Q.2

SUN GROUP

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2008

	Rs.000
Revenue (135,000 +65,000-9,000)	191,000
Cost of sales (55,000+39,000-9,000+240)	(85,240)
Gross profit (80,000+26,000-240)	105,760
Operating expenses (25,000+16,000)	(41,000)
Share of profit from associate (9200 x 0.4)	3680
Financial charges (3,800+2,200)	(6,000)
Profit before taxation	62,440
Taxation (14,100+2,100)	(16,200)
Profit after taxation	46,240
Non-controlling interest (5700 x 0.25)	(1,425)
Group profit	44,815

Workings:

Provision for unrealized profit on inventory :

Sun to Moon	2,200 x 0.1 ÷ 1.1 =	200
Sun to Star	(1,100 x 0.1 ÷ 1.1) x 0.40 =	40
		240

Q.3 (a)

Date	Description	Dr.	Cr.
31-Dec-08	Share capital account (Rs.10 each)	7,000,000	
	Reconstruction account		3,500,000
	Share capital account (Rs.5 each)		3,500,000
	(reduction in face value of ordinary shares from Rs.10 to Rs.5 each)		
31-Dec-08	Reconstruction account	733,420	
	Provision for obsolete inventory		733,420
	(provisions made for obsolete inventory)		
31-Dec-08	Reconstruction account	200,000	
	Provision for doubtful debts		200,000
	(provisions made for doubtful debts)		
31-Dec-08	Accounts payable	4,250,000	
	Reconstruction account		1,912,500
	Share capital (Rs.5 each)		2,337,500
	(Settlement of a creditor's claim by issue of ordinary shares)		
31-Dec-08	Reconstruction account	1,349,200	
	Provision for impairment in fixed assets		1,349,200
	(Provision for impairment against fixed assets)		
31-Dec-08	12% Debentures account	10,000,000	
	Reconstruction account		2,000,000
	14% Debentures account		8,000,000
	(Conversion of 12% Debentures into 14% Debentures with 20% waiver)		
31-Dec-08	10% Preference shares account (Rs.10 each)	1,000,000	
	12% Preference shares account (Rs.5 each)		500,000
	Reconstruction account		500,000
	(Conversion of 10% preference shares of Rs.10 each into 12% preference shares of Rs.5 each)		
31-Dec-08	Reconstruction account	5,629,880	
	Accumulated loss		5,629,880

Q.3 (b)

Rupees

Reconstruction Account

Dr.			**Cr.**
Provision for obsolete inventory	733,420	Share capital (Rs.10 each)	3,500,000
Provision for doubtful debts	200,000	Accounts payable	1,912,500
Provision for impairment	1,349,200	12% Debentures	2,000,000
Accumulated loss	5,629,880	10% Preference shares	500,000
	7,912,500		7,912,500

Q.3 (c)

Sheikh Brothers Limited
Statement of Financial Position as of December 31, 2008

	Rs.
Property, plant and equipment (13,492,000-1,349,200)	12,142,800
Current assets	
Inventory (6,233,420-733,420)	5,500,000
Accounts Receivable (1,520,850-200,000)	1,320,850
Other assets	975,500
	7,796,350
	19,939,150
Issued, subscribed and paid-up capital (1,167,500 ordinary shares of Rs.5 each)	5,837,500
Preference shares (100,000 12% redeemable preference shares of Rs.5 each)	500,000
	6,337,500
14% Debentures – secured (Face value – Rs.5,000)	8,000,000
Current Liabilities	
Accounts payable and accrued expenses	4,560,650
Other liabilities	1,041,000
	5,601,650
	19,939,150

Q.4

Statement of Affairs of Falcon Ltd. As at 01 July, 2009

	Estimated Realizable Value Rs.
Assets not specifically pledged (as per list "A")	
Cash in hand	10,000
Accounts receivable	70,000
Investments	90,000
Inventory	80,000
Plant and Machinery	150,000
	400,000

Assets specifically pledged (as per list "B")

	Estimated Realizable Value Rs.	Due to secured creditors Rs.	Deficiency ranking a unsecured Rs.	Surplus carried to last Column Rs.
Buildings	120,000	30,000	–	90,000
	120,000	30,000	–	90,000

Estimated surplus from assets specifically pledged	90,000
Estimated total assets available for preferential creditors, debenture holders secured by a Floating charge and unsecured creditors (carried forward)	490,000

