



Extra Reading Time: 15 Minutes	Maximum Marks: 80	Roll No.:	
Writing Time: 02 Hours 40 Minutes			

- (i) Attempt all questions.
- (ii) Write your Roll No. in the space provided above.
- (iii) Answers must be neat, relevant and brief. It is not necessary to maintain the sequence.
- (iv) Use of non-programmable scientific calculators of any model is allowed.
- (v) Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper.
- (vi) 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.
- (vii) DO NOT write your Name, Reg. No. or Roll No., or any irrelevant information inside the answer script.
- (viii) Question No. 1 – “Multiple Choice Questions” printed separately, is an integral part of this question paper.
- (ix) Question Paper must be returned to invigilator before leaving the examination hall.

DURING EXTRA READING TIME, WRITING IS STRICTLY PROHIBITED IN THE ANSWER SCRIPT
EXAMINEES ARE ADVISED TO MANAGE SOLUTIONS/ ANSWERS WITHIN PROPOSED TIME

Marks

Question No. 2 **Proposed Time : 30 Min. | Total Marks : 14**

Al-Basr Limited acquired 80% shares of Al-Fajr Limited on April 1, 2015. The draft statements of profit or loss and other comprehensive income of the two companies for the year ended December 31, 2015 are given below:

	Rs. '000'	
	Al-Basr Limited	Al-Fajr Limited
Sales revenue	107,500	65,000
Cost of sales	(70,000)	(45,000)
Gross profit	37,500	20,000
Other income (dividend received from Al-Fajr Limited)	5,000	–
Operating expenses	(15,000)	(7,500)
Finance costs	(1,250)	(860)
Profit before tax	26,250	11,640
Income tax expense	(8,400)	(3,720)
Profit for the year	17,850	7,920
Other comprehensive income:		
Gain on property revaluation	–	4,400
Gain/ (loss) on fair value of equity financial asset investment	800	(600)
Total comprehensive income for the year	18,650	11,720

Additional Information:

- When the subsidiary was acquired on April 1, 2015, the fair value of assets of Al-Fajr Limited were equal to their book values except the value of the land which was higher than its book value by Rs. 2,400,000. On December 31, 2015 revaluation exercise was again undertaken which resulted in further increase in value of the land by Rs. 2,000,000.
- In the month of April 2015, a piece of equipment owned by Al-Basr Limited was sold to Al-Fajr Limited at an agreed price of Rs. 3,600,000. The book value of the equipment at the time of sale was Rs. 2,800,000 and it had still a remaining useful life of four years. Al-Basr Limited included the profit on sale of equipment in the cost of sales.

- During the period from April 1, 2015 to December 31, 2015 Al-Basr Limited sold goods to Al-Fajr Limited, amounting to Rs. 15,000,000. These goods were sold at a mark-up of 25% on cost. Till the end of the period, only 40% of these goods could be sold.
- By end of the year, the goodwill in Al-Fajr Limited was estimated to be impaired by Rs. 1,250,000. The company charges impairment loss to operating expenses.
- As per the policy of Al-Basr Group, the non-controlling interest (NCI) is valued at full (fair) value.
- Income and expenses are assumed to have accrued evenly throughout the year.

Required:

Prepare 'Consolidated Statement of Profit or Loss and Other Comprehensive Income' of the Al-Basr Group for the year ended December 31, 2015.

14

Question No. 3**Proposed Time : 40 Min. | Total Marks : 20**

Following financial statements pertain to Bright Sun Limited:

Statement of Financial Position		Rs. '000'	
as at December 31,		2015	2014
Assets			
Non-current assets			
Property, plant and equipment	8,525	7,270	
	<u>8,525</u>	<u>7,270</u>	
Current assets			
Inventory	1,250	1,110	
Trade receivables	510	535	
Short-term investments	1,500	–	
Cash and bank balances	270	375	
	<u>3,530</u>	<u>2,020</u>	
Total assets	<u>12,055</u>	<u>9,290</u>	
Equity and liabilities			
Equity			
Share capital	5,000	3,000	
Share premium	150	1,050	
General reserves	3,250	2,500	
Revaluation reserve	750	–	
Retained earnings	880	720	
	<u>10,030</u>	<u>7,270</u>	
Non-current liabilities			
10% debentures	500	750	
	<u>500</u>	<u>750</u>	
Current liabilities			
Trade payables	225	340	
Current tax payable	700	430	
Dividend payable	600	500	
	<u>1,525</u>	<u>1,270</u>	
Total equity and liabilities	<u>12,055</u>	<u>9,290</u>	

**Statement of Profit or Loss
for the year ended December 31, 2015**

	Rs. '000'
Net profit before interest and tax	2,520
Finance costs	(50)
Net profit before tax	2,470
Taxation	(660)
Profit for the year	1,810
Transfers to general reserves	(750)
Dividend	(900)
Retained profit for the year	160
Retained profit brought down	720
Retained profit carried down	880

Additional Information:

- During the year ended on December 31, 2015 following assets were disposed of:

	Rupees				
	Cost	Accumulated Depreciation	Sale Price	Book Value	Gain/ (Loss) on Sale
Plant and machinery	600,000	475,000	110,000	?	?
Motor vehicles	425,000	?	140,000	75,000	?
Office equipment	50,000	25,000	?	?	(10,000)

- On January 1, 2015, 10% debentures were redeemed at par.
- During the year, the company issued one bonus share for every three shares held. The balance in share premium account was used for this purpose. The remaining shares were issued at a premium of 10% against cash.
- The depreciation charge for the year is Rs. 285,000.
- Revaluation of land resulted in an increase of Rs. 750,000.
- Short-term investments can be converted into cash within 3-month period.

