.3,000 and Rs.4,000 per week..

b) Rs.30,000 received in cash, in respect of investment sold, was not banked.

c) Rs.5,200 received, as profit on investments, were not banked.

d) On December 31, 2009:

   i) Accounts receivable were Rs.22,000.
   ii) Accounts payable were Rs.102,000.
   iii) Cash in hand was Rs.17,000.

e) Bad debts during the year were Rs.5,000.

f) Gross profit margin was 20%.

Required:

Work out the following:

(i) Sales for the year ended December 31, 2009
(ii) Purchases for the year ended December 31, 2009
(iii) Ending Inventory
(iv) Cash account
(v) Bank account

Q. 6 Following is the trial balance of Usman Ltd., for the period ended December 31, 2009:

Title of Account	Debit (Rs.'000)	Credit (Rs.'000)
Rs.10 ordinary shares		1,500
Bank	150	
Share premium		750
Inventory at January1, 2009	3,600	
Accounts payable		1,575
Miscellaneous administrative expenses	2,000	
Sales tax payable		2,085
Miscellaneous selling expenses	250	
Sales revenue		17,628
Building-cost	15,000	
Dividend paid	300	
Plant and equipment-cost	2,100	
Purchases	6,300	
Motor vehicle-cost	480	
Accounts receivable	1,314	
Suspense account		2,250
Retained earnings		840
Accumulated depreciation: Building		6,000
Accumulated depreciation: Plant and equipment		720
Accumulated depreciation: Motor vehicle		180
Audit fee	200	
Office staff salaries	500	
Distribution expenses	250	
Sales staff salaries	200	
Income tax (under-provision of the last year)	175	
Advertising expense	100	
Finance charges	609	
Total	33,528	33,528

Additional Information:

i) 150,000 new ordinary shares were issued at Rs.15 in December 2009. The proceeds have been credited in suspense account.

ii) Inventory at December 31, 2009 was valued at Rs.2,400,000. While doing the inventory count, errors in the previous year.s inventory count were discovered. The inventory brought forward at the beginning of the year should have been Rs.3.3 million, not 3.6 million as mentioned above.

iii) A customer has gone bankrupt owing Rs.114,000. This debt is not expected to be recovered and an adjustment should be made. An allowance for receivable of 5% of the ending balance of accounts receivable is to be set up.

iv) Income Tax to be provided Rs.500,000.

v) No final dividend is being proposed.

vi) Depreciation is to be provided as follows:

- Building at 5% straight-line, charged to administrative expenses.
- Plant and equipment at 20% on the reducing balance basis, charged to cost of sales.
- Motor vehicles at 25% on the reducing balance basis, charged to distribution costs.

Required:

Prepare following financial statements in accordance with International Financial Reporting Standard and IAS-1 (revised):

a) Income Statement (showing classification of expenses by functions) for the year ended December 31, 2009.

b) Statement of Changes in Equity for the year ended December 31,2009.

c) Statement of Financial Position as at December 31, 2009.

.INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

FALL (WINTER), 2010 EXAMINATION –
STAGE-1

Saturday, 4th December 2010

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 **"Multiple Choice Question"** printed separately is an integral part of this paper.

Q.2 (a) A comparison of cash book and bank statement of Afzal Traders for the month of March, 2010 revealed the following:

- Balance as per cash book Rs.24,720.
- Bank statement showed an overdraft of Rs.22,660.
- A cheque for Rs.14,400 deposited into the bank was shown in the debit column of the bank statement.
- A cheque for Rs.3,920 deposited into the bank was recorded in the bank statement as Rs.3,560.
- A cheque for Rs.1,600 received from Ameer Brothers and deposited into the bank was returned dishonoured by the bank.
- A cheque for Rs.14,000 issued to Saqib Traders has not so far been presented to bank for payment.
- The bank statement showed a debit of Rs.540 for bank charges and a credit of Rs. 840 for profit.
- Cash amounting to Rs.30,920 was deposited into the bank late in the evening on March 31, 2010, but it was recorded by the bank on April 1, 2010.

Required:

(i) Bank Reconciliation Statement as on March 31, 2010. **07**
(ii) Entries in the General Journal to adjust the cash record of the company. **03**

(b) (i) Nazim Company uses the periodic inventory system and reports the following information for the month ended January 31, 2010:

Date	Description	Units	Cost per Unit Rs.	Total Cost Rs.
January 1	Balance b/d	200	5	1,000
12	Purchases	300	6	1,800
15	Purchases	600	7	4,200
18	Purchases	400	6	2,400
25	Purchases	800	7	5,600

During the month ended January 31, 2010, two thousand units were sold.

Required:

Calculate the value of closing inventory and the value of .cost of goods sold', assuming the company uses valuation method of weighted-average. **05**

(ii) Ahmed Brothers, a trader of household items, uses periodic inventory system. In the last week of June 2010, a theft took place in the shop and the thief succeeded in taking away most of the inventory with him. In order to make an insurance claim, Ahmed Brothers need an estimate of the stolen inventory. Following information is available:

	Rs.
• Opening inventory (July 1, 2009)	255,250
• Purchases during the year	1,590,500
• Remaining inventory on June 30, 2010	25,750
• Sales	2,090,200

Ahmed Brothers apply gross profit margin of 25%.

Required:

Make an estimate of the stolen inventory in the light of the above data. **05**

Q. 3(a) Prepare adjusting and correcting journal entries for the year ended June 30, 2010 from the information given below: **10**

i. Sales to Mr. Ali for Rs.25,600 was wrongly entered in the books as Rs.26,500.

ii. Unearned revenue account showed a credit balance of Rs.257,500 in the trial balance on June 30, 2010. An analysis revealed that 80% of this amount had been earned during the year.

iii. Sales proceeds amounting to Rs.35,500 (sold at book value) of a non-current asset were wrongly treated as sales of goods.

iv. Rent paid amounting to Rs. 55,000 in relation to the rented house of the proprietor was debited to the office rent expense account.

v. Insurance expired during the year Rs.6,500. Prepaid insurance at the beginning being Rs.15,000.

vi. Amount of repairs to building was debited to building account, Rs.25,500.

vii. Purchase of office equipment for Rs.15,520 was treated as purchases of inventory.

viii. Allowance for doubtful debts to be maintained at 2% on sales. Sales for the year amounted to Rs.2,850,500.

ix. Interest on a 10% loan of Rs.275,000 was outstanding.

x. Purchase of goods for Rs.6,500 from Mr. Ahmed was completely omitted from the books.

(b) On January 1, 2007, .A. Limited purchased five machines for Rs.120,000. On June 30, 2008, it acquired another machine at a cost of Rs.20,000. On March 31, 2009, a machine, purchased on January 1, 2007 for Rs.25,000, was sold for Rs.10,000. It was replaced on the same day by a new machine costing Rs.8,000. Depreciation is to be provided at 20% per annum using straight-line method. Company charges full year's depreciation in the year of purchase and no depreciation in the year of sale.

Required:

Prepare the following accounts for three years to December 31, 2009:

(i) Machine Account. **04**

(ii) Accumulated Depreciation Account. **04**

(iii) Machine Disposal Account. **02**

Q. 4 Yasir & Company deals in electronic items. Not only does it sell goods for cash, a big proportion of its sales consist of credit sales. Due to liberal credit policy, Yasir & Company's volume of sales has increased over the last few years; however, this policy has also resulted in additional bad debt expense. At July 1, 2008, Accounts Receivable and Allowance for Doubtful Debts accounts, showed balances of Rs.155,890 (debit) and Rs.9,350 (credit), respectively. Following transactions took place during two years to June 30, 2010:

	2009	2010
	Rs.	Rs.
Credit sales	1,154,300	1,210,750
Receipts from customers	1,075,250	1,255,280
Discount allowed	15,350	15,350
Debts considered to be un-collectable	13,250	14,180

Yasir & Company makes allowance for doubtful debts @ 5% of the closing balance of accounts receivable.

Required:

For the years ended June 30, 2009 and 2010, prepare accounts of:

i. Accounts Receivable 06

ii. Allowance for Doubtful Debts 04

Q. 5 Hammad drew a bill for Rs. 3,000 and Khalid accepted the same for mutual accommodation of both of them to the extent of 2/3 to Hammad and 1/3 to Khalid. Hammad discounted the same for Rs. 2,820 and remitted 1/3 of the proceeds to Khalid. Before due date Khalid drew another bill for Rs.4,200 on Hammad in order to provide funds to meet the first bill. The second bill was discounted for Rs. 4,080 with the help of which the first bill was met and an amount of Rs.720 was remitted to Hammad. Before the due date of the second bill, Hammad became bankrupt and Khalid received a dividend of 50 paisa in the rupee in full satisfaction.

Required:

Pass the necessary journal entries in the books of Khalid. 15

Q. 6 The following balances have been taken from the pre-closing Trial Balance of A. Rahman Traders prepared on June 30, 2010:

	Dr. (Rs.)	Cr. (Rs.)
Cash	30,000	
Accounts receivable	45,000	
Furniture & fixture	60,000	
Office equipment	40,000	
Inventory (1-7-2009)	35,000	
Purchases	205,000	
Carriage-in	5,500	
Office supplies expense	2,500	
Discount allowed	7,500	
Allowance for doubtful debts	2,000	
A. Rahman's drawing	15,000	
Prepaid office rent expense	5,000	

Prepaid insurance	2,500	
Salaries expense	25,000	
Accounts payable		22,500
Sales revenues		327,500
Purchase returns and allowances		10,000
A. Rahman, Capital		120,000
	480,000	**480,000**

Supplementary data for adjustments on June 30, 2010:

i. Inventory was valued at Rs.15,000.
ii. Depreciation expenses for the year were Rs.12,000 for furniture & fixture and Rs.4,000 for office equipment.
iii. Insurance expired during the year, Rs.1,500.
iv. Amount of prepaid office rent was Rs.2,000.
v. Accrued salaries amounted to Rs.10,000.
vi. Allowance for doubtful debts was to be raised to Rs.5,000.
vii. Unused office supplies on hand amounted to Rs.1,000.

Required:

(a) Income Statement for the year ended June 30, 2010. 12

(b) Statement of Financial Position as at June 30, 2010. 13

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Fall (Winter) 2010 Examinations

Thursday, 2nd December 2010

FINANCIAL ACCOUNTING

Q. 5 The following data pertains to Urooj Limited at the end of December 2009:

	(In Rs.)
Average total liabilities	3,000,000
Sales (all on credit)	3,600,000
Cost of goods sold (FIFO)	2,160,000
Average Inventory (FIFO)	432,000
Average account receivables	400,000
Interest expense	50,000
Average total assets	6,205,000
Net income before tax	432,000
Income tax (40%)	288,000

Required:

(a) Determine the following ratios:

(i) Gross margin percentage.

(ii) Profit margin percentage

(iii)	Inventory turnover in days (360 days in a year).
(iv)	Receivable turnover in days (360 days in a year).
(v)	Return on total assets
(vi)	Return on total stockholder's equity **06**

(b) Now assume the company is considering switching to the weighted average method of inventory valuation. The controller tells you that if the company had been on Weighted average in 2009, average inventories would have been Rs. 324,000 and cost of goods sold for the year would have been Rs. 2,400,000. You are required to re-compute the above ratios. **06**

Q.6 Following are the balances from the books of Farzana Limited as on June 30, 2010:

Title of accounts	Debit	Title of accounts	Credit
Buildings	1,000	Sales	12,050
Land	500	Income from investment	200
Equipment	1,500	Equity share capital	2,500
Accounts receivable	2,250	Long term borrowing	1,850
Opening stock of finished goods	1,700	Accumulated depreciation (July 1, 2009):	
Direct labour	1,200	Equipment	700
Long term investment	1,500	Buildings	450
Administrative salaries	1,700	General reserve	1,550
Cash and bank balances	1,500	Profit and Loss A/c: (July 1, 2009)	400
Salesman salaries	1,050	Accounts payable	600
Opening stock of work-in-process	100		
Publicity and advertising	450		
Stores, spares and loose tools purchases	150		
Audit fee	150		
Opening stock of material	150		
Indirect labour	550		
Mark-up on loan	150		
Miscellaneous distribution expenses	250		
Material purchases	3,750		
Opening Inventory of stores, spares and loose tools	50		
Miscellaneous factory overhead	350		
Miscellaneous administrative exp.	100		
Office rent	200		
Total	**20,300**	**Total**	**20,300**

Additional Information:

(i) The Board has approved following appropriations in their meeting:

(a) Transfer to General Reserve Rs. 125,000

(b) Cash dividend 5% and stock dividend 10%.

(ii) Following balances stood at July 1, 2009:

(a) Buildings	Rs. 900,000
(b) Land	Rs. 500,000
(c) Equipment	Rs. 1,200,000

(iii) The authorized capital comprises 400,000 shares of Rs.10 each.

(iv) Provision for taxation to be made for the current year Rs.1,050,000 and for gratuity to be Rs.90,000 which is further chargeable to:

(a) Administrative expenses	Rs. 25,000
(b) Distribution expenses	Rs. 20,000
(c) Miscellaneous factory overhead	Rs. 45,000

(v) Depreciation on building 10% and Equipment 20%, which is further allocated as:

(a) Administrative expenses 10%

(b) Manufacturing expenses 80%

(c) Distribution expenses 10%.

(vi) Closing Inventories on June 30, 2010 are:

(a) Stores, spares and loose tools	Rs. 125,000
(b) Finished goods	Rs.2,025,000
(c) Work-in-process	Rs. 150,000
(d) Raw materials	Rs. 175,000

Required:

Prepare the following financial statements in accordance with International Financial Reporting Standard and IAS-1 (revised):

(a) Income Statement for the year ended June 30, 2010 (showing classification of expenses by functions). **10**

(b) Statement of changes in Equity for the year ended June 30, 2010. **05**

(c) Statement of Financial Position as at June 30, 2010. **10**

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

Summer (May) 2011 Examinations STAGE - I

Sunday, 29th May 2011

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 **"Multiple Choice Question"** printed separately is an integral part of this paper.

