

INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN



Winter (November) 2011 Examinations

Thursday, the 17th November 2011

FUNDAMENTALS OF FINANCIAL ACCOUNTING - (S-101)

STAGE – 1

Time Allowed – 2 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.**

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| | | Marks |
| 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	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	
	<u>260,000</u>	<u>260,000</u>

Note:

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

Required:

Prepare closing entries as on June 30, 2011.

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

(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.

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(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

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(ii) Weighted Average Cost Method

06

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

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- (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.

- (b) 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:

	<u>Dr. (Rs.)</u>	<u>Cr. (Rs.)</u>
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	<u>1,405,845</u>	<u>1,405,845</u>

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**

THE END