Required:

Prepare 'Statement of Cash Flows' for the year ended December 31, 2015 using 'Indirect Method' as per the requirements of IAS 7 – Statement of Cash Flows.

20

Question No. 4**Proposed Time : 34 Min. | Total Marks : 18**

- (a) In the light of Conceptual Framework, list down the elements of financial statements and also give brief explanation of each.

05

- (b) (i) High Rise Construction Company is specialized in construction of multi-storeyed buildings. In 2015 it had many projects in progress. One of its projects commenced on March 1, 2015 which related to construction of a 75-storeyed building in a posh area of Karachi, with a total estimated contract cost of Rs. 21,500 million. The fixed price of the project was agreed at Rs. 25,600 million. At the end of first year on December 31, 2015 following information was relevant to the project:

	Rs. in million
Material cost to date	9,250
Labour cost to date	4,850
Progress billing to date	14,500
Cash received from customer to date	9,800

- Special plant and equipment were used during 2015 for which depreciation charge was Rs. 950 million.
- The company determines stage of completion by the proportion of contract costs incurred to date bear to estimated total contract costs.

Required:

Determine:

- (1) Stage of completion of the project in percentage. 02
- (2) Amounts of revenue, cost of sales and profit to be recognized for the year ended December 31, 2015. 02
- (3) Trade receivables as at December 31, 2015. 02
- (4) Amount due from/ to customers as at December 31, 2015. 04
- (ii) As per IFRS 15 – Revenue from Contracts with Customers, list down a five step process for recognising revenue. 03

Question No. 5**Proposed Time : 36 Min. | Total Marks : 18**

- (a) Crescent Limited has following assets as on December 31, 2014:

Assets	Costs (Rs.'000')	Useful Life (Years)	Date of Purchase
Building	270,000	30	01-Jan-2010
Vehicles	12,000	10	01-Jan-2011

The company, on the advice of the independent valuation experts, is contemplating to revise the useful life of the non-current assets from January 1, 2015 as follows:

Assets	Useful Life (Years)
Building	36
Vehicles	8

Crescent Limited uses straight-line method of depreciation for all of its assets. There were no salvage values for both non-current assets. The net profit (before tax and depreciation) for the year ended December 31, 2015 is Rs. 17,250,000.

Required:

Determine net profit before tax for the year ended December 31, 2015 if the company:

- (i) do not revise the useful life of the assets. 02
- (ii) revises the useful life of the assets. 02
- (b) (i) Define the following terms as per IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: 03
- Onerous contract
 - Contingent asset
- (ii) As per IAS 10 – Events after the Reporting Period, describe adjusting and non-adjusting events. 03

- (c) Sindh Sugar Mills Limited started construction of an asset, which fulfils the necessary conditions required for a 'qualifying asset' under IAS 23 – Borrowing Costs. The construction of the asset commenced in January 2015 and the asset was expected to be ready for use by the end of 2016. Funds for this purpose were arranged in January 2015 from following sources:

	Rs. '000'
Issuance of 10% bonds payable	215,000
Bank loan carrying interest at 12% per annum	185,000

For 10% bonds, issuance costs amounted to 2% of the face value of the bonds.

Since all the funds were not immediately needed in 2015 the management of the company decided to invest the idle money at 8% per annum in the following manner:

	Rs. '000'
Investment Period	Amount Invested
From January 1, 2015 to June 30, 2015	300,000
From July 1, 2015 to December 31, 2015	210,000

Company's year ends on December 31.

Required:

Calculate the following:

- | | |
|---|----|
| (i) Weighted-average cost of funds. | 03 |
| (ii) Total borrowing costs for the year ended December 31, 2015. | 03 |
| (iii) Borrowing costs to be capitalized for the year ended December 31, 2015. | 02 |

Question No. 6

Proposed Time : 20 Min. | Total Marks : 10

Shahkar Textile Mills Limited is facing financial crunch and is considering to fulfil the funds requirement either by issuing equity shares or obtaining funds by selling a non-current asset and leasing it back under finance lease. The Director Finance after a detailed working suggested to opt sale and leaseback option. The details of the 'sale and finance leaseback' option are given below:

	Rupees
Fair value of plant	5,710,000
Sale proceeds	5,710,000
Cost of plant	8,565,000
Accumulated depreciation of plant on January 1, 2015	4,282,500
Annual lease payments	2,000,000

Additional Information:

- Date of sale and finance leaseback is January 1, 2015.
- Remaining useful life of the plant is 4 years.
- The lease payments will start from December 31, 2015.
- The implicit rate of return is 15%.
- Company's year ends on December 31.

Required:

Prepare following extracts of the financial statements of the company:

- | | |
|--|----|
| (a) Statement of Financial Position as on January 1, 2015. | 02 |
| (b) Statement of Profit or Loss and Statement of Financial Position for year ended on December 31, 2015. | 08 |

THE END