

**INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS
OF PAKISTAN**

FOUNDATION-II EXAMINATION-SPRING (SUMMER), 2004

Monday, the 24th May, 2004

2399

FINANCIAL ACCOUNTING

Time Allowed—2 Hours 40 Minutes

Maximum Marks—90

- (i) Attempt ALL questions
- (ii) Answers must be neat, relevant and brief.
- (iii) Use of non-programmable scientific calculators of: O Casio fx-82 LB, O Casio fx-82 Super, O Casio fx-350 D, O Casio fx350 HA models is allowed.
- (iv) In marking paper, the examiners take into account clarity of exposition, logic of argument, effective presentations, language and use of clear diagram/chart where appropriate.
- (v) Read the instructions printed on the top cover of answer script CAREFULLY before attempting the paper.
- (vi) DO NOT write your Name, Reg. No. or Roll No. any where inside the answer script.
- (vii) Question No. 1—"Multiple Choice Question" printed separately, is an integral part of this paper.

- Marks
- Q 2 (a) What are the components of Financial Statements as per IAS-1 (Revised) 5
- (b) Pak Trader Limited is a trading company registered under Companies Ordinance, 1984 and is also listed on three stock exchanges of Pakistan.

The following are the balances extracted from the books of Pak Trader Ltd., as on December, 31, 2003 :

Particulars	Rs.	Particulars	Rs.
Stock on January, 1, 2003	580,000	Profit and loss A/c	101,800
Fuel and power	20,600	Sales	930,000
Salaries and wages	304,000	Share capital	1,000,000
Purchases	464,400	Provision for doubtful debts	12,600
Rates and taxes	15,000	General reserve	100,000
Insurance	20,000	Unclaimed dividends	3,200
Repairs to buildings	6,000	Long term loan from bank-10%	50,000
Repairs to machinery	36,000	Sundry creditors	202,000
Managers' commission	21,000	Bills payable	64,000
Directors' fees	1,200	Outstanding expenses	150,000
Land and buildings	950,000	Managers' commission	
Machinery and plant	700,000	outstanding	3,600
Furniture	17,000	Accumulated depreciation	1,248,000
Office equipment	8,000	Miscellaneous receipts	1,200
Motor vehicles	45,000		
Sundry debtors	580,000		
Prepaid expenses	55,000		
Cash at bank	36,700		
Cash on hand	6,500		
	<u>3,666,400</u>		<u>3,666,400</u>

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Additional information :

Marks

- Stock at cost on December, 31, 2003 was Rs. 760,000.
- The depreciation written off upto January, 1, 2003 was as follows:
Land and buildings, Rs. 578,400, machinery and plant Rs. 618,600, furniture Rs. 15,000, office equipment, Rs. 7,000, and motor vehicles, Rs. 29,000.
- Depreciation is to be provided for the year, 2003 on land and building @ 5%, machinery and plant, furniture and office equipment @ 10% each, and Motor Vehicles @ 20%.
- The debts due to the company are all unsecured. Debts for Rs. 12,600 are over six months old of which Rs. 4,000 are bad and to be written off now, the rest are doubtful. All other debts are considered good.
- The directors transfer Rs. 30,000 to general reserve and recommend a dividend of Re. 0.25 per share for the year ended December, 31, 2003.
- The authorized share capital is 200,000 shares of Rs. 10 each. 100,000 shares @ Rs. 10/- each have been issued, subscribed and paid up, in full.

Required :

Prepare for the year ended December 31, 2003, and as of that date:

- | | |
|---|---|
| (i) Profit and Loss Account. | 7 |
| (ii) Balance Sheet. | 7 |
| (iii) A schedule of Fixed Assets. | 4 |
| Q. 3 (a) Define the following terms in context to Fourth Schedule of the Companies Ordinance, 1984: | 6 |
| (i) Accounting policies. | |
| (ii) Controlled. | |
| (iii) Liabilities. | |
| (iv) Provision. | |
| (v) Finance lease. | |

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- Rs. 2,250 has been transferred to General Reserve.
- Rs. 500 dividend (gross) has been credited.
- Rs. 1,150 loss on sale of fixed assets has been debited.
- Indirect expenses debited amount to Rs. 15,250.

Marks

Required :

Calculate for the year:

- | | |
|--|---|
| (i) Gross Profit | 3 |
| (ii) Trading Profit, and | 3 |
| (iii) Net Profit, | 2 |
| (c) Calculate the current assets of a company from the following information showing all your computation: | 8 |
| (i) Stock turnover: 5 times. | |
| (ii) Stock at the end of the year is Rs. 5,000 higher than stock in the beginning of the year | |
| (iii) Sales (all credit): Rs. 200,000 | |
| (iv) Gross profit ratio: 20% | |
| (v) Current liabilities: Rs. 60,000. | |
| (vi) Quick ratio: 0.75 | |

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- Q. 5 (a) Describe with the help of appropriate examples, the activities for which cash is reported on net basis as per IAS-7. 5
- (b) The following is the statement of cash flow of Babar Corporation for the year ended December, 31, 2003:

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	<u>Rs.</u>	<u>Rs.</u>
Collection from customers	6,450	
Payment to suppliers	(4,100)	
Selling and administration expenses	(1,200)	1150
Proceed from sale of investment	100	
Acquisition of plant assets	(200)	(100)
Issuance of ordinary shares	200	
Dividend paid	(500)	
Redemption of bonds payable	(100)	(400)
		650
Opening balance of cash		1,150
		1,800
		=====

Required :

Redraft the cash flow statement as per IAS-7.

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- (c) The following bank and cash summary has been prepared from the records of Pakistan Cricket Club for the year ended June 30, 2003.

<u>RECEIPTS</u>		<u>Rs.</u>
Cash at bank as on July, 1, 2002		100,000
Cash on hand as on July, 1, 2002		2,000
Admission fees		5,000
Subscriptions		40,000
Sale of beverage etc.		52,000
Donations		31,000
Interest on investment		3,000

233,000

<u>PAYMENTS</u>		<u>Rs.</u>
Purchase of beverages		41,000
Salaries and wages		8,000
Electricity and gas bills		4,000
Rent and rates		5,000
Postage and stationery		7,000
Ground expenses		6,000
Miscellaneous expenses		11,000
Purchase of mowing machine		6,000
Cricket balls		10,000
Investment at the rate of 7% per annum		100,000
Cash at bank at June, 30, 2003		30,000
Cash on hand at June, 30, 2003		5,000

233,000

Following additional information is supplied to you :

- (i) The stock of beverage etc. on June, 30, 2003 was Rs. 15,000, which was higher by Rs. 5,000 than the value of stock at June, 30, 2002.

	<u>2003</u>	<u>2002</u>
	<u>Rs.</u>	<u>Rs.</u>
(ii) Outstanding electricity and gas bills	1,000	2,000
Outstanding rents	4,000	3,000
Rate paid in advance	5,000	4,000

- (iii) The book value of club's fixture at July 1, 2002 was Rs. 20,000. Depreciation is to be provided at the rate of 15% per annum.

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- (iv) Club's old mowing machine had a book value of Rs. 2,000 as at July, 1, 2002, which was disposed off as on June, 30, 2003 for Rs. 3,000.
- (v) Book value of other equipment as at July, 1, 2002 was Rs. 14,000. Depreciation is to be charged at the rate of 20%.

Required :

Prepare Income and expenditure account for the year ended June, 30, 2003. 11

THE END