

FINANCIAL ACCOUNTING – SEMESTER-3**Marks****Question No. 2**

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

	Rs. '000	
Sales revenue [107500 + (65,000 x 9/12) - 15,000]	141,250	1.5
Cost of Sales [70,000 + (45,000 x 9/12) - 15,000 + 1,800 + 650]	(91,200)	1.5
Gross profit	50,050	
Operating expenses [15,000 + (7,500 x 9/12) + 1,250]	(21,875)	01
Finance costs [1,250 + (860 x 9/12)]	(1,895)	01
Profit before tax	26,280	
Income tax expense [8,400 + (3,720 x 9/12)]	(11,190)	0.5
Profit for the year	15,090	0.25
Other comprehensive income:		
Gain on property revaluation (post acquisition only)	2,000	0.25
Gain/ loss on fair value of equity financial asset investment [800 + (-600 x 9/12)]	350	0.5
Total comprehensive income for the year	17,440	0.25
Profit attributable to:		
Owners of the parent	14,152	0.25
Non-controlling interest (W-2)	* 938	0.25
	15,090	
Total comprehensive income attributable to:		
Owners of the parent	16,102	0.25
Non-controlling interest-* [938 + (2,000 x 0.2)]	1,338	01
	17,440	

Workings:**W-1 Unrealized profit on sale of goods**

	Rs. '000	
Profit on sales [15,000 x 0.25/1.25]	3,000	0.5
Unrealised profit [3,000 x 0.6]	1,800	0.5

W-2 NCI – Share of profit for the year

Share in profit of Al-Fajr Ltd. [(7,920 x 0.2 x 9/12)]	1,188	0.5
Share in goodwill impairment [1,250 x 0.2]	(250)	01
	938	0.5

W-3 Unrealised profit on sale of non-current asset

Unrealised profit on sale of equipment [3600 - 2,800]	800	0.5
Depreciation [800 x 9/48]	(150)	0.5+01
	650	0.5

FINANCIAL ACCOUNTING – SEMESTER-3**Marks****Question No. 3**

Bright Sun Limited
Statement of Cash Flows
for the year ended December 31, 2015

	Rs. '000	Rs. '000	
Net profit before tax	2,470		0.25
Depreciation	285		0.25
Finance costs	50		0.25
Loss on sale of plant and machinery	W-2 15		0.25
Gain on sale of motor vehicles	W-2 (65)		0.25
Loss on sale of office equipment	W-2 10		0.25
	<u>2,765</u>		
Increase in inventory [1110 – 1250]	(140)		0.5
Decrease in trade receivables [535 – 510]	25		0.5
Decrease in trade payables [340 – 225]	(115)		0.5
Cash generated from operations	<u>2,535</u>		
Interest paid	(50)		0.25
Taxes paid	W-3 (390)		0.25
Dividends paid	W-4 (800)		0.25
Net cash from operating activities		<u>1,295</u>	0.25
Investing activities			
Purchase of property, plant and equipment	W-1 (1,015)		0.25
Sale of plant and machinery	110		0.25
Sale of motor vehicles	140		0.25
Sale of office equipment	W-2 15		0.25
Net cash used in investing activities		<u>(750)</u>	0.25
Financing activities			
Proceeds from issue of share capital	W-7 1,000		0.25
Share premium on issue of share capital	W-8 100		0.25
Payment of 10% debentures	W-6 (250)		0.25
Net cash from financing activities		<u>850</u>	0.25
Net increase in cash and cash equivalents		<u>1,395</u>	0.5
Cash and cash equivalents at beginning of period [375 + 0]		<u>375</u>	0.5
Cash and cash equivalents at end of period [1500 + 270]		<u>1,770</u>	01

