

**INSTITUTE OF CORPORATE SECRETARIES OF PAKISTAN**  
**CIS EXAMINATION JANUARY 2011**  
**INTRODUCTION TO ACCOUNTING**

**Time allowed: 3 hours**

**Max Marks: 100**

**Note: Attempt all questions and submit workings**

<b>Q No</b>	<b>Description</b>	<b>Marks</b>
Q-1	<p>Select the most appropriate answer of the following statements:</p> <p>(a) Debits may be used to increase assets, but they may also used to</p> <p>(i) increase owners' equity      (ii) increase liabilities</p> <p>(iii) increase expenses.</p> <p>(b) Net increase in owners' equity resulting from business operation is called</p> <p>(i) revenue      (ii) asset      (iii) net income</p> <p>(c.) Income and expenditure account is</p> <p>(i) a personal account      (ii) a real account      (iii) a nominal account</p> <p>(d) When goods are purchased for joint venture, the amount is debited to</p> <p>(i) venturer's capital account      (ii) purchases account</p> <p>(iii) joint venture account</p> <p>(e) If rate of gross profit is 25% of sales and cost of goods sold is Rs 100,000, thousand of gross profit will be</p> <p>(i) Rs 25,000      (ii) Rs 20,000      (iii) 33,333.</p>	(10)
Q-2	<p>Gulab Ltd purchased on 1<sup>st</sup> October 2007 of certain machinery for Rs 5.8 million and spent Rs. 0.2 million on its erection. On 1<sup>st</sup> April 2008, additional machinery costing Rs 2.0 million was purchased. On 1<sup>st</sup> April 2010 the first machinery having become obsolete was auctioned for Rs 2.86 million and on the date new machinery was purchased at a cost of Rs 4.0 million. Depreciation was provided 2.5% on quarterly basis on written down value</p> <p><b>Required: Machinery account for three years ended September 30, 2010.</b></p>	(15)
Q-3	<p>Define any five of the following terms of Accounting:</p> <p>i) Going Concern      ii) Asset Turnover</p> <p>iii) Consistency      iv) Equity Method</p> <p>v) Realization      vi) Materiality</p> <p>vii) Cost benefit      viii) Cost Concept</p>	(20)

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Q No	Description	Marks
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**Q-4** The books of accounts of Kamil & Co. Ltd. Show the following balances as on 30<sup>th</sup> September 2010.

<u>Particulars</u>	<u>Rs in '000</u>	<u>Particulars</u>	<u>Rs in '000</u>
Factory & Office Building	10,000	Paid-up Capital	10,000
Plant & Machinery	27,000	General Reserve	12,000
Vehicles	4,000	Retained Earning	3,000
Inventory	6,000	Long Term Loans	20,000
Accounts Receivable	8,000	Accounts Payable	4,000
Cash & Bank Balance	8,000	Misc. Income	2,000
Cost of goods sold	49,000	Sales (Net)	79,000
Administrative expenses	7,000		
Distribution expenses	9,000		
Mark-up charges	2,000		

The following additional information are also available:

- i) The authorized capital of the Company is 2.0 million shares of Rs 10 each.
- ii) Provide depreciation @ 10% p.a. on building & machinery and 10% on vehicles.
- iii) Provide Rs 1.0 million as mark-up payable on the long term loans.
- iv) Provide Rs 1.0 million as accrued administrative expenses.
- v) Provide Rs 3.0 million as taxation charges.
- vi) Transfer Rs 4.0 million to general reserve.

**Required:** Prepare Financial Statements of the Company for the year ended September 30, 2010 as required by the Companies Ordinance, 1984 and International Financial Reporting Standards as applicable in Pakistan (30)

**Q-5** Explain why net income differs from net cash flow from operating income? (6)

**Q-6** Explain the major steps in achieving internal control over cash transactions (7)

**Q-7** The following are the financial data of Taj & Co. Ltd.

- i) Inventory Turnover ratio – 5 Times
  - ii) Acid test ratio 1.2
  - iii) Current liabilities – Rs 800,000
  - iv) Current Ratio 1.5
- (12)

**Required:** Determine Sales of the Company.