Q.2 The following information relates to Hamza & Co., a retailer of television sets for the month of December 2010:

		Rs."000"
1	Started business with a capital:	
	(i) in cash	870
	(ii) at bank	1,330
3	Bought television sets from Amin & Co., on credit.	2,200
3	Paid to Fast Motors for purchase of delivery van through cheque.	540
4	Televisions sold to Ahmed Brothers on credit.	1,880
8	Paid shop's rent in advance for six months to June 2011 to Mrs. Ali through cheque.	680
11	Payment received from Ahmed Brothers and deposited in the bank.	1,340
12	Paid cheque to Amin & Co.	784
18	Paid carriage by cash on purchases.	38
19	Defected televisions returned by Ahmed Brothers.	220
22	Bought flatron televisions on credit from Amin & Co.	1,230
28	Sold flatron televisions to Ahmed Brothers on credit.	810
30	The owner withdraws one television set for his personal use.	25

Required:

(a) Prepare journal entries of the above transactions. **06**
(b) Enter the information in the ledger accounts. **06**
(c) Extract a trial balance as at December 31, 2010. **03**

Q.3(a) Briefly define the following terms:

(i) Materiality **02**
(ii) Relevance **02**
(iii) Reliability **02**

(b) Umar Traders sells household items. A considerable part of their sales consists of credit sales. Consequently they have been confronting the problem of bad debt expenses. As per their policy they relate the .allowance for bad debts. to the age of the outstanding debts. Following information is relevant for the year ended December 31, 2010:

Outstanding Debt(s)	**Amount (Rs.)**	**Required Allowance for Doubtful Debts (%)**
Upto 2 months	135,000	2
More than 2 months and upto 4 months	64,000	4
More than 4 months and upto 6 months	47,000	6
More than 6 months and upto 8 months	25,500	8
More than 8 months	8,500	10
	280,000	

Required:

(i) Prepare an 'aging schedule' for doubtful debts as given above. **04**

(ii) What amount will be shown as closing balance in the 'allowance for doubtful debts' on December 31, 2010? **01**

(iii) What amount will be credited/ debited in the income statement if opening balance in the 'allowance for doubtful debts' is Rs.15,500 (credit)? **01**

(c) An amount of Rs.10,400 written off as bad debt in the year 2009 was recovered in the year 2010. Pass relevant journal entries for the year ended December 31, 2010. **03**

(d) Usman Ahmed works for a rice mill as cost accountant. His basic salary is Rs.75,000 per month with a yearly bonus of Rs.100,000 prorated over 12 months and included in monthly salary. He pays a contribution @ 8.33% towards provident fund, which is allowed as relief against income tax. The taxable pay is taxed @ 6% on first Rs.25,000 and the remaining amount is taxed @ 8.5%.

Required:

Calculate the net pay of Usman Ahmed. **05**

Q.4 (a) Zeeshan & Sons maintain a petty cash fund to control small cash payments. Shown below are the transactions involving the petty cash fund and its replenishment in March 2011:

March 2011		Rs.	Rs.
1	A cheque was issued and en-cashed to establish petty cash fund		15,000
3	Telephone expense for the month of February	1,850	
4	Refreshment charges of Mr. Zeeshan's guests	185	
10	Computer printer papers	550	
11	Computer toner	2,150	
15	Tea and sugar - office use	350	
18	Reimbursement of petrol charges of office rider	100	
20	Postage charges	125	
20	Newspaper bill for the month of February	650	
20	Trade journal subscription	2,200	
27	Office stationery	800	
27	Car repair	1,200	
28	Courier charges	120	
29	New telephone connection charges paid	1,500	
31	The amount spent in March was reimbursed		

Required:

Write out an analytical petty cash book having columns for printing & stationery expense, communication expense, newspaper & subscription expense, vehicle running & maintenance expense and miscellaneous expense. **10**

(b) Mr. Hassan prepares financial statements of his company on December 31, each year. Full year depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal. Machinery account balance at cost and the balance on the accumulated depreciation as at December 31, 2006 were Rs. 685,000 and Rs. 266,389 respectively. Depreciation was provided at reducing balance method @ 20%. In January 2009, a machinery costing Rs. 95,000 in March 22, 2007 was sold for Rs. 81,200. At the end of 2009, it was decided that for the current and the succeeding years, straight-line method of depreciation should be used. It was assumed that the entire machinery would be sold in 2012 for approximately Rs. 110,000.

Required:

(i) Calculate gain or loss on machinery sold in 2009. 04

(ii) Calculate depreciation expense from 2009 till 2011 under straight-line method. 06

Q.5(a) Zaheer & Co., a fast food restaurant owner have incurred the following expenditure in the month of January 2011:

Jan	
2	Purchase of a van for business use
3	Construction of a new room in the existing restaurant
5	Purchase of electrical meat chopper and cutter
7	Insurance premium paid
7	Painting of the existing restaurant, excluding the new room constructed
9	Salaries of the restaurant staff
10	Purchase of a computer for use in the business
18	Expense of hiring a refrigerator
22	Carriage expense paid to bring the meat cutter and chopper to the restaurant
28	Petrol expense of the van
28	Putting extra head lights on van
30	Electricity expense for using the meat cutter and chopper

Required:

(i) Classify the above expenditure as 'Revenue Expenditure' or 'Capital Expenditure'. 06

(ii) Differentiate between "Revenue Expenditure" and "Capital Expenditure". 01

(b) Records of Shahzad & Company show the following data for the month of March 2010:

	Rupees
• Original purchase ledger control account balance.	218,750
• Invoice omitted from control account, but entered in purchase ledger.	28,109
• Customer account with a credit balance included in the purchase ledger that should have been included in sales ledger.	38,900

- Supplier balance excluded from purchases ledger total because the account had been included in the sales ledger by mistake. 14,128
- Return inwards erroneously posted to the credit of purchases ledger account instead of crediting it to an account in the sales ledger. 3,400
- Credit sales erroneously posted to the debit of purchases ledger account instead of debiting it to an account in the sales ledger. 9,280
- Under-casting error in calculation of total end of period creditors' balances. 5,820

Required:

(i) Prepare the revised Purchases Ledger Control Account on the basis of above adjustments. 07

(ii) List out the kinds of ledgers. 01

Q.6 The following trial balance was extracted from the books of Abdul Ghani & Sons at the close of business on June 30, 2010:

	Debit (Rs.)	Credit (Rs.)
Sales revenue		1,700,000
Purchases	908,000	
Sales returns	40,050	
Purchases returns		87,000
Carriage inwards	15,750	
Inventory (July 1, 2009)	142,000	
Allowance for doubtful debts		80,000
Discount allowed	17,550	
Wages and salaries	105,500	
Rent expense	80,800	
Telephone expense	75,700	
Furniture and fixtures - at WDV	150,000	
Van - at WDV	300,000	
Accounts receivable	402,250	
Accounts payable		662,800
Bad debts	20,000	
Capital		298,800
Cash	125,000	
Bank balance	428,000	
Drawings	18,000	
	2,828,600	**2,828,600**

Additional Information:

	Rs.
Inventory as at June 30, 2010	78,000
Depreciation expense for the year:	
- Furniture and fixtures	15,000
- Van	60,000
Prepaid rent as at June 30, 2010	18,000
Allowance for bad debts as at June 30, 2010	98,000

Required:

(a) Prepare Income Statement for the year ended June 30, 2010. 10

(b) Prepare Statement of Financial Position as at June 30, 2010. 10

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Summer (May) 2011 Examinations

Sunday, 29th May 2011

FINANCIAL ACCOUNTING (S-301)

STAGE - 3

Q. 6 The trial balance of Vital Industries Limited as on December 31, 2010 is as follows:

DEBIT	Rs. In 000	CREDIT	Rs. in 000
Building - at cost	40,000	Sales	324,860
Plant & machinery - at cost	60,000	Share capital	30,000
Vehicle - at cost	12,400	Share premium	6,000
Deferred cost	1,800	General reserves	4,000
Stock	26,490	Accumulated profit/retained earnings	3,870
Account receivables	26,680	Long term loan (01/12/2010)	40,000
Cash and bank balances	1,720	Short term running finance	18,960
Wages/ Direct labour	247	Account payables	12,640
Purchases	225,993	Accrued expenses	4,590
Manufacturing overheads	46,880	Accumulated depreciation - building	4,900
Administrative and selling expenses	12,490	Accumulated depreciation – plant & machinery	12,500
Financial charges	9,420	Accumulated depreciation - vehicle	1,800
Total	464,120	**Total**	464,120

Additional Information:

(1) The company has an authorised capital of 4,000,000 ordinary shares of Rs.10 each.

(2) Details of purchases and inventories (stocks) are as follows:

Rs. in '000'

	Purchases For The Year	Dec 31, 2010	Dec 31, 2009
Raw material	214,900	7,526	8,475
Stores & spares	11,093	1,284	1,425
Work in process	-	4,262	5,630
Finished goods	-	9,878	10,960

(3) Interest will be charged on long term loan @ 15% per annum.

(4) Depreciation to be charged as follows:

	Rate Per Annum	Apportionment	
		Manufacturing	Admin
Building	5%	75%	25%
Machine	10%	100%	-
Vehicle	20%	50%	50%

(5) Deferred cost to be amortised Rs. 600,000 per annum and to be charged as administrative expenses.

(6) Cash dividend @ 30% is to be paid.

(7) Transfer to general reserve Rs.2,000,000.

(8) Tax rate is 35% of profit before tax.

Required:

Prepare the following financial statements in accordance with International Accounting Standards IAS-1 (revised):

(a) Income Statement for the year ended December 31, 2010 (showing classification of expenses by functions). 10

(c) Statement of Changes in Equity for the year ended December 31, 2010. 05

(d) Statement of Financial Position as at December 31, 2010. 10

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN
FALL (WINTER), 2011 EXAMINATION
STAGE-1
Thursday, 17th November 2011

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 **"Multiple Choice Questions"** printed separately is an integral part of this paper.

Q.2 (a) What is the difference between 'nominal' and 'real' accounts? Give at least two examples of each. 05

(b) What are the required steps in an 'accounting cycle'? 05

(c) The following is the adjusted trial balance of Ahmed Ali & Company as on June 30, 2011:

Title of Account	Amounts in Rs. Debit	Amounts in Rs. Credit
Cash	25,000	
Accounts receivable (net)	23,000	
Office supplies	9,500	
Merchandise inventory (1.7.2010)	11,500	
Sales equipment (net)	22,000	
Accounts payable		23,000
Ali capital		45,000
Ali drawings	4,500	
Sales		174,000
Sales return	11,500	
Discount allowed	2,000	
Purchases	100,000	
Carriage inward	2,500	
Purchase return		2,000
Discount received		6,000
Commission income		10,000
Salaries expense	22,000	
Rent expenses	16,000	
Advertising expenses	7,500	
Depreciation expense	3,000	
	260,000	**260,000**

Note:
Inventory as on June 30, 2011 was valued at Rs.9,500.

Required:
Prepare closing entries as on June 30, 2011. 10

Q.3(a) What is the difference between 'trade bill' and 'accommodation bill'? 02

(b) Following data relates to Usman Traders for the month of October 2011:

	Rs.
Sales ledger control account (01.10.2011)	65,500
Sales : Cash	35,300
Credit	331,100
Cash received from debtors	315,270
Discount allowed	7,820
Bad debts written off	8,370
Goods returned by credit customers	25,600
Cash received from a customer whose debt was written off previously	2,440
A cheque of a credit customer was dishonoured	13,390
Balances in sales ledger accounts offset against purchase ledger accounts	5,430

Required:

Prepare Sales Ledger Control Account for the month of October 2011. 06

(c) Home Appliance Company began its operation on May 1, 2011. It uses perpetual inventory system. During the month of May, the company had the following purchases and sales relating to item No. S1.

Date	Purchases (Units)	Cost/ Unit	Sales (Units)
May 01	7	Rs.150	
04			5
08	8	Rs.170	
12			8
15	5	Rs.150	
20			4
25			2

Required:

Determine the ending inventory under the perpetual inventory system using:

(i) FIFO Method 06

(ii) Weighted Average Cost Method 06

Q.4 (a) Show the journal entries necessary to correct the following errors: 08

(i) A sale of goods for Rs.5,000 to Mahmood & company was treated as a sale to Ahmed & company.

(ii) A printer was purchased on credit from Jabbar for Rs.6,000, which was completely omitted from the books.

(iii) The purchase of a computer for Rs.45,000 was debited, in error, to the office expense account.

(iv) Both debit and credit relating to a sale of Rs.1,200 to Abu Yousuf were treated as Rs.10,200 in the books.

(v) Commission received amounting to Rs.16,400 was entered in the sales account.

(vi) A receipt of cash amounting to Rs.680 from Tabish was entered on the credit side of the cash book and debit side of Tabish account.

(vii) A purchase of goods for Rs.37,200 was debited to the drawing account.

(viii) Discounts allowed Rs.480 was wrongly entered on the debit side of the discount received account.

(e) On January 01, 2007, Jugnu Corporation purchased a machine costing Rs.200,000. The machine has an estimated life of 4 years after which, it will have a salvage value of Rs.12,500. It is expected that the output from the machine will be:

Year	Output (units)
2007	7,500
2008	8,500
2009	9,500
2010	12,000
Total	**37,500**

Required

Calculate the annual depreciation charges for 2007, 2008, 2009 and 2010 for this machine on the following bases:

(i) The straight-line method. **04**

(ii) The diminishing balance method at 50% per annum, and **04**

(iii) The units-of-output method. **04**

Q.5 While making the 'bank reconciliation statement' for the month of March 31, 2011, the accountant of Akash & Company discovered the following facts:

- Balance as per cash book Rs.2,190.
- Bank statement showed an overdraft of Rs.3,020.
- The bank statement showed debits of Rs.1,540 and Rs.2,330 for bank charges and interest on overdraft respectively.
- A cheque for Rs.35,600 deposited into the bank was shown in the bank statement as Rs.36,500.
- A cheque for Rs.7,950 deposited into the bank was recorded in the cash book as Rs.8,950.
- A cheque for Rs.2,540 received from a customer and deposited into the bank was returned dishonoured by the bank.
- Cash amounting to Rs.25,250 was deposited into the bank late in the evening on March 31, 2011, but it was recorded by the bank on April 1, 2011.
- A cheque for Rs.26,550 issued to a supplier has not so far been presented to bank for payment.