Summary of Gross Assets

Gross realizable value of assets specifically pledged	120,000
Other Assets	400,000
Gross Assets	520,000

Gross Liabilities Rs.	Liabilities		
	Estimated total assets available for preferential creditors, debenture holders secured by a floating charge, and unsecured creditors (brought forward)		490,000
30,000	Secured creditors (as per list 'B') to the extent to which claims are estimated to be covered by assets specifically pledged		
6,000	Preferential creditors for taxes and wages (as per list 'C')		6,000
	Estimated balance of assets available for debenture holders secured by a floating charge and unsecured creditors.		484,000
200,000	Debenture holders secured by a floating charge (as per list 'D')		200,000
	Estimated surplus as regards debenture holders		284,000
42,000	unsecured creditors (as per list 'E'):		
	Liabilities for purchases	40,000	
	Misc expenses outstanding	2,000	42,000
278,000	Estimated surplus as regards creditors being the difference between Gross Assets and Gross Liabilities		242,000

Q.5 (a)

(i) **Temporary differences** are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

(ii) **Taxable temporary differences** are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

(iii) **Deductible temporary differences** are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amounts of the asset or liability is recovered or settled.

Q.5 (b)

M/S Ammar Company
Statement of Financial Position (Extracts)
As at March 31, 2009

	Rs. 000
Current Assets	
Balance due from Customer	1,800
Current Liabilities	
Balance due to Customer	210
Provision for Losses	

M/S Ammar
Statement of Comprehensive Income (Extracts)
For the year ended March 31, 2009

	Rs in 000
Contract Revenue	4,140
Contract Cost	3,290
Contract Profit	850

Calculation of Contract Revenue and Cost

(Amount in Rs.'000')

		Contract 1		Contract 2	Total
Contract Revenue	5500 x 60%	3,300	1200 x 70%	840	4,140
Contract Cost	4000 x 60%	(2,400)	bf	(890)	(3,290)
Contract Profit / (Loss)		900		(50)	850

As the contract 2 is in loss so All losses will be recognized immediately as per IAS 11

Percentage of Completion Is calculated is as follows

Amount in Rs. 000

	Contract 1	Contract 2
Certified value of work completed	3,300	840
Contract Price	5,500	1,200
% of Completion	60%	70%

Balance due (to) / from Customer	**Contract 1**	**Contract 2**
Contact Cost incurred	3,900	720
Recognized Profit / (Loss)	900	(50)
	4,800	670
Progress Billing	(3,000)	(880)
Balance due from / (to) customer	1,800	(210)

Q.6 (a)

(i) Financial instrument. Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

(ii) Financial asset. Any asset that is:

(a) cash

(b) an equity instrument of another entity

(c) a contractual right to receive cash or another financial asset from another entity; or to exchange financial instruments with another entity under conditions that are potentially favorable to the entity.

(iii) Financial liability. Any liability that is:

(a) a contract obligation:

(i) to deliver cash or another financial asset to another entity, or

(ii) to exchange financial instruments with another entity under conditions those are potentially unfavorable.

Q.6 (b)

Extracts of Maxco's profit and loss account for the year ended 30 June, 2009 and balance sheet as at 30 June, 2009.

(i) Operating Lease

	Rs.
Profit and loss account	
Cost of sales (machine rental) (100,000 x 6/12)	50,000
Balance sheet	
Current assets	
Prepayment (100,000 x 6/12)	50,000

(ii) Finance Lease

	Rs.
Profit and loss account	
Cost of sales (depreciation) (350,000/4 x 6/12)	43,750
Finance costs (250,000 x 0.1 x 6/12)	12,500
Balance sheet	
Fixed assets	
Leased plant at cost	350,000
Depreciation (from above)	43,750
	306,250
Creditors	
Amounts falling due within one year:	
Accrued interest (see working) 12,500	12,500
Lease obligation	75,000
	87,500
Amounts falling due after more than one year:	
Lease obligation (250,000 – 75,000)	175,000

<u>Working:</u>

Cost (01 Jan 2009)	350,000
Deposit (01 Jan 2009)	(100,000)
Balance at 01 Jan 2009	250,000
Interest to 30 June 2009 (6 months at 10%)	12,500
Total obligation at 30 June 2009	262,500
Interest to 31 Dec. 2009 (6 months at 10%)	12,500
	275,000
Jan 1, 2010 2nd installment	(100,000)
Balance at Jan 1, 2010	175,000
Total current liabilities (262,500 – 175,000)	87,500

THE END