FINANCIAL ACCOUNTING – SEMESTER-3**Marks****Workings:**

W-1:	Property, plant and equipment		Rs. '000	
Bal b/d	7,270	Plant and machinery (W-2)	125	0.5
Addition	1,015	Motor vehicle (W-2)	75	0.5 + 0.5
Revaluation	750	Office equipment (W-2)	25	0.5 + 0.5
		Current depreciation	285	0.5
		Bal c/d	8,525	
	9,035		9,035	

Workings:

W-2:	Rs. '000		
Gain/ loss on sale of plant and machinery			
Cost	600		0.25
Accumulated depreciation	(475)		0.25
Book value	125		
Sale proceeds	(110)		0.25
Loss on sale	15		0.25
Gain/ loss on sale of motor vehicle			
Book value	75		0.25
Sale proceeds	(140)		0.25
Gain on sale	(65)		0.25
Sale proceeds of office equipment			
Cost	50		0.25
Accumulated depreciation	(25)		0.25
Book value	25		
Sale proceeds (Bal fig)	(15)		0.25
Loss on sale	10		0.25

W-3:	Taxes payable			
Tax paid	390	Bal b/d current tax	430	0.5
Bal c/d current tax	700	Statement of Profit or Loss	660	0.5
	1,090		1,090	

W-4:	Dividends payable			
Dividend paid	800	Bal b/d	500	0.5
Bal c/d	600	Retained earnings	900	0.25
	1,400		1,400	

W-5:	Retained earnings			
Dividend payable	900	Bal b/d	720	0.5
General reserve	750	Profit or Loss	1,810	0.5 + 0.5
Bal c/d	880			
	2,530		2,530	

FINANCIAL ACCOUNTING – SEMESTER-3

				Marks
W-6:	10% Debentures			
Repayment	250	Bal b/d	750	0.5
Bal c/d	500			
	750		750	
W-7:	Share capital			
		Bal b/d	3,000	0.5
		Bonus issue (3000 x /3)	1,000	
Bal c/d	5,000	Bal/ fig (cash)	1,000	0.5
	5,000		5,000	
Workings:				Rs. '000
W-8:	Share premium			
Share capital (bonus issue)	1,000	Bal b/d	1,050	0.5
Bal c/d	150	Cash (1000 x 10%)	100	0.5
	1,150		1,150	
W-9:	General reserves			
		Bal b/d	2,500	0.25
Bal c/d	3,250	Retained earnings	750	
	3,250		3,250	

Question No. 4**(a) The Elements of Financial Statements:**

- Assets. An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. 01
- Liabilities. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. 01
- Equity. Equity is the residual interest in the assets of the entity after deducting all its liabilities. 01
- Income. Income is increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. 01
- Expenses. Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. 01

FINANCIAL ACCOUNTING – SEMESTER-3

Marks

Question No. 5

(a)

	Rupees in '000'			
	Building	Vehicles	Total Depreciation	
Purchase date	01.01.10	01.01.11		
Cost	270,000	12,000		
Useful Life	30	10		
Depreciation for year	9,000	1,200	10,200	0.25 + 0.25
No. of years upto 31.12.2014	5	4		
Depreciation upto 31.12.2014	45,000	4,800		0.25 + 0.25
BV on 31.12.2014	225,000	7,200		0.25 + 0.25
BV on 31.12.2014	225,000	7,200		
Revised useful lives from 01.01.15	36	8		
Depreciation for year ended 31.12.2015	6,250	900	7,150	0.25 + 0.25

Net profit before tax for the year ended December 31, 2010 if the company:

(i) do not revise the useful lives of the assets:

The net profit before tax and depreciation for the year ended December 31, 2015	17,250	0.25
Depreciation	<u>(10,200)</u>	0.25
Net profit before tax	<u><u>7,050</u></u>	0.5

(ii) revises the useful lives of the assets:

The net profit before tax and depreciation for the year ended December 31, 2015	17,250	0.25
Depreciation for the year	<u>(7,150)</u>	0.25
Net profit before tax	<u><u>10,100</u></u>	0.5

(b) (i) • **Onerous Contract:**

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. 1.5

• **Contingent Asset:**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. 1.5