Required:

(a) Prepare Bank Reconciliation Statement as on March 31, 2011. **08**

(b) Pass entries in the General Journal to adjust the cash record of the company. **02**

Q.6 Mr. Akram drew up the following trial balance as at June 30, 2011:

	Dr. (Rs.)	Cr. (Rs.)
Capital		149,025
Drawing	85,800	
Cash at bank	13,260	
Cash in hand	336	
Accounts receivable	114,300	
Accounts payable		78,900
Inventory July 01, 2010	217,230	
Van	16,950	
Office equipment	22,410	
Sales		1,174,200
Purchases	764,430	
Returns inwards	6,330	
Returns outwards		3,720
Carriage inwards	2,280	
Carriage outwards	8,550	
Motor expense	4,470	
Rent	24,600	
Telephone charges	2,040	
Wages & salaries	118,800	
Insurance	2,235	
Office expense	1,176	
Sundry expenses	648	
Total	**1,405,845**	**1,405,845**

Additional Information as at June 30, 2011:

- Closing inventory Rs. 258,212
- Wages and salaries outstanding Rs. 13,000
- Prepaid rent Rs. 8,200
- Accrued sundry expenses Rs. 216
- Prepaid insurance Rs. 843
- Depreciation to be charged: Van (20 % of book value)
- Office equipment (10 % of book value)

Required:

Prepare the following:

(a) Income Statement for the year ended June 30, 2011. 12

(b) Statement of Financial Position as at June 30, 2011. 08

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Winter (November) 2011 Examinations

Thursday, 24th November 2011

FINANCIAL ACCOUNTING (S-301)

Q.5(a) The following financial statements pertain to a privately owned department stores at the end of June 2011:

Summary of Financial Statements

		Rs. in 'millions'
Balance Sheet:		
Non-current assets		
Building at cost	1,200	
Less: Depreciation to date	(1,020)	
Net book value of building		180
Furniture at cost	560	
Less: Depreciation to date	(476)	
Net book value of furniture		84
		264
Current assets		
Inventory (closing)	800	
Accounts receivable	820	
Bank	16	
		1,636
Total Assets		1,900
Current liabilities		
Accounts payable		(980)
Net assets		920
Financed by:		
Capital accounts		
Balance at start of year		960
Add: Net profit		240
		1,200
Less: Drawings		(280)
		920
Income Statement:		
Revenue		7,200
Less: Cost of goods sold		
Opening inventory	1,200	
Add: Purchases	5,200	
Inventory available for sale	6,400	
Less: Closing inventory	(800)	
		(5,600)
Gross profit		1,600
Less: Depreciation	88	
Other expenses	1,272	
		(1,360)
Net profit		240

Required:

Calculate the following ratios ***{use three (03) decimal places}***:

(i) Gross profit as % of revenue. **01**

(ii) Expenses as % of revenue. **01**

(iii) Acid test ratio. **01**

(iv) Rate of return of net profit on capital employed (use the average of the capital account for this purpose). **02**

(v) Current ratio. **02**

(vi) Net profit as % of revenue. **02**

(vii) Inventory turnover in times. **02**

Q. 6 Following is the trial balance of Mehboob Ltd., for the period ended December 31, 2010:

Title of Account	Debit	Credit
	Rs. '000'	
450,000, ordinary shares of Rs.10 each		4,500
Bank	880	
Share premium		2,250
Inventory at January 1, 2010	10,800	
Accounts payable		675
Miscellaneous administrative expenses	6,000	
Utilities payable		6,255
Sales revenue		55,417
Building – cost	45,000	
Plant and equipment - cost	6,300	
Purchases	18,900	
Motor vehicle – cost	1,440	
Accounts receivable	3,942	
Long-term loan (1/1/2010)		6,750
Retained earnings		2,520
Accumulated depreciation: Building		18,000
Accumulated depreciation: Plant and equipment		2,160
Accumulated depreciation: Motor vehicle		540
Audit fee	600	
Office staff salaries	2,100	
Miscellaneous selling and distribution expenses	1,500	
Income tax (under-provision of the last year)	525	
Finance charges	1,080	
Total	**99,067**	**99,067**

Additional Information:

(i) The company has an authorized capital of 1,000,000, ordinary shares of Rs.10 each.

(ii) Accrued utilities expense was Rs.745,000.

(iii) Depreciation is to be provided as follows:

- Building at 5% straight-line, charged to administrative expenses.
- Plant and equipment at 20% on the reducing balance basis, charged to cost of sales.
- Motor vehicles at 25% on the reducing balance basis, charged to selling and distribution costs.

(iv) Income Tax to be provided at Rs.1,500,000.

(v) A customer has gone bankrupt owing Rs.342,000. This debt is not expected to be recovered and an adjustment should be made. An allowance for receivable of 5% of the ending balance of accounts receivable is to be set up.

(vi) Inventory as at December 31, 2010 was Rs.7,200,000.

Required:

Prepare the following financial statements in accordance with International Financial Reporting Standard / IAS-1 (revised):

(a) Income Statement (showing classification of expenses by functions) for the year ended December 31, 2010. **13**

(b) Statement of Changes in Equity for the year ended December 31, 2010. **02**

(c) Statement of Financial Position as at December 31, 2010. **10**

2010:

(i) During the year credit sales amounted to Rs.2,516,700 and receipts from customers were Rs.1,981,500.

(ii) Debts amounting to Rs.36,200 were written off.

(iii) An allowance for doubtful debts was created @ 5% of the closing balance of accounts receivable.

2011:

(i) Credit sales and receipts from customers for the year were Rs.3,217,100 and Rs.2,649,400 respectively.

(ii) During the year, debts amounting to Rs.24,500 were written off.

(iii) A debt of Rs.12,200 which was written off in 2010 was recovered in full.

(iv) Discount allowed to customers amounted to Rs.18,350.

(v) At December 31, 2011, balances in accounts receivable and allowance for doubtful debts were Rs.1,023,850 and Rs.24,950 respectively. Allowance for doubtful debts is to be maintained at 5% of the closing balance of accounts receivable.

Required:

Prepare journal entries in respect of above transactions. **12**

Q.4 Following are the petty cash transactions of Alburj Limited for the month of January 2012;

2012			Rs.
January	01	Received from cashier Rs.20,000 as petty cash float .	-
	02	Magazine subscription	1,200
	03	Travelling	150
	04	Petrol	895
	05	Cleaning	400
	06	Newspaper	950
	07	Postage	325
	09	Petrol	1,025
	10	Travelling	435
	13	Cleaning	250
	15	Postage	572
	16	Travelling	428
	18	Stationery	1,764
	21	Postage	276
	22	Cleaning	465
	23	Petrol	1,350
	26	Stationery	1,618
	27	Needles and strings	70
	28	Cleaning	195
	30	Postage	175

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

New Fall (N) 2011, February 2012 Examinations

Monday, 6th February 2012

FUNDAMENTALS OF FINANCIAL ACCOUNTING (S-101)

STAGE -1

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 **"Multiple Choice Questions"** printed separately is an integral part of this paper.

Q.2 (a) (i) What is the objective of financial statements? **02**

(ii) How can the objective of financial statements be achieved? **02**

(b) Briefly explain the following concepts underlying the financial statements:

i.	Historical cost	01
ii.	Business entity	01
iii.	Dual aspect	02
iv.	Time interval	02

(c) Prepare adjusting journal entries for the following as at December 31, 2011: **10**

(i) Prepaid rent as at January 01, 2011 and rent expense for the year ended December 31, 2011 were Rs.75,500 and Rs.50,000 respectively.

(ii) Allowance for doubtful debts required to be increased from Rs.36,250 to Rs.170,500.

(iii) Salaries paid during the year amounted to Rs.525,000. However salary expense for the year was Rs.590,250.

(iv) Depreciation on the machine to be provided on declining balance method at the rate of 40% per annum. The machine was purchased two years ago for Rs.505,000.

(v) Prepaid rates were Rs.17,250 and Rs.5,500 at the beginning and end of the year respectively.

(vi) Insurance amounting to Rs.50,000 was paid on July 01, 2011 for the period of two years debiting prepaid insurance account.

(vii) Interest is outstanding for six months on a 12% note payable of Rs.225,000 at the end of the period.

Q.3(a) In relation to bill of exchange/promissory note, briefly define the following terms:

(i)	Maker /drawer	01
(ii)	Drawee	01
(iii)	Acceptor	01

(b) Aljadeed Traders started business on January 01, 2010. Following transactions took place up to December 31, 2011:

Required:

Rule up a petty cash book incorporating therein the columns for the expenditures of postages, stationery, travelling, motor expenses and miscellaneous expenses and enter the transactions of January 2012. **15**

Q.5 (a) Mehran Limited purchased and sold following non-current assets during three (3) years ended December 31, 2011:

- On January 01, 2009 purchased Machine-A for Rs.250,000.
- On March 01, 2009, Machine-B was acquired for Rs.325,000.
- On October 25, 2010, Machine-C was procured for Rs.275,000.
- On November 01, 2010 Machine-B which was not working satisfactorily was sold for Rs.250,000.
- On September 01, 2011, Machine-A was sold for Rs.180,000 and Machine-D was acquired for Rs.390,000.
- Mehran Limited prepares its financial statements on December 31. The machines are depreciated at 20% using straight-line method.
- Full year.s depreciation is charged in the year of purchase and no depreciation is charged in the year of disposal.

Required:

Prepare:

(i) Machine Account. **03**

(ii) Accumulated Depreciation Account. **05**

(iii) Machine Disposal Account. **04**

(c) Show how each of the following errors would affect trial balance agreement? Use the format given below for your answer: **08**

(i) Discounts received amounting to Rs.21,120, credited to discounts allowed account.

(ii) A cheque for Rs.12,000 paid to Asad was entered in the cash book but was not entered in the personal account.

(iii) Equipment repairs amounting to Rs.850 was debited to the equipment account.

(iv) Rs.25,000 commission received was debited to the commission account

(v) Drawings amounting to Rs.7,500 credited to the capital account.

(vi) Inventory at close was undervalued by Rs.5,250. Business uses periodic inventory system.

(vii) Cheque of Rs. 6,000 from Saif was credited to Safique.

Item	If no effect state 'No'	Debit side exceeds Credit side by amount shown	Credit side exceeds debit side by amount shown
(i)			
(ii)			
(iii)			

(iv)			
(v)			
(vi)			
(vii)			

Q.6 The trial balance of Makran Wholesale Company contained the following accounts as at December 31, 2011:

Makran Wholesale Company
Trial Balance
December 31, 2011

	Dr. Rs.	Cr. Rs.
Sales		1,808,200
Sales Discount	9,200	
Cash	50,800	
Accounts Receivable	75,200	
Inventory	180,000	
Vehicle	284,000	
Accumulated Depreciation - Vehicle		100,000
Building	394,000	
Accumulated Depreciation - Building		108,000
Equipment	167,000	
Accumulated Depreciation - Equipment		84,800
Accounts Payable		175,000
Capital		535,600
Drawings	20,000	
Cost of Goods Sold	1,419,800	
Salaries Expense	139,600	
Motor Expense	11,800	
Sundry Expenses	14,400	
Utilities Expense	38,800	
Insurance Expense	7,000	
	2,811,600	**2,811,600**

Additional information:

(i) Depreciation is 2% on building, 10% on equipment (both are administrative expenses) and 20% on vehicle (selling expense) on straight-line basis.

(ii) Utilities expense and insurance expense are 100% administrative.

(iii) Salaries are 75% selling and 25% administrative.

(iv) Motor and sundry expenses are 50% selling and 50% administrative.

Required:

Prepare the following for Makran Wholesale Company:

(a) Income Statement for the year ended December 31, 2011. 10

(b) Statement of Financial Position as at December 31, 2011. 10

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

New Fall (E) 2011, April 2012 Examinations

Sunday, 22nd April 2012

FUNDAMENTALS OF FINANCIAL ACCOUNTING (S-101)

STAGE -1

Time Allowed - 2 Hours 45 Minutes | **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 **"Multiple Choice Questions"** printed separately is an integral part of this paper.

Q.2 (a) Briefly explain the following concepts underlying financial statements:

i.	Historical cost concept	**01**
ii.	Business entity concept	**02**
iii.	Dual aspect concept	**02**

(b) Following transactions relate to Electro Traders for the month of May 2011:

Date 2011		**Rs.**
May 01	Cash b/d	7,700
01	Bank b/d	25,400
02	Babur paid his account by cheque after deducting 5% cash discount of Rs.490	9,310
07	Cash sales	15,000
08	Faakhir was paid by cheque, after deducting 2.5% cash discount of Rs.300	11,700
11	Rs.5,000 was withdrawn from bank for business use	5,000
13	Bank loan obtained	35,000
15	Cheque drawn for personal expenses	17,500
16	Abubakar paid his account by cheque deducting 2.5% cash discount of Rs.241	9,399
25	Wages paid in cash	18,500
26	Office rent paid by cheque	15,200
28	Saahir paid in cash net of 5% cash discount of Rs.570	10,830
29	Computer purchased paying by cheque	4,485
31	Ahmed was paid by cheque less 5% cash discount of Rs.570	10,830

Required:
Write up a three-column cash book and balance it off at the end of the month. **15**

Q.3 (a) Asif and Wahid are close friends. In recent times their businesses are not doing well. In order to meet their working capital needs, Asif draws a bill for Rs.50,000 on Wahid on July 1, 2011 for 3 months for mutual accommodation. Wahid accepts the bill and sends it back to Asif who discounts the bill with his bank. The bank charges discount @ 6% per annum. Asif remits 60% of the proceeds of the bill to Wahid as per mutual agreement. The remaining amount is sent to Wahid by Asif on maturity date and Wahid meets his obligation under the bill on presentation.

Required:
Prepare relevant journal entries in the books of both the parties. **12**

(b) Horizon Limited is a medium-sized business. For the year ended June 30, 2011, stocktaking was not done until July 10, 2011. On this date, inventory was valued at Rs.265,700. Following transactions took place between June 30, 2011 and July 10, 2011:

- Sales after June 30, 2011 amounted to Rs.61,800 (sales were made at cost plus 25%).
- Sales returns since June 30, 2011 were Rs.3,750.
- Purchases since June 30, 2011 amounted to Rs.50,860.
- An item which was included in the inventory at cost is slightly damaged. This item costing Rs.750 could be sold for Rs.575.
- One stock sheet was under-added by Rs.1,000.
- Goods sent on .sale or return. basis were included in the inventory at selling price of Rs.5,250. These goods cost Rs.4,200 to Horizon Limited.

Required:

Compute the amount of inventory as on June 30, 2011. **08**

Q.4 Following relates to Sunshine Limited:

Cash Book

2011		Rs.	2011		Rs.
Dec 01	Balance b/d	18,300	Dec 08	Dabeer	7,700
22	Javaid	11,650	15	Masood	9,350
31	Kamil	4,400	28	Ghaffar	3,350
31	Basheer	6,500	31	Balance c/d	20,450
		40,850			**40,850**

Bank Statement

2011		Debit Rs.	Credit Rs.	Balance Rs.
Dec 01	Balance b/d			18,300
10	Standing order	5,920		12,380
11	Dabeer	7,700		4,680
13	Direct debit	4,650		30
20	Masood	9,350		(9,320)
22	Cheque		11,650	2,330
30	Cheque dishonoured	8,670		(6,340)
31	Credit transfer: Wahid		3,750	(2,590)
31	Bank charges	325		(2,915)

Required:

(i) Write the cash book up to date having considered the above facts. **06**

(ii) Prepare a Bank Reconciliation Statement as on December 31, 2011. **04**

Q.5 The accountant of Superior Traders prepared trial balance of the business on June 30, 2011. The trial balance showed a difference that was posted to the suspense account. Thereafter, draft final accounts were prepared, which showed a net profit of Rs.125,680. Following errors were found later on:

- Sales of Rs.16,590 to Akhter was wrongly treated as sales to Akram.
- Sale of a computer for Rs.7,700 was wrongly treated as sale of goods. Book value of the computer was also Rs.7,700.
- Utility expenses amounting to Rs.6,270 were entered as Rs.6,720 in the utility expense account.
- The sales journal was overcast by Rs.3,000.
- Equipment account was wrongly charged for repairs to the equipment by Rs.4,520.
- A cheque was received from People Company in respect of rent but it was entered in the cash book only. The amount of the cheque was Rs.9,500.
- Discount allowed account was overcast by Rs.900.
- Goods received from Prestige Limited amounted to Rs.11,600. They were entered in the closing inventory on June 30, 2011 but the invoice was not entered in the purchases journal.

