

THE INSTITUTE OF CORPORATE SECRETARIES OF PAKISTAN
C.I.S. EXAMINATION JANUARY 2013
MODULE A PAPER: INTRODUCTION TO ACCOUNTING GROUP I

Time allowed 3 Hours

Max. Marks : 100

Instructions: Attempt all questions and submit workings, which will be treated as part of answer.

Marks 15

Q1. Choose the most appropriate answer(s) in the following multiple-choice questions:

- a) Classify the following accounts into Profit & Loss A/c or Balance Sheet.
- i.) Revenue. ii.) Prepayments. iii.) Bank charges
- b) The syllabus of accounting may be recording of financial transactions to its reporting standards. Where the Contingent Liability is quantified in the financial statements?
- i.) Balance Sheet. ii.) Provision or Appropriations. iii.) Notes to the Accounts.
- c) What financial statement i.e., Balance Sheet, Profit & Loss A/c, and Cash Flow Statement will be required for analyzing following ratios?
- i.) Current ratio. ii.) Net Profit ratio. iii.) Net worth.
- d) A business is a sole distributor of a manufacturing company. The terms of contract of sole distributorship is being cancelled on June 30, 2013, and there is no chance of renewal of business. While reporting audit of the accounts, what will be the principle which would be highlighted?
- i.) Consistency. ii.) Prudence. iii.) Going-concern.
- e) At the end of the accounting period Stock in trade is valued at over balance. Stock is increased; what account will be decreased?
- i) Bank account. ii.) Liability. iii.) Cost of Sales.
- f) What is the difference between Ordinary Shares of the company and Preference Shares of the company?
- i.) Both are Equity. ii.) Liability. iii.) Dividend payment liability.
- g) What is the Double-Entry system in accounting?
- i.) Transaction is financial. ii.) Track of transaction at price or liability. iii.) Balancing of Trial Balance.

- h.) A proprietor of a business is asked why not do the regular accounting. He said what's use just waste of time, when already I take along extra cash in the day end. Choose any one option from the following reasons.
- i.) Accounting reporting is your cash and bank balance. ii.) Accounting is hard paper record. iii.) There is a strictness to follow accounting by law and avoidance of penalty or suspension of business.
- i.) What indicates Current Assets are equal to Current Liabilities?
- i.) Trial balance is balanced. ii.) Equal earnings and expense.
iii) Company is able to meet its current liabilities obligations.
- k.) What Debt to Equity ratio is 60:40. The Equity of the company is Rs.10.0 million, what will be the amount of Debt of the company.
- i.) Rs.6.0 million. ii.) Rs.4.0 million. iii.) Rs.15.0 million.
- l.) What constitute in the Equity of the company?
- i.) Share Capital and Reserves ii.) Directors' Loan iii.) Directors' Current Account.
- m.) The Company has option in long term sales contract. Contract sales price is a bit lower than general sales but is yielding net surplus on contract. The company has constraint of liquidity in fund investment in inventory. What criterion the management will give weight in opting of such contract?
- i.) Profit will increase. ii.) Advance against sales. iii.) Market capture.
- n.) A Trial Balance shows Suspense account. What it indicates?
- i.) Debit and Credit of Trial Balance is unequal. ii.) Hiding of some accounts. iii.) Prior year's adjustment.
- o.) When Cost of Sales is higher than Sales. What will be the result?
- i.) Gross Loss. ii.) Expenses. iii.) Net Profit
- p.) The current year's Sales has been increased over previous year's Sales. The sale price was remained same in both the years. As a result, Gross profit is increased in the current year. What factor will be the reason of such increases in the aforementioned indicators?
- i.) Increase in Sales volume. ii.) Increase in Cost of sales. iii.) Decrease in Cost of sales

Q2 Following are the balances of debtors and creditors. Prepare the list of Debtors (Receivables) and list of Creditors (Payables), from the data given below: (5)

Parties	Debtors (Rupees)	Parties	Creditors (Rupees)
Asim& co.	500,000	M/s Kamran	800,000
Gul Traders	(100,000)	Israr& partners	(200,000)
QayyumPvt Ltd.	900,000	Simran Associates	200,000
Ayub Enterprises	<u>(100,000)</u>	A-Zee Distributors	<u>(100,000)</u>
Net Debtors Accounts	1,200,000	Net Creditors Accounts	700,000
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Q3 A Management Information System (M.I.S.) is asked by the Director of the company from his CFO, the total Inflows and Outflows of Cash and Bank accounts of the second week ending of May 15, 2012, by duly separate headings as Cash and Bank Inflows and Cash and Bank Outflows. Following are the in formations for the week for required M.I.S. (5)

a.) Cash and Bank balance as on May 8, 2012.	Rs.	1,000,000
b.) Collections from debtors during the week ending May 15, 2012.		15,000,000
c.) Computer purchased on cash		100,000
d.) Payments to the creditors		5,000,000
e.) Short term finance obtained from bank		1,000,000
f.) Investment in fixed security is made		1,000,000
g.) Expenses are paid		800,000
h.) Cheques for payments prepared but not delivered to parties		500,000
i.) Bills of expenses are outstanding		1,000,000

Prepare the Cash and Bank balances position as for week ending March 15, 2012.

