INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Fall (Winter) 2009 Examinations

Sunday, the 22nd November 2009

FINANCIAL ACCOUNTING- (S-301)
STAGE – 3

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

(i) Attempt ALL questions.
(ii) Answers must be neat, relevant and brief.
(iii) 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.
(iv) Read the instructions printed on the top cover of answer script CAREFULLY before attempting the paper.
(v) Use of non-programmable scientific calculators of any model is allowed.
(vi) DO NOT write your Name, Reg. No. or Roll No. anywhere inside the answer script.
(vii) Question No.1 – "Multiple Choice Question" printed separately, is an integral part of this question paper.

Marks

Q. 2 'F', 'A' and 'N' entered into a joint venture to share profit and loss in the ratio of 1:2:3, respectively. They contributed Rs.600,000, Rs.800,000 and Rs.1000,000, respectively, which were deposited in a joint bank account. They purchased goods worth Rs.2,000,000 from 'S' and paid him by cheque. They incurred Rs.36,000 expenses on goods purchased.
A part of goods was sold for Rs.1,800,000 and the amount was deposited in the bank. The remaining goods were sold to 'M' on credit for Rs.1,200,000, who accepted a bill, which was discounted for Rs.1,196,000. 'F' was allowed a commission of 4% on sales for his extra services.

Required: Workout the following:

(a) Joint venture account. 07

(b) Joint bank account. 04

(c) Personal accounts of 'F', 'A' and 'N'. 04

Q. 3 Following is the list of balances of M.B. Iqbal Company for the year ended December 31, 2008:

PARTICULARS		(Rs.)
Delivery expense		72,000
Commission		20,000
Rents and rates		200,000
Discount received		50,000
Purchases:	Dept.A	2,050,000
	Dept.B	1,600,000
	Dept.C	1,250,000
Wages and salaries		1,800,000
Depreciation		84,000
Opening inventory:	Dept.A	470,000
	Dept.B	300,000
	Dept.C	380,000
Sales:	Dept.A	3,600,000
	Dept.B	2,800,000
	Dept.C	1,600,000
General and administrative expenses		400,000
Closing inventory:	Dept.A	400,000
	Dept.B	250,000
	Dept.C	320,000

PTO

Marks

Additional Information:

- Depreciation and wages & salaries are in the ratio of 3:2:1, respectively.
- Delivery expenses are charged in the ratio of sales.
- Commission expenses are divided among A, B and C in the percentage of 40%, 30% and 30%, respectively.
- Discount received is divided in the ratio of purchases.
- Rent & rates and general & administrative expenses are divided among A, B and C in the percentage of 50%, 10% and 40%, respectively.

Required:

Prepare a departmental profit and loss account for the year ended December 31, 2008: 15

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. 13

(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. 07

Marks

Q. 5 Basit and Waqas commenced a business of cement manufacturing in partnership sharing profit and loss in the ratio of 3:2. Their statement of financial position on December 31, 2008 is as follows:

ASSETS	(Rs.)	EQUITIES	(Rs.)
Plant and machinery	1,000,000	Capital-Basit	1,600,000
Equipment	200,000	Capital-Waqas	1,300,000
Inventory	700,000	Accounts payable	600,000
Accounts receivable	1,300,000		
Cash at bank	300,000		
Total	**3,500,000**	**Total**	**3,500,000**

Nadir, their elder brother joined the partnership from January 1, 2009 by sharing 1/5 in all respects and contributing Rs.800,000 as his share of capital.

Goodwill of the business was to be valued at three years' purchase of average profit of last four years. The profits were:

Years	Rs.
2005	490,000
2006	600,000
2007	512,000
2008	531,600

Overhauling expenditure incurred for plant and machinery in 2006, Rs.300,000 had been added to the cost of asset, which was subject to 20% depreciation per annum on reducing balance method. Office equipment was re-valued at Rs.293,600 on the date of admission of Nadir. Capital of the new firm is to be based on the adjusted capitals of old partners. Capitals of the partners are to be adjusted in accordance with their new profit sharing ratios.

Required:

Show all necessary journal entries and the calculations these journal entries are based on. 15

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**

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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 4^{th} Schedule of the Companies Ordinance, 1984, prepare the following:

(a) Income Statement for the year ended June 30, 2009. 10

(b) Statement of Financial Position as at June 30, 2009. 15

THE END