Required:

(a) Prepare required Journal Entries to correct the errors mentioned above. **12**

(b) Make adjustment in the net profit as given above to arrive at the correct net profit for the year ended June 30, 2011. **08**

Q.6 Following trial balance relates to Prince Traders which was extracted at the close of business on December 31, 2011:

	Debit Rs.'000'	Credit Rs.'000'
Sales revenue		48,750
Sales returns	1,250	
Carriage outwards	1,060	
Purchases	25,200	
Purchases returns		2,225
Carriage inwards	650	
Sundry expenses	625	
Accounts receivable	16,200	
Allowance for doubtful debts		575
Inventory at January 01, 2011	3,750	
Wages and salaries	3,150	
Prepaid insurance	1,850	
Office expenses	2,050	
Land and buildings at cost	25,450	
Accumulated depreciation - Land and buildings		6,520
Furniture and fixtures at cost	11,875	
Accumulated depreciation-Furniture & fixtures		3,125
Office equipment at cost	20,600	
Accumulated depreciation - Office equipment		3,100
Accounts payable		19,050
Capital		42,830

Drawings	625	
Cash at bank	11,840	
	126,175	**126,175**

Additional Information:

Depreciation expense for the year to be provided in the following manner:

▪ Land and buildings	2% using straight-line method
▪ Furniture and fixtures	10% using straight-line method
▪ Office equipments	25% using reducing balance method

	Rs. '000'
▪ Inventory as at December 31, 2011	4,440
▪ Insurance expired during the year	1,260
▪ Prepaid wages and salaries as at December 31, 2011	920

Allowance for doubtful debts to be maintained at 5% of closing balance of accounts receivable as on December 31, 2011

Required:

(a) Prepare Income Statement for the year ended December 31, 2011. 12

(b) Prepare Statement of Financial Position as at December 31, 2011. 08

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

New Fall (E) 2011, April 2012 Examinations

Tuesday, 24th April 2012

FINANCIAL ACCOUNTING (S-301)

STAGE - 3

Q. 4 Books of the Majid showed the following balances:

	01.01.2011	**31.12.2011**
	Rupees	
Cash in hand	180,000	382,500
Cash at bank	1,350,000	8,595,000
Accounts receivable	?	15,750,000
Inventory	9,900,000	11,250,000
Office equipment	900,000	?
Delivery van	450,000	?
Accounts payable	10,530,000	8,325,000

Following cash transactions have been extracted from cash book of Majid:

Particulars	**Rs.**	**Particulars**	**Rs.**
Receipts from customers	60,750,000	Van expenses (petrol)	607,500
Additional capital introduced (01.07.2011)	900,000	Drawings	2,700,000

Rent expense (30.11.2011)	990,000	Stationery expenses	360,000
Salaries (30.11.2011)	4,950,000	Payments to supplier	50,400,000
Selling and distribution expenses	405,000	Administrative expenses	720,000

During the year discount allowed by Majid is Rs.630,000 whereas discount received by Majid is Rs.540,000. Salaries and rent are evenly distributed during the year. Majid maintains a steady gross profit rate of 1/3 of cost of goods sold. There were bills outstanding for petrol Rs.11,250, selling and distribution expenses Rs.33,750, and stationery Rs.20,250. Provide 5% on accounts receivable for doubtful debts and 2½% on accounts payable for discounts. The delivery van and office equipment is to be depreciated by 20% and 5% respectively. Rate of interest allowed on capital is 5%.

Required:

Prepare:

(a) Majid's Trading and Profit and Loss Account for the year ended on December 31, 2011. **13**

(b) Majid's Balance Sheet as on December 31, 2011. **10**

Q. 6 Following balances have been extracted from the books of Khushhal Khan Limited:

Title of Account	Debit Rs. "000"	Credit Rs. "000"
Inventory at January 01, 2011	64,800	
Plant and equipment - cost	37,800	
Dividend payable		2,000
Cash and bank	8,430	
Utilities payable		4,050
2,700,000, ordinary shares of Rs.10 each		27,000
Accounts payable		35,530
Finance charges	6,480	
Miscellaneous administrative expenses	28,000	
Building - cost	286,000	
Office staff salaries	8,600	
Purchases	113,400	
Motor vehicle - cost	8,640	
Audit fee	3,600	
Long-term loan (1/1/2011)		40,500
Retained earnings		15,120
Accumulated depreciation: Building		108,000
Accumulated depreciation: Plant and equipment		12,960
Accumulated depreciation: Motor vehicle		3,240
Miscellaneous selling and distribution expenses	5,000	
Share premium		13,500
Accounts receivable	23,652	
Sales		332,502
	594,402	594,402

Additional Information:

(i) The company has an authorized capital of 6,000,000, ordinary shares of Rs.10 each.

(ii) Interim dividend declared in the third quarter of the financial year was fully paid through bank.

(iii) Rate of interest on long-term loan is 18% per annum. Financial charges given in the trial balance pertain to this loan only.

(iv) Depreciation is to be provided as follows:

- Building at 5% on the reducing balance method, charged to administrative expenses.
- Plant and equipment at 20% on the reducing balance method, charged to cost of sales.
- Motor vehicles at 25% on straight-line method, charged to selling and distribution costs.

(v) Allocated Rs.5,000,000 to general reserves.

(vi) Inventory at December 31, 2011 was Rs.43,200,000.

(vii) Accrued office salary is Rs.400,000.

(viii) Income tax rate is 35%.

Required:

Prepare the following financial statements in accordance with relevant International Financial Reporting Standards / International Accounting Standards:

(a) Income Statement (showing classification of expenses by functions) for the year ended December 31, 2011. **10**

(b) Statement of Changes in Equity for the year ended December 31, 2011. **04**

(c) Statement of Financial Position as at December 31, 2011. **11**

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN
Spring (August) 2012 Examinations
Monday, 3rd September 2012
FUNDAMENTALS OF FINANCIAL ACCOUNTING (S-101)
STAGE -1

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 **"Multiple Choice Questions"** printed separately is an integral part of this paper.

Q. 2(a) (i) What do you understand by the term 'going concern'? **01**

(ii) Assume that book value of a non-current asset of a business is Rs. 29,500 on December 31, 2011. It is expected that the business is going to be closed in April 2012 and in case of forced sale the asset will be sold for Rs. 11,250. Will it be appropriate to keep the 'going concern' assumption in this case and at which amount the asset should be shown in the statement of financial position on December 31, 2011? **02**

(b) Show the journal entries (with narrations) necessary to record the following transactions of August 2012: **12**

02	A motor vehicle was purchased on credit from Alpha Motors for Rs.500,500.
02	Hilal & Company bought office equipment on credit from Bilal & Company for Rs.23,060.
05	Mr. Arsalan, the owner of the business, took goods costing Rs.6,800 from business for personal use.
15	Mr. Hamid who owed Rs.12,800 delivered a non-current asset for the same amount in full settlement of his debt.
19	Goods for re-sale amounting to Rs.26,375 purchased on account.
24	A debt owing to business by Mansoor amounting to Rs.24,850 is written off as bad debt.
25	Office furniture bought on credit from Interwood Ltd., for Rs.31,200.
27	A piece of office furniture that was purchased from Interwood Ltd., for Rs.5,400 was returned because it was not found as per the specifications.

Q. 3 (a) Differentiate between periodic and perpetual inventory systems. **02**

(b) Ammad Electronics deals in various electronic items. During the month of July 2012, following transactions took place in relation to LCD monitors of a particular model:

Date	Purchases	Sales
July 2012		
01	5 units @ Rs.6,500 each	-
03	-	3 units @ Rs.8,000 each
09	4 units @ Rs.6,600 each	-
11	-	1 unit @ Rs.8,000
13	-	2 units @ Rs.8,200 each
14	6 units @ Rs.6,700 each	-
20	-	4 units @ Rs.8,200 each
28	3 units @ Rs.6,800 each	-
30	-	3 units @ Rs.8,300 each

Required:

What will be the cost of inventory as at July 31, 2012 and the cost of goods sold for the month of July 2012, using the FIFO method under perpetual inventory system? 09

(c) Dawood & Brothers, the wholesalers of food items, sell for both cash and credit. Following information relates to the business for the year ended December 31, 2011:

(1) On January 1, 2011, the balance in the accounts receivable was Rs.1,455,000.
(2) A customer who owed Rs.38,400 to the business, was declared bankrupt and could pay only Rs.12,500 in full settlement of his debt.
(3) In addition to above bad debt, other bad debts amounted to Rs.55,850.
(4) The balance in the accounts receivable, on December 31, 2011, was Rs.1,110,250 which required following adjustments:

- A cheque of a customer for Rs.8,400 was dishonoured.
- The discount allowed to a customer amounting to Rs.6,650 was wrongly credited to the accounts payable.

Dawood & Brothers maintain allowance for doubtful debts at 5% of the closing balance of accounts receivable.

Required:

For the financial year ended December 31, 2011, show the entries in the following accounts:

(i) Allowance for doubtful accounts. 06
(ii) Bad debts. 03

Q.4(a) As per IAS-38 Intangible Assets, define the following terms:

(i) Research 01
(ii) Development 02

(b) Prepare the required correcting journal entries for the following transactions: 06

(1) A personal computer purchased, for Rs.29,500 for the personal use of the owner, was treated as purchases for the business.
(2) Purchase of a van for Rs.833,350 was wrongly recorded as purchases for resale.
(3) Discount allowed amounting to Rs.850 to Mr. Abid was debited to the discount received account.
(4) An item of office equipment was sold for Rs.4,780 but it was wrongly considered as sales of goods. The book value of the office equipment was also Rs.4,780.
(5) A new machine, purchased for Rs.250,900, was debited to the machinery repairs account.
(6) Insurance premium paid and charged to profit and loss account during the year, included an amount of Rs.65,250 for personal house of the owner.

(c) The bank column of Tahseen Company's cash book showed a credit balance of Rs.2,500 on December 31, 2011 whereas the monthly bank statement showed a credit balance of Rs.14,750. The accountant of the company, while checking the cash book with the bank statement, discovered the following facts:

(1) The bank directly received dividends of Rs.1,200 on behalf of the company.
(2) A debtor paid Rs.8,300 directly into the account of the company.

(3) Bank charges for the month amounted to Rs.150.

(4) An amount of Rs.350 for the subscription of a professional magazine was paid by the bank as per the standing order of the company.

(5) A standing order of Rs.1,000 for Tahseen's loan repayment had been paid by the bank.

(6) One cheque amounting to Rs.3,450 had been paid into the bank on December 31, 2011, but was not included in the bank statement.

(7) Two cheques drawn in favour of Shakir for Rs.7,250 and Fawad for Rs.5,450 had not been presented for payment up to December 31, 2011.

Required:

Prepare a bank reconciliation statement as at December 31, 2011. **11**

Q. 5(a) Differentiate between depreciation and amortization. **02**

(b) Asif Company purchased a delivery van on January 1, 2010 for Rs.900,000. Its useful economic life was estimated to be four years, and its salvage value at the end of economic life was estimated to be Rs.100,000.
In the year 2012, a review of the economic useful life of the van was undertaken which indicated that the van could be used up to December 31, 2014 with an estimated residual value of Rs.40,000. The company uses straight-line method of depreciation.

Required:

(i) Determine the amount of depreciation to be charged to the income statement for the year ending December 31, 2012. **06**

(ii) Calculate the amount of accumulated depreciation to be included in the statement of financial position as at December 31, 2012. **01**

(c) Classify the following between 'capital' and 'revenue' expenditures in relation to People Restaurant: **06**

a) Fire insurance premium paid for current year.
b) Legal cost of collecting debts.
c) Purchase of delivery van.
d) Extension of building.
e) Fuel costs for delivery van.
f) Wages of employees.
g) Carriage on return outwards.
h) Purchase of a deep freezer.

Q. 6 The following trial balance was extracted from the books of Rashid Traders at the end of the year on December 31, 2011:

	Debit (Rs.)	Credit (Rs.)
Sales		785,825
Purchases	464,000	
Capital		57,800
Drawings	85,500	

Office furniture	14,500	
Rent	17,000	
Discount allowed	4,100	
Accounts receivable	61,580	
Office equipment	18,750	
Accounts payable		26,225
Wages & salaries	157,000	
Inventory at January 1, 2011	20,600	
Allowance for doubtful debts January 1, 2011		2,025
Miscellaneous expenses	3,075	
Bad debts written off	3,650	
Cash at bank	20,500	
Cash in hand	1,620	
	871,875	**871,875**

Additional Data:

i. Inventory on December 31, 2011, Rs.15,000.

ii. Wages & salaries payable on December 31, 2011, Rs.2,500.

iii. Rent to the extent of Rs.5,500 was prepaid on December 31, 2011.

iv. Accrued miscellaneous expenses on December 31, 2011 were Rs.950.

v. Allowance for doubtful debt is to be increased to Rs.3,025.

vi. Depreciation expenses for the year are as follows:

Office furniture	10% of book value
Office equipment	20% of book value

Required: Prepare the following:

(a) Income Statement for the year ended December 31, 2011. 10

(b) Statement of Financial Position as at December 31, 2011. 10

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Spring (August) 2012 Examinations

Wednesday, 5th September 2012

FINANCIAL ACCOUNTING (S-301)

STAGE - 3

Q. 4 A Non-Government Organization is operating a medical facility with the name of Al-Shifa in rural area in order to provide free treatment to poor people. A receipt and payment account for the year ended December 31, 2011 are as follows:

Al-Shifa Medical Services

Receipt and Payment Account

As at December 31, 2011

Receipts	Rs.	Payments	Rs.
Balance b/d(January 1, 2011)	250,000	Payments for medicines	35,000
Subscription	30,000	Doctors' honorarium	60,000
Donation	40,000	Misc. staff salaries	10,000

Interest on investment	3,000	Medical equipment purchased	50,000
Charity shows proceeds	50,000	Charity shows expenses	5,000
		Balance c/d	213,000
	373,000		373,000

Additional Information:

	January 1, 2011 (Rs.)	December 31,2011 (Rs.)
Accrued subscription	5,000	10,000
Subscription received in advance	10,000	5,000
Medicines stock	25,000	20,000
Amount due to medicine suppliers	5,000	25,000
Hospital building at cost	100,000	100,000
Medical equipments at cost	150,000	?
Life membership fund	100,000	?
10%, long-term investment (purchased on 31/12/2010)	?	?

Adjustments:

(i) Accrued honorarium Rs.15,000

(ii) Outstanding charity expense Rs. 2,000

(iii) Transfer Rs.20,000 from life membership fund to current subscription.

(iv) Depreciation is to be provided as follows:

- Building at 20% on straight-line basis.
- Medical equipment at 10% on straight-line basis.

Required:

(a) Prepare Income and Expenditure Account for the year ended on December 31, 2011. 12

(b) Prepare Statement of Financial Position as at December 31, 2011. 11

Q. 6 Rainbow Company Limited, presents its Trial Balance as on December 31, 2011:

	Debit (Rs.)	Credit (Rs.)
Cash in hand and at Bank	15,550,000	
Accounts receivable	4,000,000	
Insurance expense (20% Administrative,60% factory,20% selling)	500,000	
Selling and distribution expenses	300,000	
Electric and power(60% factory, 30% Administrative, 10%selling)	1,500,000	
Rent and tax (50% Administrative, 30% factory, 20% selling)	500,000	
Raw material (opening)	200,000	
Finished good (opening)	300,000	
Work in process (opening)	400,000	
Purchase of material	1,200,000	
Transportation in	50,000	
Wages and salaries(60% direct, 30% Administrative, 10% selling)	3,000,000	

Courier and other postage expenses	50,000	
Machinery at cost	8,000,000	
Building premises at cost	10,000,000	
Furniture and fixture at cost	3,000,000	
Accounts payable		2,300,000
General reserves		1,800,000
Retained earnings		3,000,000
Sales		13,000,000
1,500,000 ordinary shares of Rs.10 each		15,000,000
Capital work in progress	4,500,000	
Dividend - interim paid	450,000	
Accumulated depreciation:		
Machinery		3,200,000
Building premises		4,000,000
Furniture and fixtures		1,200,000
8%, long term financing (July 01, 2011)		10,000,000
	53,500,000	**53,500,000**

Additional Information:

(i) The company has an authorised capital of 2,500,000 ordinary shares of Rs.10 each.