(ii) **Adjusting Events After the Reporting Period:**

Those that provide evidence of conditions that existed at the end of the reporting period are adjusting events. 1.5

FINANCIAL ACCOUNTING – SEMESTER-3**Marks****Non-adjusting Events After the Reporting Period:**

Those that are indicative of conditions that arose after the reporting period are non-adjusting events. 1.5

(c) (i) Weighted-average cost of funds

$$= \frac{(215,000 \times 10\%) + (185,000 \times 12\%)}{215,000 + 185,000} \quad 0.1$$

$$= \frac{21,500 + 22,200}{400,000} \quad 0.5$$

$$= \frac{43,700}{400,000} \quad 0.5$$

$$= 0.10925$$

$$= 10.925\% \text{ or } 11\% \quad 0.1$$

(ii) Total borrowing costs for the year ended December 31, 2015

	Rs. '000	
10% Bonds payable	215,000	0.5
Bank loan	185,000	0.5
Borrowed money	<u>400,000</u>	0.5
Interest on borrowed money (10.925% x 400,000)	43,700	0.5
Amortization of issuance costs on bonds (2% x 215,000 x 1/2)	2,150	0.5
Total borrowing costs	<u><u>45,850</u></u>	0.5

(iii) Borrowing costs to capitalized for the year ended December 31, 2015

Total borrowing costs	45,850	0.5
Investment income:		
From January 1 to June 30, 2015 (8% x 300,000 x 6/12)	(12,000)	0.5
From July 1 to December 31, 2015 (8% x 210,000 x 6/12)	<u>(8,400)</u>	0.5
	<u><u>25,450</u></u>	0.5

FINANCIAL ACCOUNTING – SEMESTER-3**Marks****Question No. 6****(a)**

Shahakar Textile Mills Limited
Statement of Financial Position
as at January 1 ,2015

Non-current assets		
Plant, at cost	8,565,000	0.25
Accumulated depreciation	4,282,500	0.25
	<u>4,282,500</u>	0.25
Current assets		
Cash	5,710,000	0.25
Liabilities		
Non-current obligation under finance lease (w-1)	4,566,500	0.5
Current obligation under finance lease (w-1)	1,143,500	0.5

Shahakar Textile Mills Limited
Statement of Profit or Loss
for the year ended December 31, 2015

Depreciation expense (5,710,000/4)	1,427,500	0.25
Finance lease interest (5,710,000 x 15%)	856,500	0.25
Profit on disposal	356,875	0.25

(b)

Shahakar Textile Mills Limited
Statement of Financial Position
as at December 31, 2015

Non-current assets		
Finance leased asset (5,710,000 - 1,427,500)	4,282,500	0.25
Non-current liabilities		
Finance lease obligation	6,566,500	0.25
Deferred income	713,750	0.25
Current liabilities		
Finance lease obligation	2,000,000	0.25
Deferred income	356,875	0.25

Working-1

Total lease obligation on January 1, 2015	5,710,000	
Lease payment payable on December 31, 2015	2,000,000	0.5
Interest portion in lease payment (5,710,000x 15%)	(856,500)	0.5
Current portion of obligation	1,143,500	0.5
Non-current portion of obligation (5,710,000-1,143,500)	4,566,500	0.5

FINANCIAL ACCOUNTING – SEMESTER-3

Lease Schedule			Marks
1-Jan-15	Lease liability	5,710,000	0.25
31-Dec-15	Interest @ 15%	856,500	0.25
31-Dec-15		6,566,500	0.25
31-Dec-15	Lease payment	(2,000,000)	0.25
31-Dec-15	Lease liability	4,566,500	0.25
31-Dec-16	Interest @ 15%	684,975	0.25
31-Dec-16		5,251,475	0.25
31-Dec-16	Lease payment	(2,000,000)	0.25
31-Dec-16	Lease liability	3,251,475	

THE END