# THE INSTITUTE OF CORPORATE SECRETARIES OF PAKISTAN C.I.S EXAMINATION JULY 2012 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 a part of answer.

Q1. Choose the right answers from the following situations:
a) When current assets are equal to current liabilities. What will the current ratio :
i) $\quad 1: 1$
ii) $\quad 2: 2$
iii) $3: 1$
b) The balance of Un-appropriated profit in the balance sheet as under is shown as :
Current year balance
Rs. 1,250,000
Previous year balance
Rs. 1,000,000
i) Net Profit
ii) Reserves
iii) Assets
c) When $16 \%$ Sales Tax is Rs. 16,000 , what will the Sales value :
i)
Rs. 100,000
ii)
Rs. 116,000
iii) Rs. 84,000
d) Classify the advances from customer into :
i) Debtors
ii) Liabilities
iii) Deposits
e) What is the main purpose of maintenance of Bank Book on transaction basis :
i) Receipts \& Payments
ii) Maintain serial order of cheques
iii) Bank reconciliation
f) What is the particular cost control?
i) Purchases verification
ii) Sales enhancement
iii) Low inventory maintenance.
g) When the creditors at end of the year is increased what will the impact on cash flow:
i) Increase in Cash flow
ii) Decrease in Cash flow
iii) Increase in bank balances.
h) The nature of assets is Debit. Expenses are also debited. What it means as expenses are debited:
i) Services are earned
ii) Payments are made
iii) Loss is incurred.
i) The Company has a Share Capital of Rs. 10,000,000 (1,000,000 ordinary shares of Rs. 10/- each). The Board of Directors of the Company has announced a dividend of Re. 0.50 per share. What will be the percentage of dividend declared?
i) $5 \%$
ii) $10 \%$
iii) $15 \%$
j) The achievement from the quarterly Budgeted Sales target of Rs. 5,000,000, actual sales was Rs. $4,500,000$. What is the variance in percentage and whether is favourable or unfavourable :
i) $10 \%$
ii) $5 \%$
iii) $4.5 \%$

Q2. Explain any five (5) of the following accounting terms used in financial statements

| a. | Accounting policies | b. | Current assets |
| :---: | :--- | :---: | :--- |
| c. | Current maturity of Long <br> Term Loans | d. | Treatment of normal wear and <br> tear in fixed assets |
| e. | Cost of production | f. | Administrative overheads |
| g. | Share Capital | h. | Preliminary expenses |
| i. | Gross Profit |  |  |

Q3. What is the Revenue Recognition, when the accounting policies are as under:
a) Sales are recognized on dispatch of goods to the customers.
b) Income on investment is recognized on time basis.
c) Dividends are recognized on receipts of dividend warrants.
d) Invoices to the customers are raised during the year of Rs. 4,000,000. Some of the receipts of the invoices are received after year end i.e., 30 June 2012, amounting Rs. 500,000.
e) $10 \%$ per annum interest on investment of Rs. 1,200,000 is due on 31 July 2012.
f) Dividend warrant of Rs. 100,000 is received on 10 July 2012.
g) Calculate the revenue to report in Profit \& Loss A/c for the year ending 30 June 2012.

Q4. a) Prepare a Bank Reconciliation Statement as on June 30, 2012 from the following information:

| Particulars | Rupees |
| :--- | ---: |
| Balance as per Bank Statement on 30 June 2012 | $1,000,000$ |
| Cheques issued but not presented in the Bank | 200,000 |
| Cheques deposited but not credited by the Bank | 100,000 |
| On-line deposits in the Bank but not recorded in Bank <br> Book/Ledger | 500,000 |
| Bank charges not recorded in bank book/ledger | 20,000 |
| Post dated cheques issued and recorded in bank book ledger but <br> are not become due on 30 June 2012 | 200,000 |

b) What will be reported bank balance for the balance sheet as at 30 June 2012?

Q5. Prepare the adjusted Trial Balance of ABC Company for the year ending June 30, 2012 from the following data and adjustments given hereunder:

| Debit balances | Amount | Credit balances | Amount |
| :--- | ---: | :--- | ---: |
| Fixed assets -Net | 800,000 | Capital | 500,000 |
| Investment | 200,000 | Retained earnings | 200,000 |
| Stocks | 240,000 | Sales | 600,000 |
| Debtors | 150,000 | Short term loans | 100,000 |
| Prepaid rent | 12,000 | Short term loans | 100,000 |
| Cash \& Bank balances | 50,000 | Creditors | 50,000 |
|  |  | Accrued expenses | 2,000 |
|  |  |  |  |
| Total | $\mathbf{1 , 4 5 2 , 0 0 0}$ | Total | $\mathbf{1 , 4 5 2 , 0 0 0}$ |

## Additional Information:

Following adjustments are required in the above accounts:
i) Depreciation is to be provided @ $10 \%$ per annum on straight-line basis on net fixed assets.
ii) The management has decided to write off the debtors by the amount of Rs. 50,000 being more than three years old.
iii) In a lawsuit, it has been decided that the company is liable to compensate to debtors for short sales of Rs.10,000.
iv) Rent is paid in advance for the year and is due on September 1, 2012 no adjustment has been made in the accounts as yet.
v) $10 \%$ annual interest income is due on September 30, 2012.
vi) Quarterly payment of mark up on short term loan is due on $31^{\text {st }}$ July 2012 @ $15 \%$ per annum.
vii) A receipt of Rs. 40,000 as advances from customers is recorded as sales.
viii) A physical count of stock shows a decrease over the book balance by Rs. 10,000 . The company normally shows as 'Stock Loss' and charge the cost in the income statement.
ix) Unpaid expense bills on June 30, 2012 are of Rs. 10,000.

Q6. Prepare the Profit \& Loss account and Balance Sheet of AB \& Co. (Pvt) Ltd. for the year ending June 30, 2012.

Collections from customers during the year
Opening debtors
Opening Capital
Investment by owner during the year
Purchases
(Rs.in '000')
5,000
100
600
50
4,200
Creditors 200
Operating expenses 500
Fixed assets -net 1,000
Depreciation for the year on fixed assets-net balance $10 \%$
Unpaid expense bills on June 30, 201250
Debtors at end 200
Taxation for the year $20 \%$
Stock at end ..... 400
Advances to suppliers of goods ..... 240
Cash \& Bank balances ..... 100
Un-appropriated Profit \& (Loss) balance ..... 100

Q7. Find out the amount debtors at end of the year from the following information:
Debtors at beginning of the year ..... 200(Rs. in '000)
Sales during the year Ches for ..... 5,000
Cheques from customers received \& deposited ..... 4,000
Cheques dishonoured ..... 60
Sales return ..... 20
Sales discount ..... 30
Ascertained bad debts ..... 50

Q8. Pass the necessary journal entries to correct the errors and omission occurred in data:
a) Stock of Rs. 5,000 has been debited to Accounts Receivables.
b) A party of Payable is paid Rs.10,000 and entered in Accounts Receivables.
c) Sales of Rs. 15,000 are entered in Sales Return account.
d) Bad debts of Rs. 5,000 are debited to Sales account.
e) A remittance of Rs. 100,000 in bank from export sales is not recorded in the book.
f) Depreciation expense on fixed assets of Rs. 10,000 is credited to bank account.