(ii) Inventories on December 31, 2011:

	Amount in Rs.
(a) Raw material	450,000
(b) Finished goods	1,300,000
(c) Work in process	2,150,000

(iii) Income tax rate is 35%.

(iv) Final dividend declared is 5%.

(v) Capital work-in-process at December 31, 2011 is Rs.500,000.

(vi) Depreciation is to be charged @ 20% by straight-line method on all fixed assets. Depreciation on building and furniture will be allocated as: 50% administrative and 50% selling respectively. As per company's policy, no depreciation will be charged on newly completed building.

(vii) Transfer Rs.2,000,000 to general reserves.

Required:

Prepare the following statements in accordance with International Financial Reporting Standard/ IAS-1 (revised):

(a) Income Statement for the year ended on December 31, 2011. 08

(b) Statement of Financial Position as on December 31, 2011. 10

(c) Statement of Changes in Equity for the year ended on December 31, 2011. 02

(d) Schedule of various expenses. 05

INSTITUTE OF COST AND MANAGEMENT ACCOUNATNTS OF PAKISTAN

Fall 2012 (February 2013) Examinations

Tuesday, 26th February 2013

FUNDAMENTALS OF FINANCIAL ACCOUNTING - (AF-101)

SEMESTER - 1

Time Allowed - 2 Hours 45 Minutes **Maximum Marks – 90**

i. Attempt ALL questions.
ii. Question No.1 **"Multiple Choice Questions"** printed separately is an integral part of this paper.

Q. 2 Define the following:

a)	Time interval concept	02
b)	Accrual basis	02
c)	Business entity concept	02
d)	Money measurement concept	02
e)	Historical cost concept	02

Q.3 (a) Karachi Electronics completed following transactions for January 2013:

Jan-01:	Purchased 15 monitors on account from Mr. Jameel @ Rs.5,500 each.
Jan-05:	Sold 5 monitors on credit to Ali Brothers, Rs.7,200 each.
Jan-08:	One defective monitor was returned to Mr. Jameel.
Jan-12:	Sold 10 power supplies on account to Wali Brothers @ Rs.200 each.
Jan-18:	Ali Brothers returned one defective monitor.
Jan-23:	Paid advance salary to an assistant by cheque, Rs.10,000.
Jan-27:	Paid miscellaneous expenses in cash, Rs.6,000.
Jan-30:	Wali Brothers paid Rs.1,800 in full settlement of Rs.2,000 by cheque.

Required:

Prepare journal entries for the above transactions. **09**

(b) Bolan Transport Company purchased ten coaches from Ching Yeng Company on January 1, 2010 at a list price of Rs. 2 million each with a salvage value of s.240,000 each. A trade discount of 10% was given by the seller. Bolan Transport Company incurred and paid the following:

(i) Custom duty paid on invoice price for all coaches, Rs.170,000.

(ii) Repainting on coaches @ Rs.10,000 each.

(iii) Freight charges were @ Rs.13,000 each.

The expected useful life of each coach is ten years. The company uses 15% written down value method to depreciate all coaches. On December 31, 2012, five coaches were sold for Rs.6,650,000.

Required:

(i) Compute the cost of all coaches. **03**

(ii) Prepare vehicle account. **02**

(iii) Prepare accumulated depreciation account from January 1, 2010 to December 31, 2012. 04

(iv) Calculate loss or gain on disposal of the coaches. 02

Q.4 (a) K & K Traders have been estimating doubtful debts on a fixed percentage basis. On December 31, 2011, their allowance for doubtful debts account had a balance of Rs.2,550. On December 31, 2012, the company decided to relate the allowance for doubtful debts to the age of outstanding debts. The debts outstanding for the year ended at December 31, 2012 on age basis are as follows:

Age of debt	Accounts receivable (Rs.)	Required allowance for doubtful debts
upto 1 month	30,000	0.5%
more than 1 month upto 2 months	15,000	1.0%
more than 2 months upto 3 months	6,000	2.5%
more than 3 months	2,000	5.0%

Required:

Prepare the allowance for doubtful debts account for the year ended December 31, 2012. 06

(b) G.J. Limited's trial balance as at December 31, 2012, failed to agree in spite of hard efforts. The credit side of trial balance was short by Rs. 65,000. In January 2013, following errors, made in 2012, were detected:

- Goods sold on account to B-JI Sons for Rs.100,000 had been debited to D-JI Sons.
- An obsolete computer system having book value of Rs.30,000 was sold for the same amount. It had been credited to sales account.
- Discount received had been under-cast by Rs.10,000.
- Discount allowed had been over-cast by Rs.15,000.
- Utility expense account had been over-cast by Rs.40,000.

Required:

(i) Pass journal entries for correcting the above errors. 05

(ii) Draw up suspense account. after errors have been corrected. 02

(iii) Calculate the corrected profit amount if the net profit had been calculated at Rs.1,985,000 for the year ended December 31, 2012. 03

(c) The following information pertains to Khan Traders for the month of December 2012:

(i) Over draft as per bank statement, Rs.45,250.

(ii) Cheque issued for Rs.155,300 during December 2012. Bank statement shows that cheque for Rs.138,200 have been presented to the bank.

(iii) The bank statement shows the following entries (not recorded in cash book):

	Rs.
▪ Interest on overdraft	760
▪ Interest paid on fixed deposit	15,340
▪ Cheque of one customer was dishonoured	8,600
▪ Insurance premium paid by the bank as per standing instruction	17,200
▪ Dividend recorded by the bank	5,950

(iv) Following amounts deposited late on December 31, 2012 were not shown in the bank statement:

	Rs.
Cheques	65,800
Cash	35,500
Balance as per cash book	44,220

Required:

Prepare bank reconciliation statement for the month of December 2012. 09

Q. 5 Joni Limited's accounts balances as on December 31, 2011 are presented as under:

Particulars	(Rs .'000)	Particulars	(Rs. '000)
Land	10,400	Share capital	10,000
Plant	3,000	8% Debentures	1,000
Inventory (January 1, 2011)	800	Retained earnings	3,000
Accounts receivable	1,200	Notes payable	300
Cash & bank	540	Accounts payable	400
Dividend paid	200	General reserves	200
Purchases	2,000	Allowance for doubtful debts	30
Preliminary expense	100	Sales revenue	5,000
General expense	100		
Salaries expense	1,200		
Bad debts expense	50		
Debenture interest paid	40		
Unexpired insurance	300		
Totals	**19,930**		**19,930**

Additional information:

(i) Unexpired insurance as at December 31, 2011, Rs. 100,000.

(ii) Six months interest on debentures is outstanding.

(iii) Provision on uncollectible is maintained at 5% of the closing balance of accounts receivable.

(iv) Write off Rs.10,000 from preliminary expense.

(v) Salaries paid in advance, Rs.50,000 and accrued salaries, Rs.150,000.

(vi) Plant should be depreciated at 10% on reducing balance method.

(vii) Closing inventory, Rs.500,000.

Required:

(a) Prepare Income Statement for the year ended December 31, 2011. **12**

(b) Prepare Statement of Financial Position as on December 31, 2011. **13**

Q. 6 Following balances have been extracted from the financial statements of Delux Company:

Statement of Financial Position:	**(Rs.'000)**
Accounts receivable as at December 31, 2011	240
Accounts receivable as at December 31, 2012	300
Current assets as at December 31, 2012	2,300
Current liabilities as at December 31, 2012	800
Total equity	2,500

*(**Note:** the current assets for 2012 consist of cash & bank, marketable securities, accounts receivable and inventory only)*

Income Statement for the year ended December 31, 2012:	
Sales revenue (including 10% cash sales)	3,000
Inventory January 1, 2012	500
Inventory December 31, 2012	300
Cost of sales	1,700
Gross profit	1,300
Net profit	900

Required:

Calculate the following for the year 2012:

a) Gross profit ratio **01**

b) Net profit ratio **01**

c) Return on share holders' equity ratio **01**

d) Current ratio **01**

e) Acid test ratio **02**

f) Inventory turn-over **02**

g) Accounts receivable turn-over **02**

ICMA
Pakistan

Spring 2013 Examination
Tuesday, 3rd September 2013
FUNDAMENTAL OF FINANCIAL ACCOUNTING (AF -101)
Semester -1

Time Allowed: 2hours 45 Minutes **Maximum Marks: 90**

1. Attempt all questions
2. Question No. 1 – "Multiple Choice Question" printed separately is an integral part of this question paper
3. Question Paper Must be returned to invigilator before leaving the examination hall.

Q. 2 Sign Pakistan Limited is incorporated in Pakistan. The Company is engaged in manufacturing of consumer appliances for local market. Following is the pre-closing trial balance of the company together with related adjustments as at December 31, 2012:

	Debit	Credit
	(Rupees in '000)	
Issued, subscribed and paid-up capital		17,900
General reserves		10,500
Retained earnings		700
Long-term loans		8,000
Accounts payable		5,197
Property, plant and equipment (net)	30,000	
Long-term deposits	3,000	
Inventory (01.01.2012)	1,500	
Accounts receivable	7,900	
Allowance for doubtful debts		106
Staff advances	125	
Prepaid insurance	600	
Cash and bank balances	3,620	
Sales		35,770
Purchases	23,400	
Carriage inward	2,600	
Distribution costs	2,100	
Administrative expenses	3,200	
Suspense account	128	
	78,173	**78,173**

Data for adjustments as at December 31, 2012:

(i). During the current year, a premium of Rs.600,000 to insure factory premises was made for a period of 3 years with effect from July 01, 2012, which was initially debited to prepaid insurance. Rent of Gujrat office for the month of November and December 2012 has not so far been paid, which amounts to Rs.150,000. In this connection, no adjustments have been incorporated in the accounts.

(ii). Based on past recovery trend, it is estimated that 3% of the year-end accounts receivable are to be considered doubtful. It was also observed that discount of Rs.153,000 allowed to customers was erroneously charged to suspense account.

(iii). An amount of Rs.25,000, recovered from an employee, Mr. Farooque, was mistakenly credited to suspense account.

(iv). On March 01, 2012, an amount of Rs.3 million was invested in long term deposits. The investment is secured by Government of Pakistan. The rate of return on the scheme is 10% p.a. and the interest on investment is due on December 31 every year.

(v). Previously 100% depreciation on non-current assets was being charged to production department and nothing was apportioned to distribution and marketing departments. In order to allocate depreciation charge appropriately, it was decided that from year 2012, the rate of depreciation on non-current assets will be charged at 10% on reducing balance method and it will be apportioned as follows:

a) Production	60%
b) Marketing	25%
c) Administration	15%

There was no addition or disposal of property, plant and equipment during the year.

(vi). Inventory comprising finished goods has been valued at Rs.3 million.

(vii). Board of Directors approved to transfer Rs.500,000 to general reserves.

Required:

(a) Statement of Profit or Loss for the year ended December 31, 2012. 12

(b) Statement of Financial Position as at December 31, 2012. 13

Note: *The financial statements must be prepared in accordance with the approved accounting standards and keeping in mind recording of relevant adjustments. However, formal notes to the accounts are not required, although detailed working should be submitted with the answer.*

Q. 3 (a) Explain the following terms:

(i)	Dual aspect concept	02
(ii)	Relevance	02
(iii)	Neutrality	02
(iv)	Completeness	02

(b) On December 31, 2012, Alina Limited estimated allowance for doubtful debts at 10% of accounts receivable of Rs.450,000.

The allowance for doubtful debts account prior to any adjustment has following balance in each independent case:

Case No. 1	No balance
Case No. 2	Credit balance of Rs.20,000
Case No. 3	Credit balance of Rs.45,000
Case No. 4	Debit balance of Rs.15,000

Required:

Pass an adjusting entry for each of the above independent case. 04

(c) Following accounting data of year 2012 has been extracted from the books of Razzaque Sons:

	Rupees
Purchases ledger balance (01.09.2012)	25,500
Sales ledger balances (01.09.2012)	31,200
Totals for the month of September, 2012:	
Purchases journal	511,000
Sales journal	861,000
Return outwards journal	123,000
Return inwards journal	110,000
Cash sales	250,250
Cash purchases	125,125
Cash paid to suppliers	340,000
Cash recovered from debtors	750,000
Discount allowed	9,000
Discount received	5,000
Balances on the sales ledger set off against balances in the purchases ledger	12,000

Required:

(i)	Prepare a sales ledger control account.	04
(ii)	Prepare a purchases ledger control account.	04

Q.4(a) Following balances have been extracted from the books of Shahi Traders.

	2012	2011
	(Rupees in '000)	
Opening inventory	3,400	
Purchases	132,000	
Closing inventory	(2,500)	
Cost of goods sold	132,900	
Sales	146,600	
Profit for the year	8,645	
Current assets:		
Inventory	2,500	3,400
Accounts receivable	25,000	23,300
Cash in hand	10,500	12,700
	38,000	39,400
Non-current assets	99,000	88,500
Accounts payable	19,200	17,100
Capital	100,000	90,000

Required:

Answer the following:

I.	What is return on capital employed for the year 2012?	02
II.	After how many days inventory is disposed of?	02
III.	In how many days collection is made from customers?	02
IV.	In how many days payment is disbursed to suppliers?	02

(b) From the following data find out the balance as per bank statement as on March 31, 2013: **08**

- Balance as per cash book on March 31, 2013 Rs. 55,200
- Payment cheques outstanding on March 31, 2013 Rs. 31,300
- Late Deposit of cheques outstanding on March 31, 2013 Rs. 33,700
- Bills of Rs.7,200 collected by the bank but not entered into the cash book till March 31, 2013.
- Bank charges of Rs.700 debited by the bank but not recorded in cash book till end of
- March, 2013.
- A cheque issued to a supplier for Rs.29,800 was entered in the cash book as Rs.28,900.
- A cheque amounting to Rs.15,200 was dishonoured but not entered in the cash book.

