

# INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



## March 2011 Extra Attempt Examinations

Thursday, the 24th March 2011

### FINANCIAL ACCOUNTING (S-301)

#### STAGE – 3

Time Allowed: 02 Hours 45 Minutes

Maximum Marks: 90

Roll No.:

- (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 inside 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.
- (viii) **Question Paper must be returned to invigilator after finishing/ writing the exam.**

Marks

**Q. 2** Naveed, Nadir and Basit entered into a joint venture for cultivation and sale of mangoes. They share profit and loss in the ratio of 4:2:1. The transactions connected with this venture were:

#### 2010

November	01	Naveed rented land for two months for Rs.240,000.
	03	Nadir supplied plants costing Rs.204,000.
	04	Naveed employed labour for planting, Rs.104,000.
	15	Nadir charged motor expenses, Rs.19,600.
	21	Naveed employed labour for fertilizing, Rs.72,000.
	28	Naveed paid the following expenses: Sundries Rs.7,600, Labour Rs.84,000, Fertiliser Rs.29,600.
December	12	Basit employed labour for lifting mangoes, Rs.166,400.
	22	Selling expenses paid by Basit, Rs.127,200.
	27	Basit received cash from sale proceeds, Rs.1,166,400.

#### Required:

- (i) Prepare Memorandum Joint Venture Account. **10**
- (ii) Show the joint venture accounts in the books of Naveed, Nadir and Basit (balances in the accounts of 'Naveed' and 'Nadir' are settled by cash from Basit). **08**

**Q. 3** Karachi Ltd., has a branch in Lahore at which a full set of books is kept. At the end of the year the following summary is compiled of the transactions between the branch and head office as recorded in the books of accounts:

	Rs.
Balance due from branch January 01, 2010	302,400
Goods supplied to branch	347,400
Expenses paid on behalf of branch	55,000
Cash received from branch	450,000
Goods returned by branch	6,000

At December 31, 2010 the branch profit and loss account showed a net profit of Rs.210,000 for the year.

#### Required:

- (a) Show Head office Account in the books of branch. **05**
- (b) Show Branch Account in the books of head office. **07**

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- Q. 4** 'F', 'A' and 'M' have been in partnership for several years, sharing profits and losses in the ratio 3:2:1. Their last balance sheet which was prepared on December 31, 2010 is as follows:

<b>Balance sheet of F, A and M as at December 31, 2010</b>	
<b>Non-current assets</b>	<b>Rs.</b>
At cost	300,000
Less depreciation	(90,000)
	<b>210,000</b>
<b>Current assets</b>	
Inventory	75,000
Accounts receivable	315,000
	<b>390,000</b>
<b>Total assets</b>	<b>600,000</b>
<b>Current liabilities</b>	
Bank overdraft	195,000
Accounts payable	255,000
<b>Total liabilities</b>	<b>450,000</b>
<b>Capital</b>	
F	60,000
A	60,000
M	30,000
	<b>150,000</b>
<b>Total liabilities and capital</b>	<b>600,000</b>

One of the dependent customers Mr. 'S' having balance of Rs.270,000 has now become insolvent. Due to this fact, 'F', 'A' and 'M' have agreed to dissolve the partnership on the following terms:

- The inventory is to be sold for Rs.60,000.
- The non-current assets will be sold for Rs.120,000 except for certain items with a book value of Rs.75,000, which will be taken over by 'F' at an agreed valuation of Rs.105,000.
- The accounts receivable (debtors), except for Mr. 'S', are expected to pay their accounts in full.
- The costs of dissolution will be Rs.12,000 and accounts payable (creditors) will be paid Rs.247,500 in full settlement. 'M' is unable to meet his liability to the partnership out of his personal funds, so it will be settled by 'F' and 'A' in the ratio of 3:2.

**Required:**

- Prepare the realisation account; **08**
- Workout the capital accounts of the partners recording the dissolution of the partnership. **12**

- Q. 5 (a)** The accountant has found the following details of transactions for Imran's shop for the year ended December 31, 2010:

- The sales are mostly on credit. No record of sales has been kept, but amounts of Rs.2,400,000 by cheque and Rs.675,000 in cash have been received from credit customers.
- Amount paid by cheque to suppliers during the year was Rs.1,580,000.
- Expenses paid during the year by cheque: rent Rs.190,000; general expenses Rs.15,500; by cash: rent Rs.20,000.
- Imran took Rs.12,500 cash per week (for 52 weeks) as drawings.
- Other information:

	<b>At 31.12.2009 (Rupees)</b>	<b>At 31.12.2010</b>
Accounts receivable	275,000	330,000
Accounts payable for goods	80,000	130,000
Rent owing	—	17,500
Bank balance	282,500	897,000
Cash balance	16,000	21,000
Inventory	318,000	340,000
Non-current assets (net)	165,000	148,500

**Required:**

Calculate;

- |  |           |
|--|-----------|
| (i) Opening capital.                     | <b>02</b> |
| (ii) Credit purchases and credit sales.  | <b>04</b> |
| (iii) Cash account.                      | <b>02</b> |
| (iv) Rent charged in income statement.   | <b>02</b> |
|  |           |
| (b) Define the following as per IAS-1:   |           |
| (i) Going concern                        | <b>02</b> |
| (ii) Offsetting                          | <b>01</b> |
| (iii) Material omissions or misstatement | <b>02</b> |

**Q. 6** The following trial balance has been extracted from the books of MHA Limited as on December 31, 2010:

Rs. '000'		Rs. '000'	
Particulars	Debit	Particulars	Credit
Long-term investment	18,000	Allowance for doubtful debts (01/01/2010)	450
Accounts receivable	5,000	Accounts payable	3,000
Freehold land	20,000	Sales	35,000
Buildings (cost)	7,500	12% long-term loan (01/01/2010)	6,500
Furniture (cost)	2,000	Income from investment	225
Cash at bank	4,500	Accumulated depreciation	
Cash in hand	700	(01/01/2010):	
Cost of goods sold	26,000	Building	500
Salaries	1,500	Furniture	400
Inventory (December 31, 2010)	4,000	Ordinary share capital	40,000
Misc. selling expenses	800	Share premium	1,000
Interest	390	Retained earnings	3,000
Bad debts	100	General reserve	475
Repair and maintenance	60		
Total	90,550	Total	90,550

**Additional Information:**

- (i) The company has an authorized capital of 10,000,000 ordinary shares of Rs.10 each.
- (ii) Accrued repair and maintenance expenses were Rs.10,000.
- (iii) The total of salaries, and repair and maintenance expenses are apportioned 50% each in selling and administrative expenses.
- (iv) Allowance for doubtful debt is to be adjusted to 10% of account receivable.
- (v) Depreciation charged in administrative expenses, on building @ 2% and on furniture @10% by straight-line method.
- (vi) Provision of taxation is to be made @ 35%. Interest on 12% long-term loan is outstanding for six (6) months.
- (vii) Rs.623,750 is to be transferred to general reserve.

**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). | <b>10</b> |
| (b) Statement of Changes in Equity for the year ended December 31, 2010.                                     | <b>05</b> |
| (c) Statement of Financial Position as at December 31, 2010.   | <b>10</b> |

**THE END**