INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN

Summer (May) 2011 Examinations

Sunday, the 29th May 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 Mr. ‘A’, ‘B’ and ‘C’ entered into a joint venture by investing Rs.60,000, Rs.80,000 and Rs.100,000 respectively. The sum is deposited in a separate joint bank account. Goods were purchased for Rs.200,000 from Mr. ‘X’ and paid him by cheque. The amount of Rs.3,600 was paid by cheque as storage expenses of goods purchased. A part of good was sold for Rs.280,000 to Mr. ‘P’ on cash. The cash was deposited into bank. The unsold goods were taken by Mr. ‘A’ at an agreed price of Rs.10,000. They share profit in ratio of their investments. Parties settled their accounts at end of the venture.

Required:

Prepare:

(i) Joint Bank Account. **06**

(ii) Joint Venture Account. **06**

(iii) Personal Account of Mr. ‘A’, ‘B’ and ‘C’. **06**

Q. 3 MHA Private Ltd., is the provider of specialised liquid used as a raw material in the pharma industry. The product is given to consignee for selling it to other cities of the country. During the month of January 2011, MHA consigned 1000 litres of liquid @ Rs.10 per litre to Mr. Arshad on consignment basis and paid Rs.700 as freight charges. 10% of the liquid gets evaporated which is considered to be the normal loss during transit. Mr. Arshad took the delivery and paid unloading charges @ Rs.2 per litre. Commission is agreed to be given @ 5% on gross sale. During the month 750 litres were sold by Mr. Arshad for Rs.12,000.

Required:

Suppose an abnormal loss of 25 litres occurred at consignee’s godown;

(i) Calculate value of abnormal loss. **02**

(ii) Calculate value of closing stock. **02**

(iii) Prepare consignment account **04**

(iv) Prepare abnormal loss account **02**

(v) Prepare consignee account **02**

PTO

Marks

Q. 4 Zaman & Shehroze are in partnership and make up their accounts on December 31, each year. It was agreed that Farhad, a loyal and talented employee of the company be admitted as partner from January 1, 2011 without requiring him to infuse any capital.

Following is agreed in the revised partnership agreement:

(1) There will be no goodwill adjustment.

(2) Partners were to receive 5% on balance of their capital account as at January 1, each year as interest on capital.

(3) Zaman and Shehroze were to receive a salary of Rs.15,000 and Rs.27,000 respectively.

(4) Farhad's share of profit was to be higher of:

(i) A salary of Rs.21,000 plus 1/10th of profit after charging interest on capital and salaries to all partners. OR

(ii) 1/6th of profit after charging interest on capital.

Any excess amount to Farhad due to the above clause was to be charged specifically to Zaman.

(5) The profit after charging interest on capital and partners salaries, were to be divided between Zaman & Shehroze in the ratio of 2 : 1.

Additional Information:

(a) Capital Account as at January 1, 2011:

Zaman	Rs. 204,000
Shehroze	Rs. 162,000

(b) During the year following amounts had been debited to the partners capital account on account of drawings:

Zaman	Rs. 40,000
Shehroze	Rs. 30,000

(c) Profit for the year ended December 31, 2011 before charging interest on capital and partners salaries was Rs.252,000.

Required:

Prepare:

(i) Statement showing distribution of profit for the year to partners' account. **12**

(ii) Partners' capital account. **11**

Q. 5 **(a)** During year ended on December 31, 2010, Sajid Limited performed the following transactions:

(i) Purchased building for Rs.11,000,000 against issuing of 1,000,000 shares of Rs.10 each.

(ii) Issued a suitable number of shares against the purchase of furniture Rs.500,000. The market value of share is Rs.50 each.

(iii) Issued 1,000, 10% debenture at Rs.110 each (par value Rs.100 each) redeemable after 5 years at Rs.120.

Required:

Pass general entries of the above transactions. **06**

(b) Define the following as per IAS 16:

(i) Carrying amount **02**

(ii) Depreciable amount **02**

(iii) Useful life **02**

Marks

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
	464,120		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**

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

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

THE END