Q.5(a) Qaisar & Sons are renowned computers traders in the city. Below are the transactions extracted from their accounting data, which took place during the month of May, 2013:

		Rupees
01.5.13	Purchased, on account, computer accessories from Zaheer & Sons. Terms being 2/10, n/30 .- Invoice No.1876.	55,513
05.5.13	Purchased, on credit, five printers from Yaseen Brothers' Terms being 2/10, n/30 - Invoice No.125.	146,724
09.5.13	Purchased a delivery motorbike on account from Husain Engineering. Terms 3/10, n/45 - Invoice No. 5656.	50,400
12.5.13	Purchased merchandise on cash from Khalil Bros. Invoice No.1362.	13,250
16.5.13	Purchased merchandise from Jindani Traders on account. Terms basis 2/10, n/35 . Invoice No.1226.	82,723
25.5.13	Invoice No. 10001 received from Bushra & Sons on account of purchasing three laptops. Terms basis 3/10, n/30.	150,000
27.5.13	A laptop found defective and returned to supplier. D/Note #18	45,600
31.5.13	Purchased merchandise from Zee Brothers for cash	41,100

Required:

Prepare a standard format for Purchases Day Book and record the relevant transactions therein. **05**

(b) The following information pertains to B & D Traders for the month of June, 2012:

	Rs.
Debtors on June 1, 2012	6,000
Creditors on June 1, 2012	8,000

Transactions during the month of June, 2012:

Counter sales to customers	6,000
Debtors. accounts written off	600
Cash received from debtors	14,000
Cash paid to suppliers	8,000
Goods returned to suppliers	1,000
Goods purchased on cash	9,000
Debtors on June 30, 2012	24,000
Creditors on June 30, 2012	30,000

Required:

(i) Calculate the amount of credit sales for the month. 04

(ii) Calculate total sales for the month. 01

(c) During the scrutiny of accounts following errors were detected before closing of books of M/s. Jaffar & Sons:

(i) Sold goods to Juma Khan worth Rs.6,400 on credit. The whole transaction was wrongly recorded as credit purchase.

(ii) Accrued commission income of Rs.1,300 was overlooked.

(iii) Owner withdrew merchandise of Rs.1,550 for personal use but erroneously could not be recorded.

(iv) Computer purchased on credit costing Rs.8,300 was recorded as Rs.3,800.

Required:

Pass rectification entries for the above transactions. 05

Q. 6 (a) Explain the following by giving at least one example for each:

(i) Personal accounts 02

(ii) Real accounts 02

(iii) Nominal accounts 02

(b) Following data has been extracted from the books of Wajahat & Sons:

	Rs.
Cost of old machine	65,000
Accumulated depreciation	51,000
Trade-in allowance for old machine	11,000
Cost of new machine	75,000

Required:

(i) Compute gain or loss on exchange of machine. 05

(ii) Calculate cash payment to be made for exchange of machine. 03

ICMA

Pakistan

FALL 2013 (FEBRUARY 2014) EXAMINATIONS
Wednesday, 19th February 2014
FUNDAMENTAL OF FINANCIAL ACCOUNTING (AF -101)
Semester -1

Time Allowed: 2hours 30 Minutes **Maximum Marks: 75**

1. Attempt all questions
2. Question No. 1 – "Multiple Choice Question" printed separately is an integral part of this question paper
3. Question Paper Must be returned to invigilator before leaving the examination hall.

Q. 2 Unadjusted trial balance of ABC Company as on June 30, 2012 is given below:

Account Tile	Debit (Rs.)	Credit (Rs.)
Cash and bank balances	99,670	
Opening inventory as on 1/7/11	186,400	
Purchases during the year	1,748,200	
Freight-in	38,100	
Freight-out	47,250	
Sales		3,210,000
Trade receivables	318,000	
Salaries and wages	694,200	
Administrative expenses	381,000	
Allowance for doubtful debts as on 01/7/11		18,200
Bad debts written off during the year	14,680	
Office equipment (cost as on 01/7/11)	214,000	
Accumulated depreciation at 01/7/11 (office equipment)		88,700
Office equipment purchased during the year	48,000	
Sale proceeds of office equipment		12,600
Interest paid	30,000	
Long-term loan		300,000
Capital		100,000
Retained earnings		90,000
Total	**3,819,500**	**3,819,500**

The following adjustments are due:

	Rupees
(i) Closing inventory as on 30/6/12	2,19,600
(ii) Payables as on 30/6/12:	
• Freight-out	1,250
• Wages and salaries	5,800

- Admin expenses 13,600
- Interest payable 30,000

(iii) Admin expenses of Rs. 4,900 were prepaid.

(iv) Salaries and wages cost to be allocated to:

- Cost of sales = 10%
- Distribution cost = 20%
- Admin expenses = 70%

(v) Further bad debts of Rs. 8,000 are to be written off. Closing balance of allowance for bad debts will be equal to 05% of the closing trade receivables balance, which is to be charged to administrative expenses.

(vi) Depreciation on office equipment is to be provided at 20% per annum on straight-line method with a full years charge in the year of purchase and none in the year of sale. During the year, equipments having cost of Rs. 40,000 with accumulated depreciation of Rs. 26,800,was sold for Rs. 12,600.

(vii) Ignore tax.

Required:

Prepare adjusting and correcting journal entries. **13**

Q. 3 Using the data of **Q. 2** above, prepare the following financial statements:

(a) Statement of Profit or Loss for the year ended June 30, 2012. **11**

(b) Statement of Financial Position as at June 30, 2012. **12**

Q.4(a) Alfa Company uses perpetual inventory system. During the month of September 2013, the company had the following purchases and sales:

Date	Purchases		Sales
	Units	Cost/unit	(Unit)
Sep: 02	50	Rs. 12.00	-
04	-	-	40
06	70	Rs. 13.60	-
10	-	-	30
20	80	Rs. 14.70	-
27	-	-	60

Required:

Determine the following using FIFO method of inventory valuation:

(i) Cost of sales for the month of September 2013. **05**

(ii) Ending inventory as at September 30, 2013. **05**

(b) While preparing the bank reconciliation statement, you have noted the following:

(i) Balance as per cash book is Rs. 3,500 (debit).

(ii) The balance as per bank statement is Rs. 5,441 over-drawn.

(iii) Cheques totaling Rs. 2.500 have yet not been cleared by the bank.

(iv) Deposited cheques of Rs. 15,000 have not been credited by the bank.

(v) Cheque for Rs. 500 drawn on owners account has been debited by the bank to the business account.

(vi) A cheque recorded in the cash book for Rs. 276 has been correctly debited on the bank statement as Rs. 267.

(vii) Standing order (payment of utility bills) Rs. 750 paid by the bank but not recorded in the cash book.

(viii) A customer paid Rs. 5,000 directly in the bank but not recorded in the cash book.

(ix) Bank has charged Rs. 200 for bank charges but not recorded in the cash book.

Required:

(i) Prepare the bank reconciliation statement (work out adjusted cash book balance and adjusted bank balance). **08**

(ii) Make required journal entries for correction/ adjustment of transactions in the cash book. **03**

Q. 5 (a) Differentiate between revenue expenditure and capital expenditure. Classify the following between revenue expenditure and capital expenditure: **07**

(i) Buying motor vehicle
(ii) Electricity costs of using machinery
(iii) Painting outside the new building
(iv) Carriage costs on purchases
(v) Fire insurance premium
(vi) Legal costs on collecting dates
(vii) Building extension to the warehouse
(viii) Cost of repairs to office equipment

(b) Prepare a format for an IAS 7 Statement of Cash Flows (indirect method) for ABC Ltd., for the year ended June 30, 2013. Put the following cash flow items in the relevant sections/heads/sub heads in the format prepared and show increase/ (decrease): **11**

(i) Tax paid 35% of net income of Rs. 1,000,000.

(ii) Interest received for the year @8% per annum on investment of Rs. 500,000.

(iii) Sale of non-current asset for Rs. 350,000. There was no gain/ loss on this transaction.

(iv) Purchase of assets for Rs. 750,000.

(v) Net profit before tax is Rs.1,000,000.

(vi) Interest paid Rs. 10,000.

(vii) Obtained long-term loan for Rs. 1,200,000

(viii) Depreciation for the year was Rs. 300,000.

(ix) Increase in current liability Rs. 14,000.

(x) Decrease in current assets Rs. 5,000.

(xi) Cash and bank balances at beginning of the year were Rs. 223,500.

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PAKISTAN

FUNDAMENTAL OF FINANCIAL ACCOUNTING (AF -101)

Semester -1

SPRING (AUGUST) 2014 EXAMINATIONS
Wednesday, 20th August 2014

Time Allowed: 2hours 30 Minutes | **Maximum Marks: 75**

1. Attempt all questions
2. Question No. 1 – "Multiple Choice Question" printed separately is an integral part of this question paper
3. Question Paper Must be returned to invigilator before leaving the examination hall.

Q. 2 Following pre-closing trial balance has been prepared on the basis of data available from the books of Star Limited as at December 31, 2013:

Debit	Rs.	Credit	Rs.
Delivery vans	220,300	Share capital	180,000
Opening inventory	20,000	Retained earnings	72,395
Accounts receivable	75,000	Accounts payable	88,600
Notes receivable	100,000	Sales	434,255
Allowance for doubtful debts	2,250	Purchases return	29,000
Office supplies	9,350	Accumulated depreciation	25,000
Cash	5,750		
Purchases	324,000		
Sales return	5,000		
Salaries expenses marketing	14,000		
Carriage-in	11,000		
Carriage-out	13,000		
Salaries expenses administrative	12,000		
General expenses administrative	10,000		
Vehicle expenses	7,600		
	829,250		829,250

Additional data for adjustment is as follows:

(i) Closing inventory on December 31, 2013 was valued at Rs.23,000.

(ii) Office supplies consumed during the year amounted to Rs. 8,000. 70% and 30% of the office supplies are consumed by administration and marketing departments, respectively.

(iii) During the year, a new delivery van was purchased and an amount of Rs. 4,000 was paid being the cost of its registration and painting the name of the business on it, which was wrongly charged to vehicle expenses account.

(iv) Provide 10% depreciation on year-end cost of delivery vans. Delivery vans are used by marketing department only.

(v) It is policy of the company to maintain 3% of year-end accounts receivable as allowance for doubtful debts.

(vi) Rent of Rs.4,000 was payable against administration office building.

(vii) Ignore tax.

Required:

Statement of Profit or Loss for the year ended December 31, 2013. **15**

Q.3 (a) Conceptual Framework describes certain measurement bases that are used for determining the monetary amounts at which the elements of financial statements are maintained and carried. Briefly explain these measurement bases. **08**

(b) The following information pertains to D & D Traders for the month of June 2013:

	Rs.
Balance of accounts payable on (01.06.2013)	80,000
Transactions during the month of June 2013:	
Goods purchased for cash	60,000
Discount received from suppliers	6,000
Defective goods returned to suppliers	7,000
Payment to suppliers by cash	100,000
Payment to suppliers by cheque	40,000
Balance of accounts payable on (30.06.2013)	100,000

Required:

(i) Calculate the amount of credit purchases for the month of June 2013 **04**

(ii) Calculate total purchases for the month of June 2013. **01**

(c) The list of transactions of Sana Traders, a dealer of electrical goods, is as under:

(i) Purchase of goods on credit.

(ii) Purchase of furniture on credit.

(iii) Purchase of delivery van for cash.

(iv) Receipts from customers.

(v) Goods returned by customers.

(vi) Sales on credit.

Required:

Suggest most appropriate book of prime entry, which will be used for each of the above transactions. **03**

(d) The data given below pertains to Mehboob Limited:

	Rs.
Cash sales	3,099,260
Credit sales	8,329,311
Gross profit	800,000
Net profit	600,000
Market price per share	4.20
Gross dividend per share	0.20
Ordinary dividends paid and proposed	240,000

Ordinary share capital (Rs. 10 each) 10,000,000

Required:

Using the above data, calculate the following:

(i) Gross profit as a percentage of sales 02

(ii) Earnings per share 01

(iii) Price/ Earnings ratio 01

Q.4(a) The accountant of Rehman & Company is very much worried to see significant difference between the balance as per cash book and the balance available in the bank:

Balance as per cash book (30.4.2014)	Rs. 240,000
Balance as per bank statement (30.4.2014)	Rs. 70,000

Despite his best efforts, he could not prepare bank reconciliation statement correctly. His senior, while reviewing bank reconciliation statement, noted the following:

1. Issued cheques totalling Rs. 25,000 were outstanding.
2. Deposited cheques amounting to Rs.55,000 were still uncollected.
3. A cheque issued by another company of Rs. 102,000 was wrongly paid by the bank from the account of Rehman & Company.
4. A cheque of Rs.5,000 received from a customer was erroneously recorded in cash book by the accountant of Rehman & Company as Rs. 50,000.
5. Rent of Rs. 12,000 paid by the bank on s[illegible] instruction was not yet recorded in the cash book.
6. Mark-up of Rs.3,000 charged by the bank on over-draft has not yet been recorded in the cash book.
7. Bills of Rs. 22,000 were collected by the bank on behalf of Rehman & Company but they were not recorded in the cash book.

Required:

Prepare a bank reconciliation statement as at April 30, 2014. 08

(b) Following data has been extracted from the books of Young Cricket Club:

Rupees

	As at 31.12.2012	As at 31.12.2013
Subscription due from members	600	900
Subscription received in advance	1,800	1,200

Subscription received during the year 2013, Rs.10,200.

Required:

Calculate subscription income for the year 2013. 04

(c) ABC Company purchased goods on credit for Rs. 250,000 (net of sales tax) and sold goods for Rs.330,000 (net of sales tax). At the end of its accounting period it has paid sales tax owing to taxation authorities. While the company has paid Rs.145,000 to its creditors and received Rs.110,000 from its debtors. *(Note: Current sales tax rate is 17%.)*

Required:

Prepare the following accounts:

(i) Accounts payable 03

(ii) Accounts receivable 03

(iii) Sales tax 02

Q.5 (a) Segregate the following transactions of Hafiz Limited into operating, investing and financing activities: 05

(i) Cash payments to acquire land for construction of new factory premises.

(ii) Cash receipts from the sale of goods and rendering of services.

(iii) Cash proceeds from disposal of old factory building.

(iv) Cash proceeds from issuing debentures and bonds.

(v) Cash repayments of amounts borrowed.

(vi) Cash payments to suppliers for goods and services.

(vii) Issue of ordinary share capital.

(viii) Cash paid to and on behalf of employees.

(ix) Payment to acquire intangible non-current assets.

(x) Charging of depreciation on production plant.

(c) Following balances have been extracted from the statement of financial position of Asma Limited as at December 31:

	2013	2012
Non-current assets, (at cost)	111,950	64,800
Less: Accumulated depreciation	(15,375)	(14,800)
	96,575	50,000

During the year 2013, an outdated machinery costing Rs. 35,000 was sold for Rs.12,000. The accumulated depreciation on this machinery on December 31, 2012 was Rs. 9,000. No depreciation is charged in the year of disposal of any non-current asset.

Required:

(i) Calculate the amount paid for acquiring new machinery during the year 2013. 03

(ii) Calculate the amount of depreciation provided during the year 2013. 03

(c) Kaleem Electronics holds 20 units @ Rs. 3,000 each of an item of inventory as at July 1, 2014. During July 2014, units received and sold were as follows:

Date	Units Received	Production Cost per Unit
08 July	80	Rs. 3,000
18 July	70	Rs. 3,100
23 July	100	Rs. 3,150

Goods sold out of the inventory during July 2014 were as follows:

Date	Units Sold	Sale Price per Unit
12 July	85	Rs. 4,200
19 July	80	Rs. 4,500
26 July	90	Rs. 5,000

Required:

Compute the cost of sales and closing inventory on July 31, 2014 under weighted average cost method. **09**

ICMA

PAKISTAN

FUNDAMENTAL OF FINANCIAL ACCOUNTING (BAF -101)

Semester -1

FALL 2014 EXAMINATIONS
Thursday, 5th March 2015

Time Allowed: 2 hours 15 Minutes **Maximum Marks: 60**

1. Attempt all questions
2. Question No. 1 – "Multiple Choice Question" printed separately is an integral part of this question paper
3. Question Paper Must be returned to invigilator before leaving the examination hall.

