Marks

Question No. 1

(a) (i)

Azeez Limited Gratuity Fund
Statement of Net Assets available for Benefits
as at December 31, 2017

	Rupees	Marks
Regular Income Certificates	62,000,000	½
Defence Savings Certificates	83,500,000	½
Quoted Company Shares	72,500,000	½
	218,000,000	½
Receivable from Azeez Limited	6,250,000	½
Accrued Income	937,500	½
Balance with Banks	22,500,000	½
Total assets available for benefits	247,687,500	½
Less: Current liabilities		
Payable to outgoing members	3,612,500	½
Accrued Expenses	25,000	½
	3,637,500	½
Net assets available for benefits	244,050,000	½

(ii)

Azeez Limited Gratuity Fund
Revenue Account
for the year ended December 31, 2017

	Rupees	Marks
Income earned on:		
- Regular Income Certificates	4,800,000	½
- Quoted Company Shares - Dividends	3,025,000	½
- Balances with banks on savings accounts	1,350,000	½
	9,175,000	½
- Gain on disposal of investments - net	500,000	½
- Unrealized (loss)/gain on re-measurement of investments as fair value	8,000,000	1
Less:		
- Bank Charges	75,000	½
- Others	50,000	½
	125,000	½
Net surplus for the year transferred to statement of changes in net assets available for benefits	17,550,000	1

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

(iii)

Azeez Limited Gratuity Fund
Statement of Changes in Net Assets available for Benefits
for the year ended December 31, 2017

	Rupees	Marks
Balance at beginning of the year	210,000,000	½
Add:		
- Surplus transferred from revenue account	17,550,000	½
- Contribution for the year	20,000,000	1
	37,550,000	½
Less:		
- Paid/Payable to outgoing members	3,500,000	1
Balance at end of the year	244,050,000	½

(b)

Defined Contribution Plans	Defined Benefit Plans	Marks
Under a defined contribution plan, the entity pays fixed contributions into a fund but has no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits. The entity's obligation is therefore effectively limited to the amount it agrees to contribute to the fund and effectively place actuarial and investment risk on the employee.	These are post-employment benefit plans other than a defined contribution plans. These plans create an obligation on the entity to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the entity.	04

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

Question No. 2

(a) (i) Trade Date Accounting:

PKR

Date	Description	Debit	Credit	Marks
Purchase contract				
25-Dec-17	Financial Assets (105,000 x 104.80)	11,004,000		1
	Financial Liability		11,004,000	
	(To record purchase of assets)			
31-Dec-17	Financial Assets (105,500 x 105.20 - 105,000 x 104.80)	94,600		
	Financial Liability (Exchange loss) (105,000 x (105.20 - 104.80))		42,000	1
	Increase in FV - P&L		52,600	
	(To record change in FV and exchange rate)			
27-Jan-18	Financial Assets	217,025		
	Financial Liability	11,046,000		
	Exchange gain ((106.5-105.2) x 105,500)-((106.5-105.2) x 105,000)		650	2
	Increase in FV - P&L (106,250 - 105,500) x 106.50		79,875	
	Bank (105,000 x 106.5)		11,182,500	
	(To record change in FV and exchange rate on settlement)			
Sale contract				
27-Dec-17	Account Receivable (90,000 x 104.90)	9,441,000		
	Exchange Gain (5,000 x 104.9)		524,500	1
	Financial Assets (85,000 x 104.9)		8,916,500	
	(To record sale of Financial assets)			
31-Dec-17	No Entry			
25-Jan-18	Bank (90,000 x 106)	9,540,000		
	Exchange Gain (106 - 104.9) x 90,000		99,000	1
	Account Receivable (90,000 x 104.90)		9,441,000	
	(To record settlement of sale of financial assets)			

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

(ii) Settlement Date Accounting:

PKR

Date	Description	Debit	Credit	Marks
Purchase contract				
25-Dec-17	No Entry			
31-Dec-17	Receivable	52,600		
	Increase in FV - P&L		52,600	1
	(To record change in FV Financial assets)			
27-Jan-18	Financial Assets	11,315,625		
	Receivables		52,600	
	Exchange gain ((106.5-105.2) x 105,500)-((106.5-105.2) x 105,000)		650	
	Increase in FV - P&L (106,250 - 105,500) * 106.50		79,875	1
	Bank (105,000 x 106.5)		11,182,500	
	(To record purchase of assets and settlement thereof)			
Sale contract				
27-Dec-17	Financial Assets (5,000 x 104.90)	524,500		
	Exchange Gain (5,000 x 104.9)		524,500	1
	(To record change in FV on account of sale of Financial assets)			
31-Dec-17	No Entry			
25-Jan-18	Bank (90,000 x 106)	9,540,000		
	Exchange Gain (106 - 104.9) x 90,000		99,000	1
	Financial Assets (90,000 x 104.90)		9,441,000	
	(To record settlement of sale of financial assets)			

(b) **(i)** Determination of Reportable Segments:

Rs. in billion

	Spinning	Weaving	Knitting	Dyeing	Home Textile	Total	
Sales	20.000	5.500	3.000	3.200	2.500	34.200	
Less: Inter segment sales	(2.70)	(1.50)	-	-	-	(4.20)	½
Sales to external customers	17.300	4.000	3.000	3.200	2.500	30.000	1
Gross profit	1.800	0.825	0.420	0.384	0.200	3.629	1
Operating expenses	(0.800)	(0.275)	(0.220)	(0.175)	(0.100)	(1.570)	1
Profit before tax	1.000	0.550	0.200	0.209	0.100	2.059	1
Assets	15.000	4.000	1.200	4.500	2.500	27.200	¾

Criteria for reporting segment identification	Reporting segment identified	External sales of identifying segment	
10% of Sales i.e. Rs. 3.42 billion	Spinning, Weaving	58%, 13.3%	¼
10% of PBT i.e. Rs. 0.206 billion	Dyeing	10.7%	¼
10% of Assets i.e. Rs. 2.72 billion	-	-	¼

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

(ii) Disclosure in the financial statements of Zeeshan Limited:

	Spinning	Weaving	Dyeing	Others	Total	Marks
					Rs. in billion	
Revenue from external customers	17.300	4.000	3.200	5.500	30.000	1
Inter segment revenue	2.700	1.500	-	-	4.200	½
Revenue from reportable segments	20.000	5.500	3.200	5.500	34.200	½
Other material information						
Operating expenses	0.800	0.275	0.175	0.320	1.570	½
Segment profit before tax	1.000	0.550	0.209	0.300	2.059	½
Segment assets	15.000	4.000	4.500	3.700	27.200	½
Segment liabilities	0.750	0.250	0.125	0.225	1.350	½

Question No. 3

(a)

Masroor Group
Consolidated Statement of Financial Position
as at December 31, 2017

	Rs. '000'	Marks
Non-current assets:		
Property, plant and equipment (10,980 + 6,500)	17,480.00	½
Investment in associate (W-2)	1,900.80	¼
	19,380.80	¼
Current assets		
Inventory (2,300 + 1,200)	3,500.00	½
Receivables (1,320 + 1,160)	2,480.00	½
Cash (200+ 480)	680.00	½
	6,660.00	¼
Total assets	26,040.80	½
Equity and liabilities		
Equity		
Share capital	8,000.00	¼
Retained earnings (W-3)	6,328.80	¼
	14,328.80	¼
Non-controlling interest (W-4)	2,952.00	¼
	17,280.80	¼
Non-current liabilities		
12% loan stock (2,000 + 400)	2,400.00	½
Current liabilities (4,960 + 1,400)	6,360.00	½
Total equity and liabilities	26,040.80	½

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

Workings:

W-1: Goodwill

		Rs. '000'	
Masroor Company			
Consideration transferred		4,000	¼
Non-controlling interest (160,000 x 16)		2,560	½
Net assets acquired			
Share capital	4,000		¼
Retained earning	800	(4,800)	½
Goodwill at acquisition		1,760	¼
Impairment loss		(1,760)	¼