Q4 Describe any **four (4)** from the following accounting and business terms: (10)

a.) Net worth of the company.	e.) Stock in trade
b.) Depreciation and Amortization.	f.) Trade in value in fixed assets.
c.) Unearned Income.	g.) Trade creditors.
d.) Borrowing cost.	

Q5 Ahmed and Saleem as association of persons entered in an Interior designing venture jointly of an Auditorium. They belong to different professions. The terms of profit sharing will be equal to proportion of investments in the joint venture by both the associates. The contract money is Rs. 5.0 million. (10)

a.) Mobilization advance by the Auditorium management	Rs.	1,000,000
b.) Ahmed supplied tiles	Rs.	750,000
c.) Saleem supplied cement and bonding material	Rs.	200,000
d.) Ahmed paid transportation cost	Rs.	50,000
e.) Saleem supplied audio-visual equipments	Rs.	600,000
f.) Saleem paid labour charges	Rs.	200,000
g.) Loss in handling material in general	Rs.	50,000
h.) Polishing charges paid	Rs.	100,000
i.) Miscellaneous expenses incurred	Rs.	100,000
j.) Electrical goods purchased	Rs.	200,000
k.) Architechtural outsources fee	Rs.	100,000
l.) Saleem paid wood works cost	Rs.	200,000
m.) Final contract money is received by Ahmed and Saleem	Rs.	4,000,000

You are required to :

- 1.) Determine the net receipts from the venture.
- 2.) Determine the Gain to each associate, Ahmed and Saleem, from the joint project.

Q6 Prepare the **Balance Sheet** and **Profit and Loss Accounts** for the financial period ending June 30, 2012 of M/s Raheem Glass (Pvt.) Ltd, from the following adjusted trial balance as on June 30, 2012. **(15)**

Accounts	Debit (Rupees)	Credit (Rupees)
Share Capital (100,000 ordinary shares of Rs.10/- each).		1,000,000
Long term loans		300,000
Deferred liabilities		40,000
Sales		3,674,000
Sales tax	587,840	
Short term borrowings		200,000
Trade creditors		300,000
Provision for taxation		100,000
Proposed dividend		50,000
Tangible fixed assets	1,000,000	
Accumulated depreciation		190,000
Long term investments	1,000,000	
Stock-in-trade	300,000	
Trade debtors	248,000	
Cash and Bank balances	160,000	
Cost of Sales	1,980,000	
Operating expenses	500,000	
Financial expenses	28,160	

Investment income		100,000
Taxation for the year	100,000	
Dividend declared	50,000	
Total	5,954,000	5,954,000

Other information :

Depreciation for the year is charged in accumulated depreciation in the adjusted trial balance, of Rs. 90,000/-.

Q7 Second Skin Clothing Company Ltd., has two branches one in Lahore other in Islamabad, Head office at Karachi. The principal business of the company is sale of clothes. From the information given below: **(15)**

- 1 Consolidate the Profit and Loss of the company in **columnar form** as head office, and each branches to **grouping into the total of Profit and Loss Account**, and,
- 2 **Balance Sheet** of the Company as at June 30, 2012.
- 3

	<u>Karachi</u>	<u>Lahore</u>	<u>Islamabad</u>
<u>Rupees in thousand</u>			
Share capital	5,500		
Inappropriated Profit, July1,2011	2,210		
Net tangible fixed assets	2,490		
Advance to suppliers	230		
Opening inventory	1,000	500	600
Inventory purchased	2,500	500	300
Inventory dispatched to Lahore	(500)	500	
Inventory received from Islamabad	300		(300)
Sales	4,000	2,000	1,500
Cost of inventory sold	2,500	1,000	300
Closing inventory	800	500	300
Operating expenses	500	250	200
Financial expenses	60	10	10
Cash & Bank balance, July1, 2011	2,000	800	400
Cash & Bank balance, June 30, 2012	6,050	200	100
Trade debtors	800	200	50
Trade creditors	430	130	100
Short term borrowings	500		
Accrued expenses	100		
Taxation	25%		

Bank remittances from branches during the year:

Lahore	1,770
Islamabad	1,340

Q8 Prepare the **Adjusting** and **correcting** entries from the following information. **(10)**

- a.) Depreciation for the year Rs. 100,000.
- b.) Bad debts are written off by Rs. 50,000.
- c.) Prepaid insurance of Rs. 50,000 is expired on June 30, 2012.
- d.) Closing stock of Rs. 200,000 is debited in Sales.
- e.) Stock in hand of Rs. 300,000 is debited while the goods were in transit.

Q9 Prepare **Income Statement** as on June 30, 2012 from the following data: **(10)**

Sales revenue	Rs.	1,000,000
Gross profit ratio to Sales revenue		30%
Operating expenses ratio to Sales revenue		10%
Taxation on the Profit		5%
Accumulated Profit as on July 1, 2011		1,000,000
Appropriation to Reserves		500,000

Q10 Following are the comparative data. **Analyse the changes** in amount and percentage. In the light of inflation and energy crises what can be the reasons to support the changes? **(5)**

	2012 (Rs.)	2011 (Rs.)
Sales	5,000,000	4,000,000
Cost of Sales	<u>3,500,000</u>	<u>2,000,000</u>
Gross Profit	1,500,000	2,000,000
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