Q.2 (a) The senior accountant of Ghamdi Sons observed a suspense account with a debit balance of Rs. 1,180 included in the trial balance prepared by his junior. He has gone through the transactions posted in this account and found that:

- The bookkeeper inadvertently debited the bank account and credited suspense account for the receipts of Rs.5,000 from the owner as an additional investment.
- A debit balance of Rs.750 of photocopying expense account was incorrectly entered in the trial balance as Rs.7,500.
- A photocopy machine was purchased for Rs.18,550, which was debited to suspense account and credited to bank account.
- A receipt of Rs.1,000 from Ahmad, a customer, had been correctly posted to the debtors account but had been entered in the cash account as Rs.10,000.
- A payment of Rs. 5,000 to Yaqoob, a supplier, had been correctly entered in the bank account, but no entry had been made in the creditors account.
- A credit balance of Rs. 810 in other income account had been wrongly posted to the trial balance as a debit balance.

Required:

Prepare a suspense account and post relevant entries to adjust the above mistakes. **06**

(b) Following are the opening and closing balances of three accounts in the ledger of Mr. Rafaqat for the year 2014:

	July 1, 2013	June 30, 2014
		Rupees
Salaries payable	10,500	12,000
Prepaid Insurance	15,000	18,000
Interest receivable	5,000	11,500

During 2014, Mr. Rafaqat paid insurance amounting to Rs.30,000 through its bank account. He also paid salaries amounting to Rs. 45,000 and received interest income of Rs.20,000.

Required:

(i) Prepare the insurance, salaries and interest receivable accounts for the year ended June 30, 2014. **03**

(ii) Prepare the extract of statement of profit or loss for the year ended June 30, 2014. **01**

Q. 3 The following trial balance has been prepared on the basis of the data available from the books of Lucky Limited as at December 31, 2014:

Particulars	Debit	Credit
		Rs.000
Inventory (1.1.2014)	5,000	
Carriage outwards	400	
Carriage inwards	500	
Sales return	200	
Purchases	25,000	
Sales		40,000
Rent expenses Administration building	2,500	
Prepaid insurance Administration	1,250	
Salaries Marketing	2,100	
Salaries expenses Administration	1,700	
Other expenses Administration	1,000	
Other expenses Marketing	1,500	
Non-current assets, at cost	135,000	
Accumulated depreciation Non-current assets		50,000
Accounts payable		1,000
Accounts receivable	5,000	
Allowance for doubtful debts		60
Cash at bank	2,500	
Retained earnings		22,590
Share premium		20,000
Share capital		50,000
	183,650	183,650

Additional data/ information is available on December 31, 2014:

(i) Physical inventory at cost, Rs.7,500,000.

(ii) Rent payable on administration building, Rs.600,000.

(iii) Prepaid insurance (administration) amounted to Rs.250,000.

(iv) Salaries payable to employees of administration department Rs. 400,000.

(v) Depreciation charge (administration) for the year, Rs. 2,300,000.

(vi) Allowance for doubtful debts to be equal to 3% of closing balance of accounts receivable.

Required:

Adjusting the additional data/ information, prepare the following:

(a) Statement of Profit or Loss for the year ended December 31, 2014. **12**

(b) Statement of Financial Position as at December 31, 2014. **08**

Q.4 (a) Due to non-recovery since long an amount of Rs. 5,000 was written off in previous year-2014, but it is recovered in current year-2015.

Required:

Give necessary journal entries with narration in the general journal for the year 2015. **03**

(b) XYZ Brothers lost 80% of their inventory and its record in a fire on December 30, 2014. However, the accounting record has been retrieved from external hard disc which showed the following gross profit related data for November and December 2014:

		Rupees
	November 2014	**December 2014**
Net sales	150,000	130,000
Net purchases	100,400	95,500
Freight-in	1,450	2,000
Opening inventory	8,250	12,600
Ending inventory	12,600	-

The inventory of XYZ Brothers is fully insured against fire losses but it can be claimed after preparing a report for the insurance company.

Required:

(i) Calculate the gross profit rate for the month of November 2014. **03**

(ii) Determine the amount of estimated total inventory and inventory lost by fire in December 2014, using the gross profit rate for November 2014. **04**

(c) (i) Briefly explain going concern concept. **02**

(ii) Discuss any three circumstances where the disclosure of going concern assumption would not be justified. **03**

Q.5 (a) Classify the following items/ costs as tangible non-current assets and intangible non-current assets: **04**

(i) Brand names and publishing titles
(ii) Land
(iii) Information technology equipment
(iv) Designs
(v) Computer software
(vi) Furniture and fittings
(vii) Goodwill
(viii) Licenses and franchises

(b) A machine was bought on May 1, 2012 for Rs.160,000. The financial year of the company ends on 31st December. The machine is depreciated at 10 percent, under straight-line method. It is the company policy to charge full years depreciation in the year of purchase and no depreciation in the year of disposal. The machine is disposed of in February 2015 for Rs.117,000.

Required:

(i)	Calculate book value of the asset at disposal date.	01
(ii)	Calculate gain or loss on disposal of the asset.	01
(iii)	Prepare a machine disposal account.	02

(c) The following information has been extracted from the books of FitFine Limited for the year to December 31, 2014:

Extract of Statement of Profit or Loss
for the year ended December 31

		Rupees
	2014	**2013**
Net profit before tax	1,800	1,200

Statement of Financial Position
as at December 31

		Rupees
	2014	**2013**
ASSETS		
Non-current assets		
Non-current assets, at cost	11,950	9,800
Less: Accumulated depreciation	5,375	4,750
	6,575	**5,050**
Current assets		
Inventory	4,450	1,000
Accounts receivable	6,000	4,300
Prepaid insurance	200	150
Cash	50	300
	10,700	5,750
Total assets	**17,275**	**10,800**
EQUITY AND LIABILITIES		
Equity		
Share capital	4,500	4,000
Retained earnings	3,300	1,500
Total equity	**7,800**	**5,500**
Non-current liabilities		
Long-term loans	375	300
Current liabilities		
Accounts payable	6,500	3,400
Accrued expenses	2,600	1,600
Total current liabilities	9,100	5,000
Total liabilities	**9,475**	**5,300**
Total equity and liabilities	**17,275**	**10,800**

Required:

Prepare a Statement of Cash Flows using indirect method for the year to December 31, 2014. (Ignore taxation.) 07

ICMA

PAKISTAN

FUNDAMENTAL OF FINANCIAL ACCOUNTING (BAF -101)

Semester -1

SPRING 2015 EXAMINATIONS

Thursday, 27th AUGUST 2015

Time Allowed: 2 hours 30 Minutes

Maximum Marks: 70

(i) Attempt all questions

(ii) Question No. 1 – "Multiple Choice Question" printed separately is an integral part of this question paper

(iii) Question Paper Must be returned to invigilator before leaving the examination hall.

Q.2 Following is the trial balance of Akber (Private) Limited as at June 30, 2015.

Particulars	Rs.000 Debit	Rs.000 Credit
Share capital (450,000 ordinary shares of Rs.10 each)		4,500
Retained earnings		400
Long term loan		2,200
Trade payables		650
Sales		30,725
Other income		1,062
Accumulated depreciation – Plant and equipment		1,330
Accumulated depreciation – Motor Vehicle		360
Amortization reserves		340
Cash and Bank balances	2,277	
Opening inventory July 01, 2014	900	
Administration expenses	7,450	
Distribution costs	6,250	
Plant and equipment – at cost	7,000	
Motor vehicle – at cost	1,440	
Computer software	850	
Purchases	14,000	
Finance costs	55	
Advances to employees	250	
Trade receivables	1,100	
	41,572	**41,567**

Additional Information:

- Closing inventory as at June 30, 2015 was Rs. 750,000
- Depreciation is to be provided as follows:
  - Plant and equipment @ 10% on reducing balance method (allocate 70% depreciation to administration department and 30% to marketing department).
  - Motor Vehicle @ 25% on reducing balance method (allocate 60% depreciation to marketing department and 40% to administration department).
- Computer software is to be amortized @ 20% on cost. Computer software was purchased for administration department.

- Company obtained a long-term loan from a commercial bank @ 10% per annum in January 01, 2015. The loan is repayable in 16 quarterly installments of Rs.137,500 each. The installments start from July 01, 2015.
- The mark-up on long term loan is payable quarterly i.e. on April 01, July 01, October 01 and January 01.
- During finalization of financial statements, it was observed that an amount of Rs. 225,000 received as advance from a customer, was recorded as sales during the period. The goods were to be delivered in the month of August 2015.

Required:

Prepare the following financial statements:

a) Statement of Profit or Loss for the year ended June 30, 2015. **09**

b) Statement of Financial Position as at June 30, 2015. **11**

Q.3(a) Identify an appropriate fundamental accounting concept for each of the situation given below:

(i) Application of a degree of caution that assets and income are not understated as liabilities and expenses are not understated. **01**

(ii) The assets are normally being shown at cost price, which is the basis of their valuation. **01**

(iii) Charging of various expenses to revenue in the related accounting period. **01**

(iv) A company uses the same accounting principles and methods from year to year. **01**

(v) Assumption that business will continue to operate for at least one accounting period after the end of the reporting period. **01**

(b) Following balances have been extracted from the books of Ali Enterprises:

Accounts receivable as at December 31, 2012	Rs. 450,000
Allowance for doubtful debts at December 31,2012	Rs. 13,500

Transactions for the year 2013 are given below:

Credit Sales	Rs.690,000
Collection from customers	Rs.340,000

During the year 2013, a customer from whom Rs.20,000 were receivable, was declared bankrupt. Mr. Ali, the owner of the business, considered that nothing could be recovered from him. The balance of 'allowance for doubtful debts' is to be increased to Rs. 23,400 at year end.

Transactions for the year 2014 are given below:

Credit sales	Rs.530,000
Collection from customers	Rs.280,000

In addition to above collections during the year 2014, Rs.5,000 were also recovered from a customer whose account was previously written off. The balance of 'allowance for doubtful debts; is to be increased to Rs.30,900 at year end.

Required:

Draw up T-accounts, post the relevant transactions and balance them properly:

(i) Accounts receivable **05**

(ii) Allowance for doubtful debts **06**

Q.4(a) Pharma Pakistan Limited imported an item f equipment costing Rs. 3 million on July 01, 2011. It further incurred the following expenses on the import of equipment:

- Import duty paid, Rs. 1,000,000.
- Income taxes of Rs. 276,000 adjustable against company's income tax liability.
- Other non-refundable taxes, Rs. 60,000.
- Transportation cost of Rs. 10,000 to bring the equipment to the factory premises.
- Insurance in transit, Rs. 4,000.
- Fire insurance, Rs. 10,000.

Initially, the useful life of the asset was estimated to be 5 years with residual value of Rs. 350,000 and depreciation was to be provided on straight-line basis. During the year 2012-13, the company estimated the remaining useful life of the equipment to be 5 years and residual value was re-estimated at Rs. 400,000. The machine was sold on July 01, 2014 for Rs. 800,000.

Required: Calculate:

(i) Cost of equipment 02

(ii) Depreciation expense for the years ended June 30, 2012, 2013 and 2014. 03

(iii) The gain / loss on disposal, if any 02

(b) Financial Statements of Faheem Pharmaceuticals Ltd., are given below:

Statement of profit or Loss (Extract)
For the year ended December 31, 2014

	Rupees
Cash sales	300,000
Net credit sales	900,000
Cost of goods sold	960,000
Credit purchases	880,000

Statements of Financial Position (Extract)
As at December 31

	2014	2013
		Rupees
Inventory	170,000	150,000
Accounts payable	150,000	200,000
Accounts receivable	125,000	112,000

Required:

Compute the following ratios as at December 31 2014:

(i) Average accounts receivable turnover. 02

(ii) Average collection period in days 01

(iii) Average accounts payable turnover 02

(iv) Average payment period in days 01

(c) Mubashir Traders started business on April 01, 2014. The details of purchases till September 30, 2014 are given below:

Month	No. of Units	Unit Cost
April	6,100	50
May	5,400	49
June	5,200	48

July	4,900	50
August	6,700	51
September	7,300	47

Mubashir Traders uses FIFO method of inventory valuation. During above period they sold inventory @ Rs.57 per unit. On September 30, 2014 units in hand were 14,600.

Required: Calculate

(i) Cost of units sold out, (ii) Value of closing stock and (iii) Gross profit. **06**

Q.5 (a) The following data relates to purchases and sales transactions of Al-Maroof Honey (Private) Limited for the year ended December 31, 2014:

	Rupees
Sales ledger balances January 01, 2014 (debit)	52,120
Sales ledger balances January 01, 2014 (credit)	3,000
Purchases ledger balances January 01, 2014 (debit)	1,650
Purchases ledger balances January 01, 2014 (credit)	35,250
Activities during the year 2014:	
Payment to trade payables	285,000
Cheques from trade receivables	302,000
Purchases on credit	282,500
Sales on credit	327,500
Bad debts written off	1,500
Discount allowed	13,000
Discount received	8,000
Returns inward	9,000
Returns outward	6,000
Sales ledger credit balance at December 31, 2014	1,250
Purchases ledger credit balance at December 31, 2014	2,560

During the year, debit balances in the sales ledger amounting to Rs. 3,500, were transferred to the purchase ledger.

Required:

From the data given above, prepare the following as in December 31, 2014:

(i) Sales Ledger Control Account. **04**

(ii) Purchases Ledger Control Account. **04**

(b) Following is the data of Classic (Pvt.) Limited for the month of June 2015:

1. Balance as per the bank statement as on June 30, 2015 was Rs.20,000 (overdraft).
2. On June 30, 2015, a cheque amounting to Rs.1,000 was deposited in the bank, journal entry of which was made in the cash book the same day. It appears in the bank statement on July 05, 2015 at Rs.990.
3. Cheques issued to parties but not presented for payment till June 30, 2015 are of Rs. 525, Rs. 835 and Rs. 900.
4. Cheques amounting to Rs. 9,170, deposited for collection, were not credited by the bank till June 30, 2015.
5. Interest on investment collected by the bank on June 30, 2015, Rs.955 not entered in cash book.
6. Bank charges amounting to Rs.90 for the month of June 2015 appeared in the bank statement, which were not entered in the cash book.

7. Cheques amounting to Rs.945 deposited with the bank for collection during the month were dishonoured.
8. The bank had mistakenly debited the account of Classic (Pvt.) Limited by Rs.1,000. The same was reversed by the bank on July 05, 2015.
9. Balance as per cash book as on June 30, 2015 was Rs. 11,010 (overdraft).