W-2: Investment in associate

	Rs. '000'	
Cost of investment	2,000	¼
Share of post-acquisition retained earnings [(1,560 – 600) × 30%]	288	½
Less PUP	(19.2)	¼
Less impairment loss	(368)	¼
	1,900.8	¼

W-3: Retained earnings

Rs. '000'

	Masroor Company	Maqsood Company	Mamnoon Company	
Retained earnings per question	5,840	3,540	1,560	¾
Adjustments				
Unrealised profit (W-6)	(19.2)	–	–	¼
Impairment loss (W-1)	–	(1,760)	–	¼
		1,780	1,560	½
Less pre-acquisition reserves		(800)	(600)	½
	5,820.8	980	960	¾
Maqsood: 60% × 980	588			¼
Mamnoon: 30% × 960	288			¼
Impairment loss (W-2)	(368)			¼
	6,328.8			¼

W-4: Non-controlling interest at reporting date

	Rs. '000'	
Fair value of NCI at acquisition (W-1)	2,560	¼
Group share of post-acquisition retained earnings (225 × 40%)	392	½
	2,952	¼

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

W-5: Unrealised profit (PUP)

	Rs. '000'	Marks
On sales by Masroor Company to Mamnoon Company (associate) 320× 25/125*.3	19.2	½

(b) At December 31, 2016, when the asset was classified as held for sale, the asset would have to be carried at the lower of carrying amount (i.e. Rs.105 million), and fair value less costs to sell of Rs.102 million (Rs.110 million – Rs.8 million). Therefore the asset has fallen in value from Rs.105 million to Rs.102 million, giving a charge to profits of Rs.3 million as Impairment loss. 2

On December 31, 2017, the value of the asset were as follows:

	Rs. in million	Marks
Carrying Amount	90.00	½
FV less cost to sell	92.00	½
Value in use	101.70	½

- Recoverable amount is the higher of fair value i.e. Rs.92 million and value in use i.e. Rs.101.7 million. ½
- The asset should be recorded at lower of carrying value i.e. Rs.90 and recoverable amount i.e. Rs.101.7 million. ½
- Therefore, the asset should be recorded at Rs.90 million as at December 31, 2017. ½

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

Question No. 4

Al-Jawahra Group
Statement of Cash Flows
for the year ended December 31, 2017

		Rs. in million	Marks
Cash flows from operating activities:			
Profit before taxation (W-1)		484.50	½
Adjustments for			
Profit on sale of subsidiary	(12.00)		½
Depreciation	390.00		½
Impairment of goodwill	117.00		½
Associate's profit	(1.50)		½
Finance costs	222.00	715.50	½
		1,200.00	½
Increase in trade receivables (3,600 - 2,250 + 6)	(1,356.00)		½
Increase in inventories (3,975 - 3,450 + 12)	(387.00)		½
Increase in trade payables (7,050 - 4,200 + 9)	2,859.00	1,116.00	½
Cash generated from operations		2,316.00	½
Interest paid (72 + 222 - 105)		(177.00)	½
Income taxes paid (W-5)		(934.50)	½
Net cash from operating activities		1,204.50	½
Cash flows from investing activities:			½
Purchase of associate	(15.00)		½
Purchase of property, plant and equipment (PPE) (W-2)	(1,980.00)		½
Sale of subsidiary (48 – 7.5)	40.50	(1,954.50)	½
Cash flows from financing activities:			½
Proceeds from issue of share capital (W-6)	15.00		½
Dividend paid to non-controlling interests (NCI)	(30.00)		½
Proceeds from long-term borrowings	600.00		½
Dividends paid	(75.00)	510.00	½
Net decrease in cash and cash equivalents		(240.00)	½
Cash and cash equivalents – as at January 01, 2016		450.00	½
Cash and cash equivalents – as at December 31, 2017		210.00	½

Workings:

W-1: Profit before tax:

	Rs. in million	Marks
Profit before tax	600.00	½
Associate's profit (W-3)	1.50	½
Impairment of goodwill (W-4)	(117.00)	½
Profit before tax	484.50	¼

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

W-2: Property, Plant and Equipment (PPE):

	Rs. in million	Marks
Property, plant and equipment (PPE) – balance as at December 31, 2016	6,165.00	½
Depreciation	(390.00)	½
Sale of subsidiary	(15.00)	½
Purchases in period (balancing figure)	1,980.00	½
PPE per SFP	7,740.00	¼

W-3: Associate – Al-Salab:

		Rs. in million	Marks
Cost of investment		75.00	½
Fair value (FV) of shares issued		15.00	½
Cash paid		90.00	
Share of post-acquisition reserves (25% x (48 - 30)	4.50		½
Inter-company profit eliminated (25% x (9 - 12)	(3.00)	1.50	½
		91.50	½

W-4: Impairment of Goodwill – Al-Falaz:

	Goodwill	Net assets	Total (Rs. in million)	Marks
Carrying amount	135.00	360.00	495.00	½
Unrecognised NCI (135 x 60/90)	90.00	–	90.00	½
	225.00	360.00	585.00	½
Recoverable amount			390.00	½
Impairment loss			195.00	½

Goodwill will be reduced by 60% of 195 i.e., Rs.117 million. Profit or loss will be charged with this amount.

W-5: Income Taxes Paid:

	Rs. in million	Marks
Current tax 31/12/2016 (1,155)	1,155.00	½
Statement of comprehensive income charge	240.00	½
Cash paid (balancing figure)	934.50	½
Sale of subsidiary	(10.50)	½
Current tax 31/12/2017	450.00	½

W-6: Shares Issued:

Cash flow from the issue of shares is Rs. (90 - 75) i.e., Rs.15 million (from the statement of changes in equity). The shares issued for the purchase of Al-Salab are taken out of the issue proceeds set out in the statement of changes in equity. ½

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.

Marks

Question No. 5

Buraq Income Fund
Statement of Movement in Unit Holders' Fund
for the year ended June 30, 2017

	Rs. '000'	Marks
Net assets at the beginning of the year	3,720,000	1
Issue of 730 million units	8,030,000	1
Redemption of 710 units	(7,988,000)	1
	42,000	½
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		
- transferred to income statement	129,000	1
- transferred to distribution statement	(636)	1
	128,364	½
Capital gain / (loss) on sale of investments - net	(12,125)	1
Unrealized appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(3,000)	1½
Other net income for the year	88,000	1
Net income for the year	72,875	½
Distribution during the year		
- Cash distribution of Re 0.50 per unit for the year ended June 30, 2017 (310,000*0.5)	(155,000)	1½
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - transferred to distribution statement	636	1
Net assets at the end of the year	3,808,875	½
Net asset value per unit at the beginning of the year (3,720/310)	12.00	1
Net asset value per unit at the end of the year (3,808/330)	11.54	1

THE END

ICMA Pakistan

DISCLAIMER: These suggested answers including write-ups, tables, charts, diagrams, graphs, figures etc., are uploaded for the use of ICMA Pakistan members, students and faculty members only. No part of it can be reproduced, stored in a retrieval system or transmitted in any physical/ or electronic form or by any other means including electronic, mechanical, photocopying, recording or otherwise without prior written permission of the ICMA Pakistan. The suggested answers provided on and made available through the ICMA Pakistan's website may only be referred, relied upon or treated as general guidelines and NOT a substitute for professional advice. The ICMA Pakistan has provided suggested answers on the basis of certain assumptions for general guidance of the students and there may be other possible answers/ solutions based on different assumptions and understanding. The ICMA Pakistan and its Council Members, Examiners or Employees shall not be liable in respect of any damages, losses, claims and expenses arising out of using contents of these suggested answers. It is clarified that the ICMA Pakistan shall not be liable to attend or receive any comments, observations or critiques related to the suggested answers.