Required: Prepare Bank Reconciliation Statement as at June 30, 2015. **07**

ICMA Pakistan

FUNDAMENTALS OF FINANCIAL ACCOUNTING (BAF-101)
SEMESTER-1

FALL 2015 EXAMINATIONS
Thursday, the 25th February 2016

Extra Reading Time: 15 Minutes Writing Time: 02 Hours 30 Minutes	Maximum Marks: 70	Roll No.:	

(i) Attempt all questions.
(ii) Write your Roll No. in the space provided above.
(iii) Answers must be neat, relevant and brief. It is not necessary to maintain the sequence.
(iv) Use of non-programmable scientific calculators of any model is allowed.
(v) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
(vi) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, effective presentation, language and use of clear diagram/ chart, where appropriate.
(vii) DO NOT write your Name, Reg. No. or Roll No., or any irrelevant information inside the answer script.
(viii) Question No 1 – "Multiple Choice Questions" printed separately, is an integral part of this question paper.
(ix) **Question Paper must be returned to invigilator before leaving the examination hall.**

DURING EXTRA READING TIME, WRITING IS STRICTLY PROHIBITED IN THE ANSWER SCRIPT

EXAMINEES ARE ADVISED TO MANAGE SOLUTIONS/ ANSWERS WITHIN PROPOSED TIME

Marks

Question No. 2 — **Proposed Time : 34 Min. | Total Marks : 16**

(a) Why a 'Regulatory Framework' for the preparation of financial statements is necessary? 04

(b) Following is the trial balance of Ahsan Traders as on December 31, 2015:

	Rupees	
	Debit	Credit
Land	160,000	
Buildings	80,000	
Accumulated depreciation – Buildings		24,000
Equipment	65,000	
Accumulated depreciation – Equipment		29,250
Furniture and fixtures	68,000	
Accumulated depreciation – Furniture and fixtures		10,200
Opening inventory	10,000	
Office supplies	1,950	
Trade receivables	7,500	
Allowance for doubtful debts		500
Prepaid insurance	11,000	
Cash and bank	10,550	
Long-term liability, due on December 31, 2018		120,000
Trade payables		6,950
Capital – Mr. Ahsan		160,000
Drawings – Mr. Ahsan	2,000	
Sales		230,100
Purchases	125,000	
Salaries and wages for office staff	16,200	
Sales commission expense	9,800	
Advertising expense	5,000	
Interest expense	9,000	
	581,000	581,000

Marks

Additional Information:

Following additional information is available for Ahsan Traders as on December 31, 2015:

- Closing inventory was Rs. 6,000.
- Depreciation expense for the year was calculated as follows:
  - Equipment, Rs. 5,750
  - Buildings, Rs. 8,000
  - Furniture and fixtures, Rs. 3,400.
- Accrued interest on long-term liability amounted to Rs. 3,000.
- Unexpired insurance amounted to Rs. 1,000.
- Analysis of trade receivables under aging method showed that debts amounting to Rs. 225 were not recoverable and were to be written off.
- Office supplies balance at end of the year was Rs. 600.

Required:

Prepare adjusting entries as on December 31, 2015 in the journal of Ahsan Traders. 12

Question No. 3 **Proposed Time : 28 Min. | Total Marks : 13**

(a) Zama Traders is a supplier of sophisticated medical and surgical items to hospitals and healthcare centres across the country. The company deals with a large number of customers. At the end of year 2015, an aging of the trade receivables showed the following classification:

Group	Aging of Trade Receivables	Rupees Amount
A	Not yet due	532,800
B	1 – 30 days past due	216,000
C	31 – 60 days past due	93,600
D	61 – 90 days past due	21,600
E	Over 90 days past due	36,000
	Total trade receivables	**900,000**

On the basis of past experience, the company estimated the percentages of probable uncollectible for the above all age groups as follows:

Group	Percentage (%)
A	2
B	3
C	15
D	25
E	50

The allowance for doubtful debts account before adjustment at December 31, 2015, showed a debit balance of Rs. 2,100.

Required:

(i) Compute the estimated amount of uncollectible based on the above classification by the age group. (Show complete workings) 06

(ii) Prepare an adjusting entry to bring the allowance for doubtful debts account to the proper amount. (Show complete workings) 04

(b) Briefly describe the following:

(i) Intangible assets 01

(ii) Impairment loss 01

(iii) Amortization 01

Marks

Question No. 4 **Proposed Time : 54 Min. | Total Marks : 25**

(a) Following is the adjusted trial balance of Naeem Traders as on December 31, 2015:

	Rupees	
	Debit	**Credit**
Equipment	83,750	
Accumulated depreciation – Equipment		23,375
Closing inventory	58,750	
Trade receivables	62,500	
Allowance for doubtful debts		3,750
Prepaid insurance	675	
Cash	1,500	
Non-current liabilities		25,000
Trade payables		37,675
Capital – Mr. Naeem		106,250
Sales		500,000
Cost of goods sold	395,000	
Salaries expense	62,175	
Advertising expense	12,750	
Rent expense	6,125	
Interest expense	2,125	
Depreciation expense – Equipment	8,375	
Bad debt expense	1,250	
Insurance expense	450	
Interest receivable	1,000	
Interest revenue		1,000
Prepaid rent	625	
	697,050	**697,050**

Required:

Prepare the following financial statements:

(i) Statement of Profit or Loss for the year ended December 31, 2015. **06**

(ii) Statement of Financial Position as on December 31, 2015. **07**

(b) On January 1, 2016, Salman Traders acquired land, the factory building and the manufacturing equipment from Barkha Company for a single sum of Rs. 28,500,000. An independent appraisal determined the fair values of the assets (if purchased separately) is at Rs. 15,250,000 for the land, Rs. 9,150,000 for the building and Rs. 6,100,000 for the equipment.

Required:

(i) Determine the cost of each asset (i.e. land, factory building and manufacturing equipment) **04**

(ii) Prepare journal entry for the same. **02**

Marks

(c) Naushad Brothers maintain a petty cash fund for payment of day to day small expenses. Following transactions were made during the month of January 2016

January 01	Established petty cash fund by writing a cheque for Rs 14,000
31	Replenished the petty cash fund by writing a cheque for Rs 3,480. On this date the fund consisted of Rs 7,170 in cash and petty cash payments were as follows: – conveyance Rs. 1,960 – cold-drinks to customers Rs. 1,320 – stationery Rs. 960 – postage Rs. 1,700 – donation to a charitable trust Rs. 890.
31	The management noticed that substantial part of fund remains unutilized, therefore, they decreased the amount of petty cash fund to Rs. 10,000

Required:
Prepare required journal entries in the books of Naushad Brothers for January 2016. 06

Question No. 5 **Proposed Time : 34 Min. | Total Marks : 16**

(a) Mr. Ateeq, an Assistant Accountant at Gadara Traders, could not match the Trial Balance of the company. He transferred the difference of Rs. 16,280 to the suspense account, being excess of the debit side total. The following errors were subsequently discovered:

- Sales day book was overcast by Rs. 22,280.
- Purchase of furniture for office use of Rs. 33,825 passed through purchases day book.
- An amount of Rs. 3,025 received from Rana Stores was posted to their account as Rs. 30,250.
- Purchases return day book total on a folio was carried forward as Rs. 6,610 instead of Rs. 6,160.
- A cash sale of Rs. 67,925 was duly entered in the cash book but was posted to sales account as Rs. 925.
- The rest of the difference was due to incorrect total in the salaries account in the ledger.

Required:
Prepare journal entries to rectify the errors. 06

(b) The accountant of Naveen Company is very much concerned to note a considerable difference between the balance as per cash book, which is Rs. 96,000 debit and the balance as per bank statement, which is Rs. 28,000 over-draft on December 31, 2015.

Despite his best efforts he could not reconcile the balances. His senior while reviewing cash book and bank statement noted the following:

- Cheques totalling Rs. 10,000 were outstanding.
- Deposited cheques of Rs. 78,000 were still uncollected by bank.
- A cheque of Rs. 40,800 issued by Naveed Company was wrongly paid by the bank from the account of Naveen Company.
- A cheque of Rs. 2,000 received from a customer was erroneously recorded in cash book by the accountant of Naveen Company as Rs. 20,000.
- Rent of Rs. 4,800 paid by bank under standing instructions was not yet recorded in the cash book.
- Mark-up of Rs. 1,200 charged by bank on over-draft has not yet been recorded in cash book.
- Bills of Rs. 8,800 were collected by bank on behalf of the company but these were not recorded in the cash book.

Required:
Prepare a Bank Reconciliation Statement as on December 31, 2015. 10

THE END

ICMA Pakistan

FUNDAMENTALS OF FINANCIAL ACCOUNTING (BAF-101)
SEMESTER-1
SPRING 2016 EXAMINATIONS
Thursday, the 25th August 2016

Reading Time: 15 Minutes			
Writing Time: 02 Hours 30 Minutes	Maximum Marks: 70	Roll No.:	

(i) Attempt all questions.
(ii) Write your Roll No. in the space provided above.
(iii) Answers must be neat, relevant and brief. It is not necessary to maintain the sequence.
(iv) Use of non-programmable scientific calculators of any model is allowed.
(v) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
(vi) In marking the question paper, the examiners take into account clarity of exposition, logic of arguments, effective presentation, language and use of clear diagram/ chart, where appropriate.
(vii) DO NOT write your Name, Reg. No. or Roll No., or any irrelevant information inside the answer script.
(viii) Question No.1 – "Multiple Choice Questions" printed separately, is an integral part of this question paper.
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Marks

Question No. 2 — **Proposed Time : 15 Min. | Total Marks : 08**

Explain the following accounting concepts:

(i) Going Concern 02
(ii) Materiality 02
(iii) Substance Over Form 02
(iv) Business Entity 02

Question No. 3 — **Proposed Time : 25 Min. | Total Marks : 13**

(a) Receivables balance of Mr. Alam at December 31, 2014 stood at Rs. 160,000. Based on the past experience, Mr. Alam estimates that 3% of the receivable balances will not be collected and therefore relevant allowance shall be made.

On December 31, 2015 Mr. Alam's receivables balance stood at Rs. 240,000. Being more prudent, Mr. Alam now foresees that 5% of year end's receivables balance is required to be maintained as allowance for bad debts.

Required:

(i) Pass necessary general journal entries in the books of Mr. Alam for the accounting year ended December 31, 2014 and 2015. 03

(ii) Prepare an Allowance for Bad Debts Account for the year ended December 31, 2014 and 2015. 02

(b) Briefly describe the following:

(i) Error of Principle (give at least one example) 02

(ii) Error of Original Entry (give at least one example) 02

Marks

(c) Identify which of the following would be classified as 'Capital Expenditure' or 'Revenue Expenditure': 04

(i) Electricity costs of using machinery
(ii) Payment of legal fees in connection with building extension
(iii) Cost of rebuilding extension wall which had fallen down
(iv) Payment of wages to warehouse assistants
(v) Purchase of motor vehicle for business use
(vi) Cost of acquiring patent rights
(vii) Legal costs of collecting debts
(viii) Payment against purchase of licensed computer software.

Question No. 4 **Proposed Time : 50 Min. | Total Marks : 20**

(a) The following data has been extracted from the books of accounts of Ismail Brothers, a renowned name in manufacturing of auto parts:

Sunday, January 01, 2012	Bought machine 'M-1' costing Rs. 500,000
Monday, July 01, 2013	Bought machine 'M-2' for Rs. 450,000
Tuesday, April 01, 2014	Disposed off machine 'M-1' for Rs. 310,000
Tuesday, April 01, 2014	Bought machine 'M-3' costing Rs. 400,000

Ismail Brothers uses straight-line method of depreciation @ 10% for providing depreciation on machinery and follows calendar year as accounting year.

Required:

(i) Prepare year-wise Machinery Account from year 2012 to 2014. 04
(ii) Prepare year-wise Accumulated Depreciation Account – Machinery from year 2012 to 2014. 06
(iii) Prepare a Machinery Disposal Account for the year 2014 showing all necessary posting therein. 02

(b) Bridge Incorporation is a multinational entity which deals in only one product i.e., Zeta. The inventory of Zeta on March 01, 2016 comprised of 100 units at a total cost of Rs. 24,800. Purchases and sales of Zeta during the month of March 2016 are as follows:

Purchases			Sales		
Date	Units	Rate (Rs. per Unit)	Date	Units	Rate (Rs. per Unit)
Mar-02	400	250	Mar-04	310	300
Mar-06	250	252	Mar-09	200	310
Mar-13	390	251	Mar-17	120	305
Mar-21	150	253	Mar-23	370	315
Mar-28	100	255	Mar-31	230	320

Required:

Calculate the value of closing inventory of Zeta as on March 31, 2016 using Weighted Average Cost method assuming that Bridge Incorporation follows Perpetual Inventory System. 08

Marks

Question No. 5 **Proposed Time : 45 Min. | Total Marks : 21**

Mr. Hassan is engaged in a trading business; the following balances were extracted from his books for the accounting year ended December 31, 2015:

	Rupees
Sales	4,000,000
Selling expense	120,000
Purchases	2,700,000
Carriage inwards	135,000
Salaries and wages	78,000
Motor running expense	40,000
Rent expense	60,000
Bank markup	5,500
Purchase discount	27,000
Sundry expenses	160,000
Trade receivables	75,000
Trade payables	91,500
Opening inventory	850,000
Furniture and fixtures	900,000
Delivery trucks	1,800,000
Accumulated depreciation – Furniture and fixtures	180,000
Accumulated depreciation – Delivery trucks	787,500
Allowance for doubtful debts	4,000
Bank overdraft	100,000
Cash in hand	11,500
Capital – Mr. Hassan	1,855,000
Drawings – Mr. Hassan	110,000

Additional Information:

- Inventory on December 31, 2015 was valued at Rs. 1,000,000.
- Salaries and wages of Rs. 2,000 were accrued at December 31, 2015.
- Prepaid rent expense were Rs. 21,625 on December 31, 2015.
- Furniture and fixtures is to be depreciated by 10% per annum using straight-line method.
- Delivery trucks are to be depreciated by 25% per annum using reducing balance method.
- During the year, Mr. Hassan withdrew goods worth Rs. 20,000 for his personal use.

Required:

Prepare the following financial statements:

(a) Statement of Profit or Loss for the year ended December 31, 2015. 11

(b) Statement of Financial Position as on December 31, 2015. 10

Marks

Question No. 6 Proposed Time : 15 Min. | Total Marks : 08

The following information has been extracted from the books of Asfand & Sons for the financial year ended December 31, 2015

Extracts from Statement of Profit or Loss

	Rupees
Purchases	135,000
Opening inventory	10,000
Closing inventory	20,000
Gross profit	115,000
Operating expenses	85,000

Extracts from Statement of Financial Position

	Rupees
Furniture and fixtures	230,000
Motor van	150,000
Inventory	20,000
Trade receivables	40,000
Cash in hand	60,000
	500,000
Capital	310,000
Trade payables	90,000
Long-term loan	100,000
	500,000

Required:

You are required to compute the following ratios of Asfand & Sons for the year ended December 31, 2015.

(a) Gross Profit Ratio 02

(b) Debt Equity Ratio 02

(c) Quick Ratio 02

(d) Inventory Turnover (in times) 02

THE END